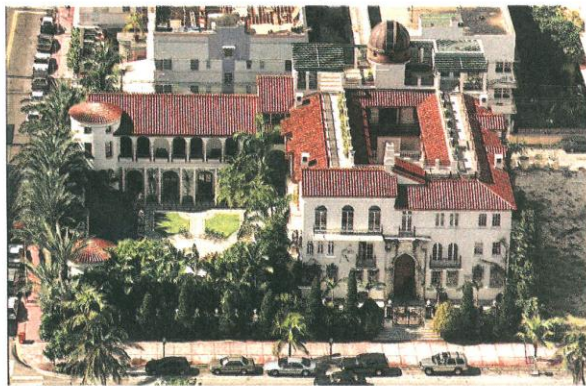


# The New York Times

## Real Estate

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### The Sport of Tycoons



STÉPHANE CARDINALE/CORBIS

**GOING SHOPPING?**

Casa Casuarina, above, Gianni Versace's Florida home, is for sale for \$100 million.

The 89th-floor penthouse at Trump International Hotel and Tower, near right, is listed for \$32 million. Far right, top: duplexes in One57, at 157 West 57th Street, sold for at least \$90 million apiece. Far right: the 18th-floor penthouse at the Sherry-Netherland may be had for \$95 million.



WILLIAM ZHAREN FOR THE NEW YORK TIMES



MARILYNN K. YEE/THE NEW YORK TIMES



ROBERT CAPLIN FOR THE NEW YORK TIMES

# Chicago

*In 2012, high-end sellers competed for the record books, but hold onto your wallets: Some very big-ticket items did not sell. If you prefer new construction, get it while it's hot. Meanwhile, rents seem to be falling.*

By ALEXEI BARRIONUEVO

IT was a year of record-high sales for luxury real estate. But 2012 will also enter the books for its chart-topping listings, as sellers sought to ride the wave of irrational exuberance for trophy properties.

In Manhattan, it all began in March with the record sale of a penthouse at 15 Central Park West for \$88 million by the former chairman of Citigroup, Sanford I. Weill, to the daughter of a Russian billionaire. Then the casino king Steve Wynn paid \$70 million for a 14-room duplex at 50 Central Park South. Mystery buyers signed contracts for a pair of duplexes at One57, a Midtown tower still under construction, for at least \$90 million apiece.

The copycats soon followed. New York, while

seeming to set the tone, was not alone. High-end markets in cities across the country, including Miami and Chicago, caught the fever, producing record sales prices in 2012, and affixing record price tags to houses and apartments.

Yet for all the hype, at year's end most of the biggest listings still remain on the market. In Manhattan, sellers of properties of \$50 million or more have been stubborn about reducing prices, while in other parts of the country, brokers have begun to drop prices rather than lose out on the billionaire-buying wave.

Still for sale is the \$100 million penthouse at CitySpire at 150 West 56th Street. So, too, is the \$95 million full-floor co-op at the Sherry-Netherland hotel at 781 Fifth Avenue. The 9,800-square-foot pent-

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house at the Mark hotel that was on the market for most of 2012? It's still available for \$60 million.

"You had some records being set," said Jonathan J. Miller, the president of Miller Samuel, a real estate appraiser, "and then that created a chain reaction of copycats who were hoping to piggy-back onto that phenomenon."

The blast of sales at One57 — where billionaires in 2012 scooped up full-floor apartments with unobstructed views of Central Park for about \$50 million apiece (or about \$8,000 per square foot) — seemed to embolden owners of other would-be trophy properties to expect as much or more on resale.

One that was apparently pulled off the market was a duplex penthouse at 30 Central Park South that had been listed in August for \$95 million by Halstead Property.

For Miami, 2012 was also a year of record sales. An Italian buyer paid \$25 million for a penthouse on South Beach, while a Russian bought a 10-bedroom house at Indian Creek Village for \$47 million. Those sales inspired agents to go for broke on other properties. A six-bedroom penthouse in South Beach owned by the New York developer Ian Bruce Eichner has been listed for \$39 million for several months.

The biggest Miami trophy of all is Casa Casuarina, the former mansion of the fashion designer Gianni Versace, who was shot to death in 1997 as he opened the gate of the 23,462-square-foot house. Owned now by the telecom mogul Peter Lofin, it went on the market for \$125 million in June — and was at that time one of the two most expensive

'You can't look at real estate in rational terms.'

residential listings in the country, according to Forbes. The house has 10 bedrooms, 11 baths, and a 54-foot mosaic-tile pool lined with 24-karat gold, and it sits on Ocean Drive in the heart of the South Beach scene.

