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Trying times in Tribeca

Sales slow in 'America's most overpriced zip code'



Tribeca Summit at 415 Greenwich Street has eight units on the market.

By Abby Luby

Tribeca was recently singled out in a report by Forbes.com, which called 10013 "America's most overpriced zip code," and brokers there are, in fact, seeing fewer buyers willing to pay those steep prices.

"We are definitely seeing things slowing down," said Karen Gastiaburo, senior vice president for Warburg Realty in its Tribeca office. "Buyers are taking their time; no one is in a hurry. They want to see what's going to happen with their jobs, with the upcoming election."

The Forbes report was based on a price-to-earnings estimate — with earnings generated from rental listings aggregated by the Web site hotpads.com. In other words, how much a property costs versus what it could bring the buyer on the rental market. Tribeca's 36.3 price-to-earnings ratio means that homes there are selling at a vast premium compared to similar rental properties.

But in fact, according to data from StreetEasy, Tribeca isn't selling much at all. The Web site noted that 139 sales closed in the second quarter of 2008, down from 212 sales in the second quarter a year earlier.

Blame the credit crunch. Even if an offer is made and accepted, buyers can expect to wait at the banks, which are now scrutinizing more mortgage applications, said Gastiaburo. "We are seeing banks change their minds mid-stream, and buyers are having a rough time getting a mortgage," she noted. Gastiaburo cited a client who was purchasing a Tribeca property for about \$2 million and had signed a contract, but was held up by a bank changing their pre-approval process.

"I'm seeing that it takes three to six months to get an accepted offer. It's not like four years ago when things sold like crazy off the shelf, when you blinked your eye and something got sold," she said.

"We've had clients in contract on \$3.5 million with 90 percent financing," said Ken Malian, senior executive vice president for Prudential Douglas Elliman. "Then the bank pulled back, and the buyer had to come up with an additional \$450,000 to close."

In the last couple of months Gastiaburo has seen people pull out of deals in new construction buildings. "Because there's a large gap of time from when you buy and are looking to close, I've seen many cases where things have shifted. People have lost jobs and can't afford the apartment." Occasionally a buyer can get someone else to buy in and do a flip, she noted.

About half the inventory that's moving is in new developments. In the second quarter of 2007, 125 apartments sold in new developments, with an average price of \$1.82 million. A year later that number dropped to 72, but the average price climbed to \$2.37 million, according to StreetEasy.

Brokers are seeing some resurgence in closings for luxury units such as the Tribeca Summit at 415 Greenwich Street. Currently the building has 22 units in contract and eight still on the market.

"Deals are happening when sellers price their property realistically. If a property is overpriced it will sit on the market for a while," said Malian.

Sean Murphy Turner, a broker for Stribling in Tribeca, said condo apartments in conversion buildings like Artisan Lofts at 143 Reade Street and Sky Lofts at 145 Hudson are also showing some activity.

"Artisan Lofts has done very well this year with only a few units left to sell," she said. Turner is handling Sky Lofts, which a couple of years ago was ordered by the city to tear down the new penthouse on top of the building because it was built seven feet higher than permitted. The penthouse was then rebuilt. Turner said the building is now in its second phase, with 12 units coming on the market in the fall. A 7,400-square-foot penthouse

there went on the market in the beginning of June and was expected to be in contract by the end of August. According to Turner, it's selling for \$34.5 million.

Malian said that the small luxury units for sale in the new Pearline Soap Factory at 414 Washington Street are starting to get some attention. "We weren't seeing much action in the spring, but since then we've gotten offers and signed contracts. Activity has picked up from June and July."

As for re-sales in Tribeca, StreetEasy reports that there were 79 of them in the second quarter of 2007 with an average price of \$2.65 million. This year there were 59 re-sales with an average price of \$2.87 million.

"Sellers are not really lowering their prices," said Alan Miller, senior director at Eastern Consolidated. "Look at the re-sales at 200 Chambers where apartments are being sold by people who bought the units new about two years [ago]. They are going really well."

Some are seeing south Tribeca (especially an area below Chambers that used to be thought of as the Financial District) moving faster because of new amenities such as Whole Foods on Greenwich Street between Murray and Warren, which opened in July.

"South Tribeca is really growing strong, especially around Murray, Warren and Chambers streets," said Turner. "There is more value there, with Whole Foods and the close proximity to Hudson River Park. The area is enjoying a surge of popularity that didn't happen five years ago."

Heather Bise of DJK Residential said "it's particularly easy to sell to families" and noted that "there's Washington Market Park with its large playgrounds and gardens."

Bise said she sees more and more strollers in the neighborhood. However, not everything is selling. "I've been able to find units that are 1,800 square feet for under \$2 million. The apartments going for \$4 million are just sitting there," she said.

Fringe areas in Tribeca also seem to be selling slower, said Miller.

"The area east of Broadway, near City Hall and Chinatown, is considered the fringe. Right now there is a project on Franklin Street between Lafayette and Broadway that is moving very slow."

Some prospective buyers waiting it out to live in Tribeca have ended up renting temporarily.

Jackie Kurtz of Warburg said because the market has slowed, renters aren't moving out and into condos or co-ops as much.

"They are staying in their apartments longer and so not that many rentals are available," Kurtz noted.

Kurtz said that rents have gone up in what she calls a "normal" increase over the last year.

Gastiaburo said the rentals move pretty fast. "I showed two apartments last week in one building — they were two two-bedroom apartments, and a few days later they were both gone. I ended up renting a two-bedroom, two-bath over on Laight Street for \$15,000 a month."

Even though it's generally a buyer's market, supply and demand keep units in Tribeca moving, said Miller, who took an optimistic stance.

"Tribeca has a limited supply of units and is historically landmarked with restricted zoning — it will never be overdeveloped with buildings that are 30 and 40 stories. It's not very hard to absorb the supply of units," he said.