



Griffin Court Condominium located in Hell's Kitchen in West Midtown, Manhattan.

Bear necessities

Manhattan's skyscrapers appear to defy both gravity and the property market slump afflicting the rest of the United States. **TEXT: RICHARD WARREN**

Bears are roaming the streets of Manhattan. No, this is not the final chapter in a credit-crunch induced collapse of Western civilisation, but a possible turning point for better times, the start of a sustained recovery in New York's property market and an opportunity for the financially astute to make a fortune. These bears are not the kind with unkempt fur and a love of wrestling in undergrowth, but the suited, city slicker types who spot weaknesses in financial markets and then exploit them for their own personal gain.

New York's bears include some of the biggest names of the credit crunch era, individuals who made reputations and fortunes forecasting it. Today, they are making headlines again, but this time it is because they are buying property, not advising others to sell it. John Taylor and Nouriel Roubini are the two "Dr Dooms" who warned years in advance of the impending global financial crisis that engulfed us in 2008. They have both bought houses in Manhattan in recent months, as has John Paulson, the hedge fund manager who successfully bet the United States housing bubble would burst in 2006. Other Wall Street investors are smartly following them.



Clockwise from left: Balcony of one of the 95 apartments in Griffin Court Condominium; a penthouse on the 55th floor of The Millennium Tower has views of Central Park, the Hudson River and the city skyline; a 12-bedroom house in Bridgehampton, Long Island.

At first glance their decision to invest in New York property may appear a little odd. Nationally, the housing market is suffering a downturn that has reduced property values by 31 per cent over the past five years. There was a short period of respite from falling prices in late 2009 and early 2010 when tax incentives encouraged buyers back into estate agents' offices, but these were withdrawn last April, sending the market into a renewed downward spiral, the much-feared double-dip.

Almost everywhere in the US was affected almost immediately, but not Manhattan's luxury homes market, which remained buoyant until the last three months of 2010 when prices edged back 0.3 per cent compared to the previous quarter, figures from Prudential Douglas Elliman Real Estate show. It is tempting to think Manhattan's luxury homes sector has finally been sucked into the national downturn, but the borough's sluggish final three months of 2010 may only be a blip – average prices in Manhattan rose 14.4 per cent over the whole of last year, reaching Dhs5.4 million

Across the East River, the market was relatively buoyant in Brooklyn's smarter areas in 2010, until those last three months, as buyers priced-out of Manhattan headed east across the Brooklyn Bridge. Within Manhattan some traditionally poor areas, including parts of Harlem, are becoming "gentrified", with new condos appearing and locals offered millions of dollars to sell their brownstone houses to Wall Street types.

Key to Manhattan's fortunes are the super rich. Their interest in the borough remained firm at the end of 2010 and is expected to grow in 2011. "The market for trophy properties was busier than expected at the end of 2010," says Neil Palmer, CEO of Christie's International Real Estate.

The company's affiliate in New York, Brown Harris Stevens, reports a growth in sales of properties offered at more than Dhs37 million since September 2010, which accelerated in the fourth quarter of last year when several properties were sold for more than Dhs73 million each.

Much of this money is being spent by Wall Street bankers and stockbrokers, who received Dhs496 billion in bonuses in 2010, the highest amount ever paid, roughly equal to Dhs518,000 per employee. With the credit crunch becoming a distant memory, the financial services sector is back in rude health and so is much of the rest of New York's economy – 51,200 new jobs, including 6,000 in the financial sector, were created in the city last year. In addition, overseas buyers continue to find the Big Apple alluring.

"We are seeing an increase in inquiries from Europe, Canada, Asia and the Middle East," Palmer says. "Manhattan has immense international cache, which is only enhanced by current prices which are attractively lower than when the market was at its peak in 2008."

Palmer is confident about Manhattan's prospects for the coming year. An upturn in the wider US economy will strengthen confidence in New York's



Left to right: A five-bedroom apartment in the trendy Greenwich Village; a 59-square metre studio in Griffin Court Condominium starts at Dhs2.7 million.

luxury homes market. US GDP grew at 2.9 per cent in 2010 and is expected to expand by between 3.6 to 4 per cent this year.

"As the general economic outlook continues to improve in New York City, it stands to reason that the demand for housing will remain strong," he says. "New York was among the last areas to feel the effects of the recession and all indications are that it will be among the first to recover as well. It is encouraging to the global market that sales in Manhattan are taking place at a stable and healthy rate."

Manhattan's buoyant housing market stands out in stark contrast to troubled markets elsewhere in the US. Consultancy Capital Economics forecasts US housing prices will fall another five to 10 per cent in 2011 because widespread negative equity means up to half of US homeowners do not qualify for a new mortgage.

Expectations that prices will continue to fall and a record numbers of forced foreclosures mean properties nationally may remain undervalued for another three to four years, the consultancy warns. The foreclosures crisis centres on banks rushing to repossess properties without proper paperwork during the credit crunch, a scandal exposed last autumn.

Manhattan does not have these problems. Wealthy Wall Street and overseas buyers tend to be less mortgage-reliant than Main Street buyers because they have more money in the bank. Foreclosures fell by one-third in Manhattan last year.

"In Manhattan, foreclosures aren't a major problem," Palmer says. "The scarcity of supply and a strong rental market are two important contributing factors."

However, there are deals that can still be done in Manhattan. Prices for apartments at Griffin Court Condominium, a new block of 95 residences, have been cut 15 per cent by its developer. Located in Hells Kitchen in the West Midtown area, prices start at Dhs2.7 million for a 59sqm studio at this project.

At the strongest end of the Manhattan condo market, the top end, Brown Harris Stevens is marketing a three-bedroom penthouse for Dhs40 million. Located on

the 55th floor of the Millennium Tower, the apartment offers views of Central Park, Hudson River and the city skyline through its floor to ceiling windows.

Manhattan's splendid isolation relative to the rest of the US appears all the more marked bearing in mind the housing market in Wall Street's favourite weekend playground, The Hamptons, continues to struggle. Neighbouring east New York, the Long Island communities collectively known as The Hamptons experienced much building activity during the property boom years in the mid-noughties when many so-called "McMansions", lookalike, large, modern houses on small plots, were constructed, too many for the market to handle. Vendors are slashing prices to attract buyers.

"The Hamptons are a second home market for New York and are experiencing a different dynamic than Manhattan," Palmer says. "The luxury market was challenging last year with the majority of the sales in properties under US\$1 million [Dhs3.7 million]. We are starting to see increasingly motivated sellers with realistic price expectations."

Long Island homes marketed by Brown Harris Stevens include a two-year-old, 12-bedroom house on a five-hectare plot at Bridgehampton offered at Dhs182 million which has a bowling alley, disco and spa. Whether that is enough to attract any bears remains to be seen – they may want a home with a den in it. **ID**