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NYC real estate market shines amid gloomy recovery

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Real estate brokers elsewhere in the United States may have all the reasons to feel discouraged: The pick-up in housing market soon faded after the expiration of tax rebates. Housing start fell to the lowest point since October. So was developers' confidence, freezing at a 15-month low.

However, in New York City, where the financial crisis originated, the sentiment is boiling. No matter residential or commercial, the housing market has been on a fast track to a steady and strong growth. Some even claim that the market has already bidden farewell to the bottom.

ESCALATING SALES

Data from major New York real estate companies and associations so far this year have painted a rosy picture.

The Real Estate Board of New York (REBNY), the city's leading trade association with 12,000 members, said in its quarterly report that the total dollar value of residential property sales soared 72 percent to $7.6 billion in the second quarter this year from the same quarter in 2009.

Meanwhile, citywide sales volume jumped 65 percent, with apartment sales in Manhattan up a dramatic 82 percent. And the average housing prices rose by 15 percent from the same period last year.

In a separate survey of the New York residential brokers, REBNY found that "residential rental market is on the fastest track to recovery."

The survey result showed that 71 percent of brokers reported closing sales this quarter compared to 61 percent in second quarter 2009. And 61 percent of the brokers reported that rental transactions closed at or above asking price in the three months ended in June, compared with 29 percent in the same period last year.

On commercial side, investment activity has increased dramatically as well. In its first half-year report 2010, New York City's number one building sales firm Massey Knakal Realty Services announced that the total number of properties sold citywide through mid-year was up an impressive 24 percent from the first half of 2009. Moreover, the second quarter logged a 22- percent growth from the first quarter this year.

"Based on the last six quarters of data, we can now point to the bottom of the market from an activity perspective," said Massey Knakal Chairman and Founding Partner Robert A. Knakal. "It is now clear that the summer of 2009 will be known as the bottom of sales activity."

DRAMATIC DEALS

Compared with the data, eye-popping property sales deals have been a bigger booster for market momentum.

It was revealed in late July that a mysterious Russian tycoon was set to purchase the posh Duke mansion on Fifth Avenue for $40 million, the biggest townhouse sale in the city since the start of the recession.

The home, which sits on the corner of East 82nd Street, opposite to the Metropolitan Museum of Art, has been a landmark since 1974 and is one of only a handful of private residential mansions left on the Gold Coast of Fifth Avenue.

Just a few days later, media reported that the Conde Nast Publishing Group, which operates magazines including Vogue, New Yorker, and Vanity Fair, has agreed to tentative terms with the Port Authority of New York and New Jersey to move into about a million square feet at One World Trade Center, which will complete construction in 2013 on the corner of Ground Zero.

Conde Nast's current headquarters are at Four Times Square, namely the Conde Nast building, which is the 12th tallest building in New York City and has been featured in various shows and movies. But in a bid to "modernize" its office and to put all business in one location, as said in an internal note to Conde Nast employees, the publisher decided to move to lower Manhattan, boosting the momentum in local market.

More exciting to the brokers were the rumors that there have already been proposals from financial companies to take the whole one million square feet at the Four Times Square once Conde Nast would leave.

INVESTMENT OPPORTUNITIES

Despite a gloomy bigger picture of the housing market in the United States, it is not surprising that New York City has been able to stay ahead of the recovery.

Firstly, the city suffered much less during the housing bubble burst. The quality of mortgages in New York has been relatively high, with a low number of sub-prime mortgages. Sellers here usually have a stricter standard for buyers' credit record and ability to pay. Meanwhile, many century-old New York developers have maintained a sound and cautious operating model, rarely exposing to risky leverages.

Housing prices in New York City did not take a free dive during the crisis. Data showed that Manhattan's median housing price is down about 20 percent from its peak time, much better than Miami or Las Vegas where price has halved.

Recovery in the financial industry contributed a lot to the housing market comeback. Financial and related industries are the engine of New York economy. During the downtime, companies had to cut costs wherever possible. Lay-offs and closing down offices were often seen.

But major Wall Street banks have returned to huge profit since 2009, and business expansion as well as new hiring activities would mean more demand for office.

Another factor pushing up New York properties is the overseas capital. The big price drop during the crisis presented a perfect opportunity for those foreign investors with a more sound financial status.

The euro has weakened a total of 10 percent against the dollar so far this year. The sovereign debt crisis in Europe and speculation of a rising greenback prompted large capital flow into the United States. Many brokerage companies, including Massey Knakal Realty Services, revealed that they have reached big deals with foreign investors, and the proposals and sales from overseas are still on the rise.

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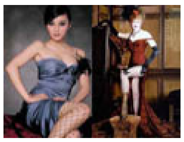
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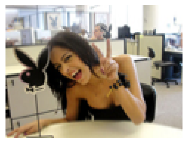
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