

Records of 2007

Still one for the books

There's no doubt about it, last year was a roller coaster of a year with extreme highs and lows for real estate. While New York City suffered a slowdown caused by the credit crisis, more pain was felt elsewhere in the country, and there were still plenty of impressive deals that happened here.

This month, *The Real Deal* examines some of 2007's biggest real estate highlights. We looked at deals and statistics through mid-December and found that despite the worrisome headlines and concerns that Wall Street bonuses would crimp spending, New York City broke real estate records in multiple categories – although a number of them occurred before the summer credit debacle.

For example, sales volume for Manhattan apartments reached a high in the first quarter of the year with 1,703 sales, the greatest number recorded since at least 1989, according to appraiser Jonathan Miller, executive vice president and research director for Radar Logic.

“I think a lot of the records in various categories largely occurred in the first half of the year, or the first three quarters of the year. There was tremendous momentum,” Miller said, citing the bonus payouts in early 2007 and the sharp drop in the value of the dollar.

While rigorous co-op board standards have often been a source of frustration for New Yorkers, they helped shield the city from the subprime fallout. Co-ops – which outnumber condos by three to one in the city – frown upon buyers using the kinds of exotic mortgages that contributed to the mortgage meltdown in other parts of the country.

“Rigorous financial requirements of co-ops and equally demanding contract demands of developers who require hefty deposits and do not allow assignments of contracts before closing have kept our market strong,” said Elizabeth Stribling, president of Stribling & Associates. She also said foreign investment in New York and the lack of inventory helped to insulate the market.

Stribling & Associates is the exclusive sales agent for the Plaza Hotel Residences, where developer Harry Macklowe set a new apartment sales record with the \$60 million purchase of close to an entire floor. Earlier in the year, six units sold in the hotel for \$51.5 million.

Co-ops were also record breakers.

A sale at 1060 Fifth Avenue for \$46 million reached an all-time record for a Manhattan co-op. The 17-

room, seven-bedroom duplex penthouse topped the record \$44 million Rupert Murdoch paid for his 834 Fifth Avenue triplex in 2005.

Manhattan condo and co-op unit average prices peaked in the third quarter at a record \$1.37 million. The average price per square foot also broke a record in the borough at \$1,144. Those figures were based on contracts signed early in the year.

While the market clearly slowed near the end of the year, for much of 2007, sales in new developments were brisk.

Hotelier André Balazs repeatedly beat his own records with sales in his William Beaver House condo in the Financial District. Balazs sold the second of three penthouse units in the building for \$5.7 million, or \$3,512 a square foot, he said. That was likely the highest price-per-square-foot in a one-unit sale in the Financial District, Miller said.

Other notable sales Downtown included a townhouse at 11 West 10th Street, the most expensive residential sale Downtown at \$33.14 million. And, at One Madison Park, a \$31 million sale set a record price for an apartment below 57th Street.

As for 2008, appraiser Miller said he thinks there will not be as many residential record-breaking deals. "I think the credit situation is not going to be resolved overnight. That provides a drag on the number of sales."

In commercial real estate in New York City, the market was strongest in the first two quarters of the year and slowed in the second half of the year after the credit crisis, as fears of a ripple effect and more stringent lending standards took hold. But as a whole, 2007 was not all bad.

"I think [2007] is going to be a record volume-wise in almost all property types. The first three quarters of the year will pull the whole year to the top," said Eric Anton, executive director at Eastern Consolidated. "Fourth-quarter 2007 versus fourth-quarter 2006 will probably see a decline due to the credit crunch. Moving into 2008, volume is slowing down, but prices have not dropped in Manhattan by much, if anything."

By the end of November, Manhattan building sales reached \$50.26 billion, an all-time record. For the same period in 2006, sales were at \$42.64 billion, according to Cushman & Wakefield.

While 2006 takes the prize for the largest single building sale in U.S. history and the largest single asset sale in the U.S. (the sale of 666 Fifth Avenue for \$1.8 billion and the sale of Stuyvesant Town and Peter Cooper Village for more than \$5 billion), the record for the highest commercial price per square foot was set in 2007, showing the good times continued through at least part of the year.

The sale of 60 Wall Street for a record \$1.2 billion – the highest-ever price fetched for an office building Downtown – was a sign that the Downtown commercial market, as well as the residential market, was showing strength in stark contrast to its earlier post-Sept. 11 days.

Overall, "A combination of entity transactions and great appreciation in property values led to a record-breaking investment sales year in 2007," said Richard Baxter, an executive vice president at Cushman & Wakefield. "In spite of the credit crisis, the fundamentals of the Manhattan market remain extremely strong, and there were heavy equity players here. These factors enabled several large, high-profile

transactions to close in the second half of the year.”

While not records, those mega-deals that closed in the second half of the year included SL Green’s purchase of 388-390 Greenwich for more than \$1.5 billion, the fourth-largest building sale in U.S. history.

“It was a very strong year,” said Howard Fiddle, vice chairman of CB Richard Ellis.

Rents were skyrocketing until the summer credit crunch. Since then, they have continued to rise, Fiddle said, just not at the same pace. “I think that the market is still fundamentally supply-constrained.” Wall Street job losses coupled with the major banks shedding space are still a looming concern for brokers, as the office leasing market is now weakening.

