Wealth
Living

Manhattan’s Wealthy Homebuyers Lured Back by Luxury Price Cuts

Some of the first quarter’s biggest contracts came after significant seller discounts, which helped get the market moving.

Luxury residential towers along Billionaires’ Row in Manhattan. *Photographer: Spencer Platt/Getty Images*

By Jennifer Epstein
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Well-off Manhattan homebuyers, shrugging off bank collapses and recession fears, are finally finding some value in the luxury market.

From new condos developers are eager to get off their books to townhouses listed on and off for years, sellers' growing willingness to cut prices is helping lure buyers to the negotiating table, real estate agents across the borough say. In the first quarter, 334 contracts were signed for properties priced at $4 million or more, according to Olshan Realty. While that's down 21% from the heady first three months of 2021 and 2022, it's up significantly from 245 transactions in early 2019.

Wealthy buyers are often more immune to issues such as higher mortgage rates that weigh on consumers with less cash. But the richest still want a good deal and are now finding that prices have come down enough that they can take advantage of the moment to get more for their money than they could have a year ago – perhaps an extra bedroom or a higher floor.

"They're super wealthy, super savvy, and they just have to make sure they're getting a great property, but they also have to get it at a great value," said Richard Ziegelasch, an agent at Corcoran Group.

For the luxury homes that went into contract during the first quarter, the last asking price was 8% lower on average than the original list price, Olshan's data show. Many likely negotiated steeper savings that will be recorded when their sales close in the coming months.

Of course, some luxury buyers are driven by factors other than cost.

"There are trophy apartments that people have to have and want to have, and there's a market that doesn't care about price," Ziegelasch said.

In that category, billionaire media founder Rupert Murdoch scooped up a full-floor co-op at Central Park South's Hampshire House in February after it was on the market for just a few weeks at $30 million.

7 Sutton Square *Photographer: Will Ellis/Serhant*

The contract numbers point to luxury demand rebounding from a tough end to 2022. In the first quarter, closed sales at the top 10% of the market were down 38% from a year earlier, when buyers sprinted to get ahead of rising interest rates, according to a report Tuesday by appraiser Miller Samuel Inc. and brokerage Douglas Elliman Real Estate. The data reflect contracts mostly signed toward the end of last year. The median luxury sales price, meanwhile, fell 13% to $5.65 million.

Biggest Deals

Some of the first quarter's biggest deals came after sizable reductions.

A triplex at 165 Charles St., a glassy mid-rise facing the Hudson River, found a buyer only after its price was cut twice. Alexis Stewart, a media personality who is the daughter of lifestyle expert Martha Stewart, paid nearly $35.5 million in the early 2000s to assemble the four units that make up the home, which she initially put up for sale in 2019 at $53 million. When a contract was signed last month, it had been reduced to $37 million.

"People in this market have to feel like they are getting a relative value," said Ziegelasch, who represented Stewart in the transaction. "Nobody wants to overpay in this market."

for it in 2008.

It was one of eight townhouses that went into contract last week, more than in any seven-day period since late August 2021, said Donna Olshan, the brokerage's president.

Billionaires' Row

Developers with large numbers of high-end condos to sell are also cutting deals.

On Billionaires' Row, Extell Development sold off six apartments at the 179-unit Central Park Tower with list prices ranging from $4.5 million to $63.5 million. Discounts for purchases that closed in the past two quarters went as high as 17.8%.

Central Park Tower, center. *Photographer: Amir Hamja/Bloomberg*

"The reason that we've been trading at lower prices is that we have a lot of inventory, and I'm interested in selling it," founder and chairman Gary Barnett said of the West 57th Street tower, where sales began in 2018. "They are getting very, very attractive buys."

But at Barnett's newest project, 50 W. 66th St., where sales opened last year, demand has been so strong that he's raising prices. A five-bedroom apartment with a sprawling terrace was listed at $12.025 million when it went into contract in February, $1.25 million more than its initial price. It was one of more than 10 deals at the building since the beginning of the year, according to Barnett.

A rendering of 50 W. 66th Street. *Source: Extell Development*

Richer buyers are showing less hesitation in their purchases, according to Tony Sargent, an agent at Compass. The larger the purchase price, the smaller percentage of the buyer's net worth the home likely represents, making it less linked to macroeconomic issues, he said. Those people are also willing to accept small losses when they're ready to be rid of a property, he said, which helps get the market moving.

Still, many shoppers are considering the financial wisdom of their purchases. While a Manhattan apartment may not offer the highest return on investment they can find, it's not a particularly risky one – and it comes with the benefit of being able to use the home, according to Sargent.

"It's not like you see pure investors doing this," Sargent said of the recent wave of buyers. "You have people that are diversifying portfolios, they want to diversify where their money is located."

New York is stacking up favorably against other parts of the country that experienced dramatic price spikes in the past couple of years. In cities such as Miami and Naples in Florida, and Austin, Texas, "prices really exploded during Covid and New York City didn't have this crazy price expansion," said Pamela Liebman, Corcoran Group's chief executive officer. "So believe it or not, people are looking at New York as having value."