

THE REAL DEAL

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The pricing puzzle | How much is that Central Park view really worth?

BY KATHERINE CLARKE

In a year full of eye-popping luxury listings — in the second half of 2012, four homes hit the market asking at least \$90 million — pricing a New York City apartment can seem increasingly subjective.

Right now, for example, a five-bedroom spread at 15 Central Park West is on the market for \$95 million, even though it's some 20 percent smaller than the \$88 million penthouse in the building that set records when it sold last year.

What justifies the higher price? The smaller unit has better views, listing broker Emily Beare of residential brokerage CORE recently told the Wall Street Journal.

Shaun Osher, CORE's CEO, said now more than ever, "pricing an apartment in New York City is an art, not a science. There are so many intangibles that create value."

It's well known that New Yorkers are willing to pay more for certain basic features, like a top-notch location, a condo over a co-op, or a doorman. A doorman, for example, can add up to 15 percent to an apartment's value, industry veterans said, while condos are generally considered to be worth between 10 and 40 percent more than co-ops.

But from there, things get a little more complicated. Icing-on-the-cake features like fitness centers, prewar detailing, outdoor space and show-stopping views are harder to quantify, especially since their value changes over time along with consumers' attitudes, the economy and other factors.

This month, *The Real Deal* asked New York City brokers and appraisers which of these extras fetch price premiums in today's real estate market — and which ones don't.

Central Park views

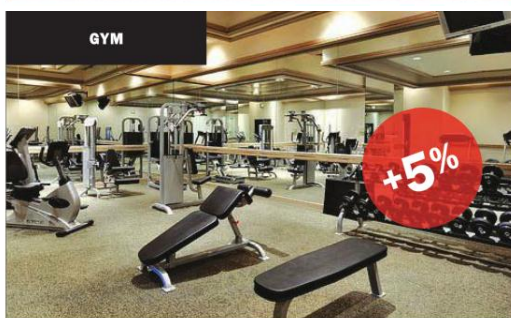
In Manhattan, Central Park views may be the single most valuable apartment amenity right now.

In the right circumstances, unobstructed park views can tack an additional 50 percent onto an apartment's purchase price, according to real estate appraiser Jonathan Miller of Miller Samuel.

For example, at Extell Development's 1,000-foot-tall new condo, One57 at 157 West 57th Street, a high-floor apartment is reportedly in contract for between \$90 million and \$100 million. Key to the building's marketing are the panoramic, 360-degree views of the park and the city, which likely account for at least 50 percent of the value of the upper-floor units, Miller said.

Unlike most other cities, where waterfront property is the most coveted, Central Park views are considered preferable to river views in New York, Miller said.

New Yorkers "pay a premium for looking at Central Park," he said. "In any other metro area, there's a premium for facing the water." An unobstructed Central Park view is



generally up to 10 to 15 percent more valuable than an unobstructed river view in a comparable apartment, said Neil Binder, who heads the Bellmare Group.

That preference may be due in part to legendary and controversial urban planner Robert Moses, who built the city's highways along the waterfront. Over time, the preference for park views has become a "self-fulfilling prophecy," Miller said, explaining that the rich flocked to park-side residences deemed more exclusive because of their limited availability.

Miller noted, however, that views are among the hardest apartment features to price, since they're so subjective.

Outdoor space

The method appraisers use to value outdoor space — such as a balcony, terrace or garden — has changed dramatically in recent years.

In the 1980s and early 1990s, outdoor spaces were assigned a fixed dollar value based on their size, Miller explained. As such, terraces of the same size and shape were considered to have the same value, regardless of whether they were attached to a studio or a 12-room spread.

But that changed in the late 1990s, when price per square foot became a popular metric for measuring apartment values. Nowadays, outdoor space is valued at 25 to 50 percent of the price per square foot of the apartment's interior, Miller said. For example, if an apartment is worth \$2,000 per square foot, the terrace might be worth \$500 to \$1,000 per foot. The same formula works for balconies, grassy gardens and backyards, Miller said.

As a result, outdoor space is now worth more if it is attached to a larger or more impressive apartment. That makes sense, Binder said, because outdoor space is more desirable if it's in proportion to the size of the apartment.

"I don't want a terrace with an apartment," he quipped. "I want an apartment with a terrace."

Factors other than size also come into play when valuing outdoor space, like depth, shape and floor height, Miller said. A second-floor terrace overlooking a busy Manhattan street, for example, is likely to be less desirable than a 16th-floor terrace overlooking the park.

New construction

On average, apartments that have never been lived in fetch a price premium of 15 to 25 percent, Binder said.

"There's just a thing about fresh and new that people find compelling," he said.

Moreover, the sheer amount of marketing and advertising developers put into launching a new project helps drive up prices, Binder noted.

In recent years, that premium has increased, in part due to increasing interest

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in Manhattan real estate by international investors.

"Investors have a preference for new, because they don't have to go through co-op or condo boards," Binder said.

Another factor is the increasing quality of new construction, Miller said, as developers aim to attract über-wealthy buyers from all over the world.

"New development over the last 15 years has been continuing to move towards a higher luxury product," he said. As a result, "the premium today between a 20-year-old [building] and new construction is larger than it was. The gap is widening."

Prewar

Just as New Yorkers are willing to pay more for brand-new construction, they're also willing to fork over more cash for historic buildings. New York City homes built before World War II tend to be 10 to 15 percent more expensive than similar homes built in the decades after the war, Miller said.

The reason? Prewar buildings tend to have better soundproofing and higher ceilings than their postwar counterparts,

along with hardwood floors and walls made of plaster rather than drywall, Miller said.

The quality difference is a result of the postwar housing shortage, Miller said. "The name of the game was to get things up quickly," he said. "Lower-cost housing for the masses was the mantra of the day, so construction quality changed."

(In fact, Miller said the two housing types are so different that when he does appraisals, he rarely uses postwar sales as a comparable for pricing prewar units.)

Prewar buildings are also more likely to have fireplaces and baseboard and crown moldings, features which many New York homebuyers consider charming and desirable, Osher said. And the limited availability of prewar homes also adds to their value.

"There's a strong appeal to prewar property because it's an irreplaceable asset, whereas there will be a lot of new buildings built," Osher said.

Fitness center

Flashy fitness centers may help developers market new buildings, but the "jury is still out" on whether these amenities

actually add any substantial value to a property, Miller said.

He estimated that the presence of a gym in the building adds less than 5 percent to an apartment's total value. (He noted that gyms in new buildings usually come as a suite of amenities, which can include pools, sauna and spas.)

In fact, buyers in luxury new developments these days seem to expect gyms as a bare-minimum feature, rather than a sought-after extra.

"There are buildings [where] certain types of amenities are simply expected," said Stephen Kliegerman of Terra Development Marketing. "Once you start getting above \$2,000 or certainly \$2,500 a square foot, your amenity package is going to have to be very good in order to justify your pricing."

But these health-oriented amenities don't add as much value as some other features, Binder said, because many residents don't use them, and they often mean additional costs for upkeep. That's especially true for pools, he said.

"People don't use the pools," Binder said. "They look nice and people use them as a means of deciding between properties, but they don't want to pay for them." **TBD**