But while financial firms are suffering, Lower Manhattan is becoming more diversified and less reliant on finance with major creative firms taking record-setting leases.

So what does 2008 have in store for the city’s office leasing market? Will there be any records set at all?

“There might be a small dip in volume because a lot of the big renewal and new leases were arranged last year,” Fiddle said.

“I think the rents are going to hold up” this year.

Research by Ronit Socoloff

Still a Benchmark Year: From Downtown townhouse sales to Hamptons estates, a look at the new barriers broken

Despite the summer’s credit crisis, there were a lot of real estate-related records broken in 2007, from the highest price paid for an apartment, to record Manhattan office rents, to a growth in the number of families in city shelters.

Following are some of the achievements of 2007:

Developer Harry Macklowe set a new apartment sales record with the \$60 million purchase of seven contiguous condos, amounting to 13,000 square feet, in the Plaza. Earlier in the year, six units sold in the hotel for \$51.5 million.

Also at the Plaza, the total value in sales for the hotel’s 181 condos was expected to reach \$2.4 billion, which would amount to the highest-ever sales total for a condo project in North America.

A sale at 1060 Fifth Avenue for \$46 million set an all-time record for a New York City co-op deal. Writer Georgia Shreve sold a duplex penthouse in the building to hedge-funder Scott Bommer and his wife, former TV anchorwoman Donya. The previous record was Rupert Murdoch’s purchase of a \$44 million triplex at 834 Fifth Avenue in 2005.

One Madison Park saw a \$31 million sale, a record price for an apartment below 57th Street.

Somerset Partners purchased 450 Park Avenue for \$1,566 a square foot, or \$509 million, the most money shelled out for a United States office building on a per-square-foot basis.

A residential development in Harlem, Loft 124 at 138 West 124th Street, scored the record price for a condo north of 110th Street at \$1,007 a square foot, according to exclusive sales agent Corcoran Group Marketing. The two-bedroom, 1,300-square-foot penthouse is on the 11th floor and has four exposures. Also in Harlem, a Central Park-facing, 5,500-square-foot condo at the newly completed 111 Central Park North sold for \$6.6 million, apparently a Harlem record.

A townhouse at 11 West 10th Street became the most expensive residential sale Downtown at \$33.14 million.

Seagram heir Michael Bronfman sold his 25-room mansion at 7 East 67th Street for \$33 million, a record for a townhouse less than 26 feet wide, and the first townhouse of that size with a price exceeding \$30 million.

The average apartment sales price in Manhattan reached a record of \$1.37 million, and the average price per square foot broke a record at \$1,144 during the third quarter.

Financier Ron Baron paid \$103 million for a 40-acre ocean-front residential property in East Hampton, N.Y., a record price for a residential transaction in the United States. The house beat out the 2004 record, when Revlon Chairman Ronald Perelman sold his estate in Palm Beach, Fla., for \$70 million.

A Victorian house at 484 East 17th Street sold for \$1.9 million, setting a sales record for the Ditmas Park neighborhood in central Brooklyn.

Manhattan residential sales volume reached a high in the first quarter of the year with 1,703 sales, the greatest number recorded since at least 1989 by appraiser Jonathan Miller, executive vice president and research director for Radar Logic.

Manhattan commercial building sales of at least \$10 million reached a record \$50.26 billion by the end of November, a new record. For the same period in 2006, sales were at \$42.64 billion, according to Cushman & Wakefield. Data for the entire year were not available at press time.

The City Council approved the biggest rezoning in city history in Jamaica, Queens. In September, the council voted to allow new office, retail and hotel developments on 368 blocks around Jamaica Avenue.

André Balazs sold what was likely the highest price-per-square-foot for one unit in the Financial District with the sale of a penthouse unit in his William Beaver House for \$3,512 a square foot, or \$5.7 million.

Omnicom took 183,000 square feet at 195 Broadway, the most office space ever taken by a creative firm Downtown.

Retail rents Downtown hit a high with rents averaging \$109 per square foot, exceeding \$100 for the first time. The biggest spike in a Manhattan submarket was on Broadway in the Times Square area, where ground-floor rents surged 107 percent to \$797 a square foot.

The Paramount Group paid \$1.2 billion for the Deutsche Bank building at 60 Wall Street, a record price for a Lower Manhattan office building.

Developer Bruce Ratner plans to build the tallest building in Brooklyn with an 1,000-foot Renzo Piano-designed mixed-use tower on Jay Street, the New York Post reported. The City Tech Tower in Downtown Brooklyn would include residential, commercial and office space for the New York City College of Technology. The borough's tallest building currently is the 512-foot Williamsburgh Savings Bank tower, now called One Hanson Place.

The average number of families in city shelters hit an all-time high last month with a monthly average of 9,287 families.

A Jersey City penthouse set a new record in the city's residential market with a \$6 million purchase in a K. Hovnanian tower. The buyer, whose name was not immediately available, purchased the penthouse units on the top two floors of a 48-story tower at 77 Hudson Street. Samuel L. Jackson reportedly set the previous record of \$2.3 million for a penthouse in the Beacon last February.

At \$2.46 million, the sale of a unit in the Esperanza development in Asbury Park, N.J., reached the most ever paid for an Asbury Park home.

Compiled by Ronit Socoloff and Lauren Elkies

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