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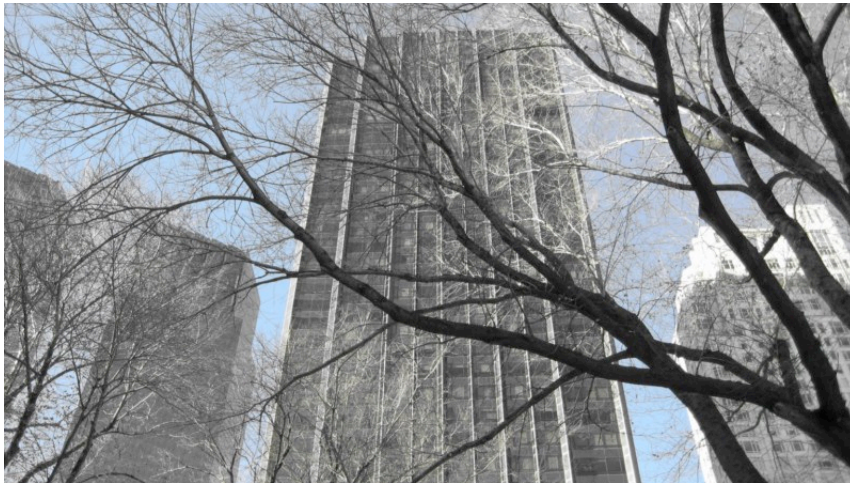
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Looking at the Upper End of the Condominium Market

by Larry Sicular

At this writing, there are 126 condominiums listed at \$5,000,000 or more on the Upper West Side, 141 on the Upper East Side, and 263 Downtown. The new or newly-converted hyper luxury buildings, such as the Plaza Hotel or 15 Central Park West attract most of the attention, but do not house all of the available choices. There are condominiums in converted loft buildings, in pre-war apartment buildings, and even in 19th century townhouses. Nevertheless, the modern high rise of the past twenty-or-so years, with views, and doormen, and concierge services, is predominant.

Most condominiums offer the distinct advantage of greater freedom--freedom from cooperative boards, freedom to finance, and greater freedom to rent. This is their primary attraction, but there are other differences.



Condominium buildings are newer than their cooperative counterparts, and are not typically located in the most established residential neighborhoods. Vacant and appropriately zoned land is simply not available, so that developers of new condominiums are instead creating, new, desirable locations in which to live. 15 Central Park West is the most prominent exception to this pattern, which is otherwise confirmed by the previous character of the west side of Columbus Circle, now the north and south residential towers at the Time Warner Center, or the site of the old Alexander's department store between Lexington and Third Avenues, now the Beacon Court mixed-use high rise. In larger numbers, modern towers, on 3rd Avenue in the East 60's, and near Lincoln Center, in the West 60's, have effectively created new luxury neighborhoods.

Because there are regular additions to supply, condominium apartments tend to lose relative value. Unlike the cooperative market, where preferences are fairly stable and the finest and most expensive apartments are consistently viewed as those in 1920's Candela or Carpenter buildings,

1

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the costs of land and new construction, the focus of advertising dollars and the preferences of buyers tend to focus attention in the condominium market on the latest new buildings. These sell at the highest prices, generally at a premium over the earlier generation. Consequently this market caters to those who want the latest and newest mode of living, but also offers choices to those, who under the radar screen, are looking to benefit from yesterday's glamour, at lower prices.

Condominium apartments and their prices are many and confusing, without the imagery of actually seeing or showing them. Nevertheless an analysis of recent sales and current listings in three important buildings, the Time Warner Center on Columbus Circle, the Trump International Hotel and Tower at 1 Central Park West and 15 Central Park West illustrates both the variable impact of the current economy and the differences in price between new and older condominium buildings. Regarding the former, the indicated discounts are modest relative to the 20-30% price declines I have noted in the luxury cooperative market. Regarding the latter, it is interesting to speculate about whether new buildings can continue to command premium prices without a strong economic recovery.

15 Central Park West



The finest, the newest, the most expensive and the most popular of the new luxury buildings is 15 Central Park West (circa 2007). The model for this Robert Stern-designed building was its pre-war cooperative counterparts on Central Park West, Fifth and Park Avenues, although 15 Central Park West is built on a somewhat larger scale, with two buildings containing 231 apartments and occupying a full city block. Like most new condominiums, it contains a mixture of smaller and larger apartments. The smallest are not exceptional in plan, but they are large with typical one-bedroom units measured at over 1,000 square feet. And the largest apartments are grand in the pre-war manner, with three or more rooms facing the Park, often along their longer dimensions, libraries, separate dining rooms, and a modern improvement, family rooms adjacent to the kitchens.