Jill Eber, a Coldwell Banker broker who is listing the house with her partner, Jill Hertzberg, said there had been "serious interest" from around the world. But with nobody biting at \$125 million, "the Jills," as they know them, lowered the asking price to \$100 million in November. "We really wanted to open it up and have the price right for the winter season," Ms. Eber said. "We have been seeing numbers like we have never seen before in Miami."

While Casa Casuarina has come down toward earth somewhat, a penthouse in Chicago soars above all others. An 89th-floor penthouse at Trump International Hotel and Tower, at about 1,200 feet above the ground, it is the tallest residence in North America, and perhaps in the world, said Chezi Rafaeli of Coldwell Banker, the listing broker. The \$32 million price tag makes it the highest-priced apartment in the Midwest, brokers say.

"You feel as if you can go out of your window and walk on the clouds," Mr. Rafaeli said of the 14,250-square-foot spread, which has seven bedrooms.

Sellers seemed eager to try to break records in 2012. Lerov Schecter, the steel magnate, decided to list two apartments on the 35th floor of the tower at 15 Central Park West as one combined unit for \$95 million, or more than \$15,800 a square foot. The finished product will have a little less than 6,000 square feet; it has no outdoor space. Mr. Schecter jumped in just a few days after two other Manhattan listings topped \$90 million.

"After CitySpire, 50 Central Park South came on for \$95 million," said Emily Beare, the Core broker who has the listing, "and his feeling was that 15 Central Park West was a far superior building to either of those buildings."

Whether it is or not, Mr. Schecter went against the advice of Ms. Beare, who felt they should keep the apartment off the market until the combination was completed, which is expected to be in January. But, she said, Mr. Schecter wanted to list it "on the off chance that there is that person that has the vision and wants to come in and do their own thing."

No such buyer emerged. "All the people I had in there wanted a finished product," Ms. Beare said.

Have sellers' expectations become unrealistic? Some appraisers, especially in Manhattan, certainly think so. Mr. Weil's \$85 million sales price, at \$13,000 a square foot, was already considered a market anomaly, Mr. Miller said. A number of prominent people in the New York real estate community felt that without price reductions, properties like the penthouse at CitySpire are likely to remain on the market for a good while longer.

For all the expectations unrealized by sellers in the combustible air of 2012, the trophy penthouse at 15 Central Park West that lighted the first match appears to be barely used by its owner, Ekaterina Rybolovlev, the daughter of the potato fertilizer billionaire Dmitry Rybolovlev, according to one person who visited the apartment recently.

Aside from the bed in the master bedroom, there are a few dresses in a drying rack and a few simple items in the large walk-in closets and a few simple

pieces of furniture in the library, the visitor said. The walls of the apartment, with its wraparound terrace and expansive view of Central Park, remain undecorated.

"It's a crash pad," the visitor concluded. "Real estate is irrational and emotional," said Ms. Beare, in trying to sum up 2012, including why Mr. Schecter is asking nearly \$3,000 more per square foot than Ms. Rybolovlev's place sold for. "You can't look at real estate in rational terms."

A lawyer for Mr. Rybolovlev explained in March that complications stemming from the divorce case of Ms. Rybolovlev's parents might make the expense of a major renovation project unpalatable to the trust that bought the penthouse with her as its beneficiary.

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### The Rental Tide Subsides

APARTMENT RENTS IN New York City have been rising rapidly for several years, but signs are now emerging that the market has hit a speed bump and is finally shifting to a slower gear.

Manhattan rents have been dropping, with the average price \$3,368 in November, \$76 less than in October and the third consecutive month prices have declined, according to Citi Habitats.

While some of this may be seasonal — the rental market tends to soften during the winter — the pace of rental growth year over year has also slowed. According to Streeteasy.com, median rents are 1.5 percent higher than one year ago, a marked drop from the 10 percent increase that rents posted two years ago and the 15 percent of three years ago. Inventory is also up, with 13,618 Manhattan apartments for rent in November, a 21 percent increase over November 2011, Streeteasy found.

"The market is at an all-time high," said Gary L. Malin, the president of Citi Habitats. "How much higher can it go in

an economy that is still weak in many sectors? To think that the rental market could keep having record-breaking growth is just not realistic."

In addition to the economy, factors creating a softer rental market include greater numbers of first-time homebuyers and resistance from tenants, who are leaving when their leases expire rather than pay higher rents.

Those rents are pushing first-time buyers to the market, as are historically low mortgage rates. These buyers typically want studios and one-bedrooms, and over the past year, studio rents have shot up nearly 5 percent while one-bedrooms have posted 3.4 percent increases, according to Streeteasy. In comparison, rents for two-, three- and four-bedrooms have declined over the past year.

