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The raging rivalry

In the battle between new developments and resales, older properties struggle more in the $3M-to-$5M world

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History is full of great rivalries, from Nixon and Kennedy to Ali and Frazier to the Yankees and the Red Sox. In New York City real estate, that rivalry is no doubt between new construction and prewar housing.

While co-ops comprise the vast majority of New York City apartments, the segment of the market priced between $3 million and $5 million is heavily influenced by the push and pull between old and new.

On the new development side, an influx of new condos has boosted inventory. But rather than gobbling up those apartments at lightening speed — like their counterparts in the $1-million-to-$3-million range — buyers in this segment are taking a bit longer to sign on the dotted line.

"The reality now is that there clearly has been a downshift in the market's intensity as more and more buildings come online," said Jonathan Miller, president of appraisal firm Miller Samuel.

Meanwhile, many sellers with resale properties are reaching too high. Brokers say they are attempting to achieve new-construction prices and alienating buyers in the process.

In other words, competition from new condos has led to a softer market for co-ops in this price range.

When it comes to getting deals done in an increasingly polarized market, brokers are doing more heavy lifting to get to the closing table. Resale agents are expending more energy educating their sellers, while buyers' agents are vetting more properties for their clients.

Meanwhile, agents themselves are being wooed by developers, who are intent on bringing as many potential buyers through the door as possible.

"Some buildings are actually offering bonuses or concessions to agents that bring them buyers," said Keller Williams' Erin Wheelock, who added that she's seen developers offer a 1 percent broker fee at the contract signing, regardless of whether the sale closes.

The disconnect between buyers and sellers in the $3-million-to-$5 million price bracket also has some brokers rethinking how they should spend their own time.

Douglas Elliman's Ralph Modica said he was relieved recently when he lost a listing to a broker who'd priced it higher.

"I don't want to spend my time trying to sell something overpriced. It's come to that point," he said. "Every broker knows the first few weeks are the most important. You're going to squander [that] and work extra hard in month two and three to sell that property."

Old vs. New

Overall, the number of sales in the $3-million-to-$5-million price range jumped 30 percent in the third quarter from last year. But that jump was more than a little lopsided.

The new development world saw 43 closings — a 437 percent spike from only eight last year, while resale volume rose to 232 from 204, a 13 percent jump.

While many of those closings were for properties that went into contract some time ago, it's also key to note that 30 percent of the new-development pipeline is in this $3-million-to-$5-million range.

And that price category is only likely to see inventory rise.

Lately, developers homing in on the mid-market segment are finding traction with these buyers. For example, Argo Real Estate's condo conversion at 360 Central Park West, which has a line of three-bedroom units in the $3 million range.

"There's not a lot of renovated inventory at that price point," said Stribling & Associates' Jeffrey Stockwell, the building's onsite sales director. "You get new electrical, a new kitchen, full AC, and when you compare that to something for a similar price — or 10 percent less — in the co-op market, it proves itself very attractive."

Stockwell said a recent buyer came from Texas to see the building's one-bedroom line and came out — 36 hours later — with a three-bedroom for $4.4 million.

Developers such as Ben Shaoul's Magnum Real Estate are making a so-called value play in the mid- to-upper part of the market, with condo conversions including the 160-unit Ralph Walker Tribeca at 100 Barclay Street, the old Verizon building.

Prices at 100 Barclay range from $3 million to $14 million, but Shaoul said 90 percent of the units are priced under $8 million.

"We are developing a value play, not in the sense that it's not beautiful and not luxurious and not giving you all the bells and whistles. In fact, we're giving you every bell and whistle," he said. "We're just developing apartments with really efficient layouts so we're able to deliver three- and four-bedrooms in that $5 million range in Tribeca."

As the project nears completion, he added, the building has seen a surge of buyers who want to be immediate homeowners.

"We're in the later innings of the ball game. People want to capture low interest rates before they potentially go up [this month]," he said.

Not all developers are unloading units that quickly, however, since the surge of new inventory is giving buyers more choices.

"Now that there's more projects and developments coming online — and a lot have inventory focused on the $3-million-to-$5-million or $6-million range — there's not as much pressure for people to pull the trigger," said Robin Schneiderman, director of new business development at Halstead Property New Development Marketing.

It doesn't mean apartments aren't selling, he said. "[But] buyers are taking more time to make prudent decisions."

Longer to sell

With buyers gravitating toward new construction, brokers said resales in the $3-million-to-$5-million range are moving slowly.

"Our [resale] exclusives have taken longer to sell," said Douglas Wagner, director of brokerage services for Bond New York.

In addition, the average price of co-ops with three bedrooms or more plummeted 26 percent to $3.1 million during the third quarter, down from $4.2 million a year earlier, according to data from Halstead Property. Condos with three bedrooms or more, meanwhile, dropped just 7.2 percent during the same time, to $5.9 million.

What's clear is that buyers and sellers aren't on the same page, and the segment of the market is rife with overpricing on the resale side.

"Sellers expect to make the same money they would have in June and July. The fact of the matter is they won't," said Wheelock. "The good agents are educating their clients, but you can't blame them for not wanting to hear it."

Properties that sold in this range in the third quarter only stayed on the market for 40 days, according to Miller Samuel. On the flip side, unsold properties sat for an average of 119 days, suggesting that they are overpriced.

And when properties linger it is not lost on buyers.

"If an apartment has been on the market a while," said Elliman's Modica, "buyers do see it's been on the market for X amount of days."

Miller said there's a bigger disconnect in the $3-million-to-$5-million range than in other segments of the market.

Compass agent James Cox added that buyers in this segment won't stand for overpricing.

"You cannot price above market and expect any positive result," he said. "People will not even make offers if you are too far off the market."

There are other geographic interests at play: The vast majority of new-construction units -— 60-plus percent, according to Corcoran Sunshine Marketing Group — will be located Downtown. Another 15 percent will be located in Midtown.

As a result, it's not just co-ops getting the cold shoulder in favor of condos. The market is also seeing buyers move away from more traditional areas for this price range.

"You see some of these apartments on Park and Fifth that are staying on the market a little longer than you would have anticipated because [that] used to be a place where families went, especially if you were well-heeled," said Kathy Braddock, co-managing director of William Raveis NYC. "The more traditional Upper East Side and Upper West Side co-op market is still alive, but I don't think it's moving at the pace it used to when it was the only game in town," she said.