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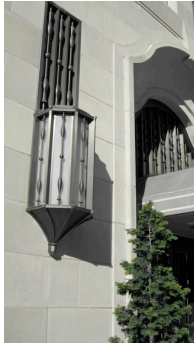
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At this writing there are 15 apartments available for sale at 15 Central Park West, ranging from the \$3 millions (+-\$3,000/SF) for one bedroom apartments facing Broadway, to over \$20,000,000 (\$7,606/SF) for a six-room, three bedroom, apartment, of 2,761 square feet, in the rear tower facing Central Park. Two bedroom apartments include a 1,724 square foot unit on the 12th floor facing Broadway (\$6,250,000), a 2,519 six-room apartment facing the center garden for \$8,500,000, and a 2,367 square foot, 28th floor, four-room apartment facing the park from the rear tower for \$12,900,000. Two of the listings have signed contracts.

Generally, in this building, it is difficult to compare 2009 transactions to 2008 transactions because most of the 2008 sales were sponsor sales, at prices which had been set an earlier dates. Consequently nearly everyone who has sold this year has sold at a profit, including an apartment which sold in January 2009 for \$7,000,000 and then resold in June for \$7,500,000. However, this is not universally the case. There is one apartment on the 28th floor that sold for \$13,300,000 in early 2008 and then closed this summer at \$12,500,000, a 6% loss. There is another, on the 32nd floor that sold this September for \$11,700,000, whereas the identical apartment on the 31st floor sold last October at \$11,800,000. Among the listings, a 24th floor apartment was last asking \$7,250,000, whereas the same apartment on the 25th floor sold for \$7,350,000 this August.

So the significant correction in this year's market has had some, although limited effect on sale prices at 15 Central Park West. On the other hand, there are now a number of listings for buyers to choose from, and while they are not identical, they may, in some cases, compete with each other.

The Time Warner Center



When the Time Warner Center was built earlier in this decade (circa 2002), New Yorkers worried about its mammoth height and scale and the shadow it would throw over Central Park. In fact the narrowness of the towers, the void between them, which acts as a visual continuation of Central Park South, the shops, the Rose Theater, the rehabilitation of Columbus Circle and the fabulous views from lobby and bar of the Mandarin Oriental Hotel, all make an urban amenity.

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The Center has 198 condominium apartments. Those in the north tower benefit from the services of the hotel. All are above the 50th floor.

At this writing there are eleven apartments available in the two towers, asking from about \$3,100 to \$6,400 per square foot. Most are two bedroom units ranging from \$3,950,000 (\$3,078/SF) for 1,283 square feet facing west to \$7,950,000 (\$4,001/SF) for a 1,987 square foot duplex on the 52nd-53rd floors facing over Columbus Circle to Central Park. For \$18,450,000 (\$5,271), there is a 3,500 square foot, three-bedroom duplex on the 74th floor, facing Central Park. Most were listed this fall, but some have been on the market since earlier this year, or last year, or in one case, 2007.

Cross-comparisons are difficult, due to differences in size, and asking prices can be very misleading. However, 2009 sale prices were more reasonable than at 15 Central Park West. park-view 2,072 SF, two-bedroom apartment on the 64th floor sold this year for \$7,200,000. At 15 CPW, \$7,350,000 bought 1,745 square feet with park views on the 25th floor. A 3,491 square foot, three-bedroom duplex on the 55th floor sold this year, at Time Warner, for \$14,500,000. At 15 Central Park West, an 11th floor unit, with 3,478 square feet and three bedrooms, facing directly to Central Park, sold for \$17,500,000. A 70th-something floor, 8,275 square foot penthouse at Time Warner, sold for \$37,500,000 this summer. (These were originally sold raw, so I have no idea of the plan or improvements.) At 15 Central Park West, a 40th floor penthouse with 5,278 square feet, four bedrooms, formal dining room, and a family room sold for \$37,000,000 in September.



