

# New York Monthly Real Estate Newsletter

November, 2013

The market overall experienced a large increase in both average price and average price per square foot. These gains are caused primarily by high priced sales of large units in the condominium market. In both condos and co-ops, two and three+ bedroom units saw double digit gains in price per square foot while smaller units showed more modest gains or small losses. The market continued to tighten: days on market dropped year-over-year for both condos and co-ops. Inventory continued its sharp decline as well, with a decline in listed units year-over-years. Despite these losses in inventory, contract activity remained strong, increasing by double digits in all categories. Buyer negotiability remained low, with 24% of units selling at their asking price and 22% selling above it. (Courtesy of Corcoran)

## ***Corcoran and The Related Companies \$5B deal***

Corcoran and its marketing branch Corcoran Sunshine, have undeniably and respectively been the number 1 broker and new development marketing companies in New York City. 90% of 56 Leonard global landmark residences in Tribeca with multiple units going over the \$30M sold in less than a year is just a glimpse of the companies' breath of reach and capacity to absorb the most exclusive demand.

To stay at the top of the New York residential market, both firms have modernized their structure, technology (website, phone app, internal resources), and research departments, and consolidate relationships with New York most dynamic and forward thinking developers. To that extend, Corcoran Sunshine scored a \$5 billion deal with developer the Related Companies, to handle the sales and marketing of their new residential projects. As a reminder, the Related Companies are behind the countrywide largest private real estate development called the Hudson Yard on the west bank of Manhattan between the end of high line and 42<sup>nd</sup> Street.

Among the projects in the pipeline, one retained my attention more particularly: 520 West 28<sup>th</sup> Street aka architect Zaha Hadid first building in New York City. She is the first woman to earn the Pritzker Prize (2004), architecture's top recognition. Her work can be seen in over 40 countries across the globe and include the Opera House in Guangzhou, China. Her residential concept will consist of 37 apartments offering "an arrangement that reinvents the spatial experience, has its own distinctive identity, offering multiple perspective and exciting views of the neighborhood".

Related in-house sales team has handled successfully some of the most notable residential condominium projects including 225 Rector Place and One Madison Park. However, the increase in demand for high-end luxury condominiums, the intense competition among developers and marketers to attract this clientele, and the need for a strong research and intelligence department made the union between New York city top developer and marketer a smart strategic choice. Such alliance will guarantee a long-term string of income, give access to the most reliable intelligence in the industry, and solidify the notoriety of each brand among the top local players.

## ***Zillow bought StreetEasy for \$50M...now what?***

Zillow, \$3B Seattle based residential listings website, bought StreetEasy, New York most comprehensive real estate listing website for \$50M. Zillow with 64M unique visitor monthly is the most widely used listing website nationally, however, it is considered somewhat of a “joke” to NY consumers who claim inaccuracy in listings, estimates and property information. The acquisition of StreetEasy was to remedy that. Following the acquisition, StreetEasy CEO Michael Smith stepped down to the role of Chairman, paving the way to the tech start-up couple Susan and Matt Daimler to take the lead (they are better known for creating SeatGuru in 2001 which sold to Expedia in 2007). This acquisition stopped right away the emancipation of the StreetEasy brand in its nascent markets: Washington DC, Miami, Philly, where customers will be worse off since Zillow’s listing accuracy is lower than StreetEasy (70-80% vs 100%), and its plan is to not replicate StreetEasy model in these metropolis. The brand and model of StreetEasy New York will stay alive because it has done what Zillow and competitor Trulia failed to do: navigate comprehensively New York City real estate landscape; something that any other market can relate (for instance, co-ops don't exist elsewhere in the country). It is unclear how Zillow will continue managing its relationship with national realtors with a large presence in NY, such as Corcoran, who has been used to share their listings and advertise with Zillow. Ultimately, having 2 brands going after each other to accomplish the same thing may not be the best option. What remains crucial is for the end users, prospective buyers and agents in NY, to have a go-to reliable website that will continue to do what StreetEasy has done best: bringing transparency and comprehension in the nationwide most competitive real estate market.

## ***Under \$500K properties in Manhattan: a species in extinction.***

With a constant decreasing level of inventory in the resale market and an increasing inventory and demand in the New Development market, the proportion of properties sales under \$500K are being eaten by the \$1M plus sales segment. The sales segment of properties between \$500K and \$1M remains the largest one (37%), but is also a very competitive one with buyers in a hurry to get into the market, realizing that inventory and price levels are going the opposite directions, but not in their favor.

Co-ops (70% of the Manhattan real estate inventory, and about 30% cheaper than comparable condos) are a good alternative for buyers who want to stay in Manhattan. The rules of co-ops vary from properties. The best way to demystify the co-op application process is to be well informed ahead of time of the historic, requirements, do’s and don’ts, so the buyer can better assess whether he/she is comfortable to deal with the process.

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