

## TOWNHOUSES

A GREAT TIME TO BUY IN MANHATTAN

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### *Townhouses are sitting on the market*

With the possible exception of Harlem, the townhouse market is soft, so it is a good time to buy. There is currently a large number of listings, many available since 2016 or earlier, and generally the market is characterized by slow absorption. A review of townhouse listings in three prime submarkets indicates the following.

--On the Upper East Side, west of Lexington Avenue, there are 51 listings (as of 5/22/17), of which 18 were listed in 2017. Another 28 were listed in 2016, and 14 have been on the market since 2015 or earlier. Prices, for many, have been reduced more than once, and a number of the houses were on the market prior to the current listing. Just six houses are presently under contract.

--On the Upper West Side, there are 48 houses available, again as of May 22. Among these, 19 were listed in 2017, but 21 were listed in 2016. Two have been on the market since 2015 or earlier. Six are under contract.

--In the West Village and Greenwich Village there are 51 listings. 22 were listed in 2017, but 19 were listed in 2016 and 8 have more-or-less-continuously on the market since 2015 or earlier. Just two have signed contracts.

### *Townhouse prices*

Townhouse prices trends are difficult to discern, as there are too few sales to produce reliable averages. A review of townhouse sales in 2017 and 2016 indicated five houses that also sold, in similar condition, a year-to-four years, earlier. For three of these, the recent sales were at higher prices; for two they were lower.

### *Changing preferences*

Weakness in the townhouse market reflects a general slowdown and uncertainty at the upper end of the Manhattan housing market and shifting market preferences.

Thirty years ago, the most prestigious housing was in a select number of pre-war cooperatives, on or near Fifth Avenue, Park Avenue and Central Park West. Townhouses appealed to a limited number of buyers who wanted the privacy and the space or to avoid the co-op system.

This began change in the 1970's. A revival of formerly affluent neighborhoods was led by a brownstone revival in Brooklyn, downtown and on the Upper West Side. And this trend is

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ongoing, as townhouses that were subdivided into apartments after World War II, are recombined into single family houses as they are sold, whenever legally possible.

The condominium market was also transformed, from a market of smaller, relatively modest apartments, into a growing number of new buildings, that frequently mimicked the best pre-war style. That market then took on its own life, in new buildings associated with star architects, the best contemporary design, and the very highest prices.

The revival of modernism has also affected the townhouse market. While the exteriors of these houses are most frequently preserved, the trend in interior renovations is to a modern, minimalist and white, international-style taste, very similar to the look that defines the newest condominiums. The significant number of investor-renovated houses in this genre suggests that money has been made by buying, fixing up, and reselling. But the number of just-redone modernist houses now available also suggests that the profits are not so easily achieved.

A review of Olshan Realty's weekly reports verified that just 34 townhouse contracts were signed, at over \$4 million, in the first four months of this year. This is far fewer than 108 cooperative apartment contracts at this price level. But both trail the 308 new condominium deals.

In the most recent week, ending May 28, 24 condominium contracts were signed, at \$4 million or more, averaging \$8,882,291, many more than 7 cooperative contracts, averaging \$6,948,571. There was just one townhouse deal, at an asking price of \$4,500,000.

Despite a reported oversupply, high priced condos are dominating the upper end of the market.

### *Why buy now?*

So why buy now, other than a compelling desire to have one?

Because the supply is tiny. A few new condominium developments have townhouses, but the growth is very limited. According to the NYC Department of Finance (2016), there are 2,000 one-family parcels in Manhattan, and 5,304 2-3 family parcels. In addition, some multi-family houses have been converted to single family but never reclassified. However, there are 96,712 condominiums and 3,539 multi-unit cooperative buildings.

Because townhouses offer good value. On the Upper East Side, the five highest-price townhouse sales this year have been from \$25 to \$59.5 million, and four of these sold in the \$4,000's, \$3,000's and \$2,000's per square foot. Just one was at \$6,580. And over the prior three years, the highest square foot prices were also in \$4,000's per square foot, with many houses selling in the \$2,000's. On the Upper West Side, the five highest priced sales this year were between \$12 and \$16 million, selling between \$1,400 and \$1,700 per square foot. Compare these prices to the top pre-war co-ops, or to the new condominiums. Often, townhouses offer more space for the money.

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*Because townhouses are significant beyond their numbers.*

These houses play an important role in the cityscape. Together with 19<sup>th</sup> century tenements, townhouses are the city's oldest housing stock and an important link to its history.

In Manhattan, high rise condominium development continues on the Avenues and more recently in Midtown. New high-rise office buildings are being created at Ground Zero, in the Hudson Yards, and will eventually follow the misguided rezoning of Midtown East, where proposed densities may reach 28 to 30 times the lot size. With limited exceptions Downtown, where low-density zoning and high prices have encouraged some smaller, interesting new buildings, modern architecture is associated with very tall buildings.

Townhouses are our only real defense against excessive density, since many mid-blocks and many interesting townhouse neighborhoods have been zoned not only to preserve their history, but also their scale and light. Their integrity and appearance is protected by historic districts, and their value is enhanced both by regulation and by the wealth needed to preserve and enhance them.

*Finally, because they are a good investment*

The softness in this market is minor compared with the overall success of townhouses as an investment. Townhouse values have risen considerably, over the longer term, reflecting the growing wealth of this city's residents, the relative security of the city, and the preference for large space.

They are an excellent buy for the value oriented, and for the contrarian.

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