Regarding price trends, a two-bedroom north-tower apartment has been listed since this March at \$6,850,000; it sold in early 2008 for \$5,950,000. A two-bedroom south tower apartment has been on the market since June at \$4,900,000. The apartment directly above it sold this September for \$3,800,000 (\$2,382/SF). These sellers may not be realistic. A prime northeast corner of the north tower apartment on the 69th floor is asking \$6,800,000. On the same corner, a

4

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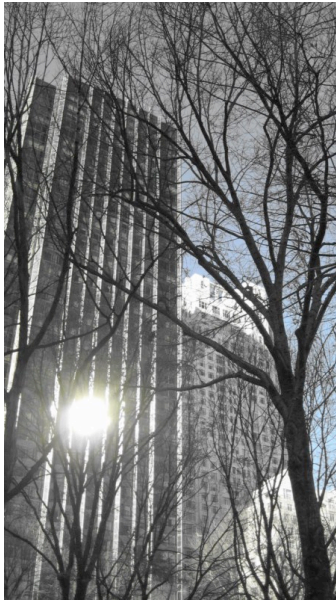
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very similar apartment, slightly smaller, sold in May 2008 for \$7,300,000. On the northeast corner of the south tower, a 1,987 SF duplex is listed at \$7,950,000. It sold in 2008 for \$8,500,000.

1 Central Park West

In 1996 the former Gulf & Western office tower was stripped and re-clad as the Trump International Hotel & Tower. Its black glass and gold trim may not appeal to some, but the prices should, for the sizes of the apartments, the floor-to-ceiling windows, and the quality of the views. In addition to the hotel, the tower has the well known, five-star restaurant Jean Georges. And according to its website, a 30 million dollar hotel renovation is pending. The 168 hotel units are not the focus here, although Douglas Russell, a Brown Harris broker who has sold 200 of them indicates that the hotel units benefit from 70-78% occupancy, that the studios rent at \$500 per night, and that generally, their owners can expect at 3-5% cash-on-cash return at current prices.



The 158 tower units are all located on high floors, 23 to 52, and range in size about 1,300 to 5,500 square feet. Most layouts are not traditional: living rooms are open to dining rooms and entry galleries also serve bedroom doors. This is not true of the largest apartments. Some have formal dining rooms and maid's rooms. The one-bedroom apartments are measured at 1,291 square feet. There are only five tower apartments listed at this writing and two have signed contracts. It is no accident that those signed are large, with three or four bedrooms, and above the 40th floor. Their list prices were at \$3,700 to \$4,200 per square foot.

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With regards to the direction of prices, a 41st floor, three-bedroom apartment of over 3,000 square feet, facing north and west, and last asking \$11,500,000, now has a signed contract. On the 34th floor, the same apartment sold earlier this year for \$7,650,000. Similarly a contract has been signed for a 4,400 square foot apartment on the 44th floor, last asking \$18,450,000, whereas the same apartment, on the 45th floor, closed in November for 2009 for \$13,125,000.

Still the most concrete evidence points to lower prices. A three-bedroom apartment, with views to Central Park, south to midtown, and west to the Hudson River has been on the market since 2004 and is presently asking \$7,450,000. Five floors higher, an apartment in the same line sold for \$7,900,000 in 2008. On the prime northeast corner of the building, with views both up and across the Park, the sale of a 2,100 square foot apartment was signed at the height of the financial crisis and closed this February (2009) for \$7,200,000. The apartment directly beneath it sold later this year for \$6,437,500 (11% less) and then a few floors below that, another sold for \$5,925,000. In the spring of 2008, a 1,600 square foot, two-bedroom apartment, facing directly to Central Park, sold for \$5,100,000. Nine floors lower, the same apartment sold this fall for \$3,900,000 (24% less). None of this is atypical in this market. Indeed, an 11% decline is relatively modest.

Prices at 1 Central Park West appear to be lower than at either 15 Central Park West or the Time Warner Center. At 1 Central Park West, \$3,600,000 or \$3,975,000 purchased, this year, 1,600 square foot two-bedroom apartments facing Central Park. At 15 Central Park West, anything in the three millions has been at the rear. At Time Warner it faced west. Note the sales of 2,100 square feet on the prime north-east corner of 1 Central Park West, in the mid six millions and high five millions as compared to the sales in the low seven millions noted above. The 4,400 square foot apartments also noted at 1 Central Park West, face east to Central Park and south to midtown. They are about 900 square feet larger than the apartments sold at \$14,500,000 (Time Warner) and \$17,500,000 (15 CPW) noted earlier, although they have less direct frontage on the park.

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Who is Larry Sicular?

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