# Luxury Market Sluggish, But Should Improve, Insiders Expect

CRAIG J. McGUIRE

NEW YORK CITY — The usually booming market for ultra-luxury residential properties in Manhattan has stumbled as of late under the weight of war anxiety and economic uncertainty. However, eyeing on the horizon what could be a relatively quick extrication from the conflict in Iraq, some real estate experts expect significant high-end growth ahead.

Over the last 18 months, most real estate experts agree that the market in New York City for properties valued more than $1 million has remained relatively flat, if not having declined modestly.

Comparatively speaking, during that same period of time, affluent communities in California enjoyed significant growth in both sales volume and pricing, according to a recent report tracking home sales for more than $1 million issued by **First Republic Bank**, a national lender.

Specifically, last year while New York luxury real estate brokers struggled to keep pace with the sales numbers they posted in 2001, their counterparts in Los Angeles sold 3.6% more properties valued at more than $1 million, according to First Republic.

Moreover, during the fourth quarter last year, when realtors in Manhattan were reporting slight declines in pricing on luxury homes, comparable properties in Los Angeles actually increased to $1.34 million, their highest level since 1992.

"Los Angeles and San Diego values are at or near all-time highs, while San Francisco values are stable after coming down off their peak in 2001," said **Katherine August-deWilde**, chief operating officer of **First Republic**.

In New York, though, it has been a different story. A report released earlier this year from **Stribling & Associates, Ltd**., the realty company, portrayed luxury sales in the Upper East Side and Upper West Side as flat, but much less favorable news for the market downtown Manhattan.

"The downtown market has shown some inconsistencies in contrast to the uptown market, as townhouse sales downtown declined in 2002 versus the previous year," stated the Stribling report. "Condominium re-sales downtown have also lagged, in part due to competition from new construction projects. However, there is an upsurge in downtown sales as we enter 2003, with an optimistic outlook as we move forward in the year."

**'SUPER' LUX DECLINES**

Where the luxury market in New York has felt considerable pain has been in properties valued above $7 million, which many consider demarcates the lower end of the so-called super luxury category.

"Especially during the months leading up to the War, people just did not want their names associated with high-end sales," said **Pamela Liebman**, president and chief executive, **The Corcoran Group**. "This has placed a serious pause on the sale of super luxury properties."

Even as properties priced more than $1 million across the nation sell faster, and for more money, than they do in New York, realtors in these same communities are feeling the same pressure in the super luxury category their counterparts in New York deal with, if not as acutely.

"In the 'exotic' market, over $7 million, sure, it's been a little quieter," said B**etty Graham**, manager of the **Coldwell Banker Beverly Hills North** office located in Beverly Hills. "The over $7 million exotic market is slower, however, I have to say we're still holding second and third showings for properties even listed at $60 million. That's being driven by the entertainment industry, which is probably why Los Angeles has extra activity in comparison to the rest of the country."

**A SELLERS MARKET**

New York City has always boasted some of the prime real estate in the world, from the plush lofts of SoHo and TriBeCa, to the ultra-luxury co-ops and condos perched atop glistening towers in Midtown, to the impressive brownstones uptown, and rows of tony real estate the spreads both east and west from Central Park.

Considering all the city has to offer, New York will always have an enviable ultra-luxury real estate market, even if it has lost some of its luster in this, what many are calling the Sept. 12 era.

Whereas, traditionally New York has had a somewhat limited supply of truly high-end properties, in a city where real estate is already at a premium, sellers have often been able to set their own prices.

Today, though, that is not the case. It is clearly a sellers market.

"In the very high end super luxury area we have noticed that there may be more low bidding by prospective buyers," said **Elizabeth F. Stribling**, president, **Stribling & Associates**. "The reality is that people are more cautious in these times and some tend to bid at lower prices."

**MORE MONEY, MORE RISK**

While most realtors obviously downplay the effects of the war on their business, industry experts say that, undeniably, the war has a very profound affect on every aspect of the real estate industry, because it has a very profound affect on the American public.

Considering that the stakes are higher when transacting multi-million-dollar homes, the pressure is much higher in the luxury segment, said **Stephen E. Roulac**, president of the **Roulac Group, Inc**., a realty group.

"Places whose high-end housing markets are more vulnerable than others are those that are both higher priced, absolutely and relative to other places and especially media-sensitive markets, such as New York, San Francisco and Washington, D.C." said Roulac. "As a general rule, the greater the price divergence of property in a particular place relative to the properties in surrounding places, the greater the impact will be.

"With showings in some segments of the high end market off as much as 80%, or even more from what they were three years ago, meaning that an open house that might have attracted 25 prospects might now be lucky to get four or five, those who do have interest in this market have a big competitive advantage, relative to their conditions in earlier times," Roulac added.

**PICTURE BRIGHTENING**

Inevitably, the inherent advantages of living in NY dictate the luxury market will recover. And, though such economic uncertainty and war anxiety may have dampened interest, the real estate market in general has proven remarkably resilient over the last several years.

Despite the economic volatility of 2002, the real estate market managed to hold its own, driven almost entirely by New York residents, low interest rates and the perception that the real estate market is a better place to invest than the stock market," said **Kirk Henckels**, Stribling & Associates' senior vice president and director of private brokerage.

Most real estate experts expect that should there be a relatively quick resolution to the conflict in Iraq, which includes the U.S. extricating itself from what appears to be a prolonged rebuilding process ahead, things should pick up. This should also help spur interest in high-end luxury properties.

"I suspect that there will be a surge in the high-end market (over $3 million) after the war when the stock market rebounds and investors put more money into it," said Coldwell's Graham. "As confidence in the world goes up, they'll stop watching and start making moves."

## In A New York State of Mind

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The bargain pricing currently inherent in the ultra-luxury real estate market in the New York area has apparently conditioned some speculators to unrealistically expect comparable deals in other markets. That is according to John Lotus, senior loan officer, First West Lending Corp., Los Angeles.

Lotus, who has been a loan officer for the last seven years, said that he was recently contacted by a client who had moved out to California from the New York/New Jersey area earlier this year, and wanted to look at properties in certain affluent neighborhoods of Los Angeles.

"I forwarded him the addresses for three listings, each priced at around $750,000," Lotus continued. "But he responded that he didn't want to but three houses.

"Somewhat puzzled, I asked him what he meant," Lotus said. "He thought the sales price was for all three houses combined, and he completely freaked out when I told him that the houses were $750,000 each."