As more first-time buyers have entered the picture, sales of studios and one-bedrooms have jumped four percentage points, exceeding 52 percent of the market in the third quarter compared with a year ago. Meanwhile, rentals of studios and one-bedrooms dropped six percentage points, to 70 percent of the market, according to data from Miller Samuel.

"We have clearly seen a wave of people trying to become buyers, and this is taking the steam out of rentals," said Mr. Miller, of Miller Samuel. "There hasn't been a flood of buyers, however, because lending standards remain tight. All things being equal, if lenders weren't being so irrationally conservative, you would have a housing boom at the expense of the rental market."

The number of vacant rental units to come on the market has also surged, indicating so-called market churn, whereby tenants search for more affordable apartments rather than renew their leases. In November, 3,634 vacant rental units came on the market in Manhattan, a 41 percent increase from the same period last year, according to Miller Samuel.

But while the rental market is slowing, prices are unlikely to drop much.



WILLIAM BRAUER FOR THE NEW YORK TIMES



**VERSACE SWAM HERE**  
Right, the pool at Casa Casuarina is a short hop from the 10 bedrooms. A penthouse at 15 Central Park West, above, sold for \$88 million in March. At the Sherry-Netherland, above right, \$95 million will get you a full-floor co-op. For \$32 million, you can enjoy the view, top, from the penthouse at Trump International Hotel and Tower.



PHOTOGRAPHS BY MARILYNNE K. YEE/THE NEW YORK TIMES



LYNNE SLADKY/ASSOCIATED PRESS

"This is not a bubble that is going to burst," Mr. Malin said. "That would mean that the numbers we have seen were being propped up by something artificial, but that isn't true."

Instead, Mr. Miller said, rents are likely to "bump along at this very high level, but not increase or decrease precipitously, at least over the next year."

Sofia Song, the vice president for research of Streeteasy, feels a "litmus test" coming up. "What will be interesting is to see what happens this spring and early summer, when the market should be at its peak," she said. "If rents don't rise then, it could mean they are simply too high."

JULIE SATOW

### A Buildup Of Building Permits

THE good news: Building permits for new developments are back on the rise, which means much-needed apartments should soon follow.

The bad news: It still won't be enough. For the year through October, the city issued permits for 40 new residential buildings in Manhattan, for a total of 2,287 new units, according to the latest census numbers. That's up 15 percent compared with the same period in 2011, but still far from normal. In Brooklyn the numbers are a bit higher. Permits were filed for 2,756 units through the first 10 months of the year, as opposed to 1,522 for all of last year. Even so, the numbers haven't kept pace with demand.

"We have a dire need for new product and it's not coming fast enough," said Gregory J. Heym, the chief economist for Halstead Property and Brown Harris Stevens. Although the drop in permits started to reverse itself last year, and the increase this year is noteworthy, Mr. Heym said, "it's not going to be a recovery until we get back to the long-term average, which is closer to 4,000 or 5,000 new units a year."

Manhattan permits peaked in 2008 at 9,700 units before Lehman Brothers col-

lapsed and construction loans began drying up. The lack of financing brought construction to a halt, and so-called shadow inventory — projects that were started before the credit valve was turned off — was completed and sold or turned into rentals. Rising demand and a scarcity of new apartments have created something of a rush on new luxury condominiums in choice New York neighborhoods, with some buyers signing contracts for spaces even before they are built.

And the trend could become more pronounced. "With such a low level of inventory," Mr. Heym said, "you're going to see prices start to rise more rapidly at some point, because there just won't be enough apartments to go around."

Developers are beginning to find ways to finance future projects, but major challenges remain. Land costs are still high, and more upfront equity is required than before. Mr. Heym said, "Permits don't always immediately translate to new units, either. The lag time between the filing of a permit and the selling of an apartment is typically six months to two years. There is also the question of how many of the units will be designated as rentals and how many for sale."

Just 58 residential buildings are expected to open next year in Manhattan, not counting any in Harlem and Upper Manhattan, with a total of 2,474 new units, according to projections by the Corcoran Sunshine Marketing Group, which tracks new development. That's the highest number since 2007. That year, 8,852 new units came on the market.

"It just goes to show you that all the naysayers were very, very wrong," said Mr. Heym, pointing out that at the beginning of the downturn, some skeptics expected stalled projects to come back at some point and flood the market. "That hasn't happened," he said.

Given the scarcity of apartments now, he added, one might almost wish it would.

MICHELLE HIGGINS