The New York Times

January 15, 2016

Prices Drop for Luxury New York Real Estate

The asking prices for the remaining units at 400 Park Avenue South, left, have come down, while at 252 East 57th Street, center, brokers are being offered a 1 percent commission within 60 days of a signed contract, even if the buyer does not ultimately close. At 1110 Park Avenue, right, prices for the five remaining apartments have been reduced by roughly 10 percent.

New York City real estate continues to sell for astronomical prices, but there are signs the market is heading back toward earth. Bidding wars, brokers say, are less frequent. Few open houses have lines out the door. And asking prices, while still lofty, are increasingly moving down, especially for luxury properties.

"I have seen more broker incentives and price reductions in the last few months than I've seen in the last three years combined," said Leonard Steinberg, the president of the real estate brokerage firm Compass. "The market got carried away with itself in the first half of 2015. Some people went in with crazy pricing expectations."

In the last four months of 2015, about 1,040 available listings in Manhattan cut their asking prices, said Bennett Rosnick, an analyst at Compass. That's 20 percent of the roughly 5,120 properties on the market then, up from nearly 10 percent during the same period of the previous year, when about 520 properties out of some 5,380 available listings had price cuts.

Among the discounted listings circulated by brokers and publicists in recent weeks: "$7 Million Price Drop!!" for a five-bedroom at 110 Central Park South, listed for $17.995 million; "1 Million Price Reduction!" for a three-bedroom penthouse at 15 West 20th Street, listed for $7 million; "Hot Deal. *$150K Price Drop*" for a one-bedroom at 280 Park Avenue South asking nearly $1.4 million; "Price Reduced" by $14 million in November, and further reduced by a total $18.5 million, for a historic townhouse at 684 Park Avenue, listed for $29.5 million. And the list goes on.

Despite the all-caps discounts, there are few real bargains. Most of the reductions are coming off price tags that were too high in the first place, brokers said. "There is never a market for overpriced listings," said Hall F. Willkie, the president of Brown Harris Stevens. "If you haven't had offers or are not getting the proper amount of showings, the market is telling you there is no interest, and you have to reduce the price."

Part of the problem, brokers say, is that record-setting deals at the top of the market have received so much attention that many sellers are shooting for the stars. “You can have a huge divide between what sellers of existing properties for resale expect to get and pricing of properties for brand-new buildings like 432 Park or One57,” said Mr. Steinberg of Compass. The thinking is, “If I can see that building from my window, surely mine should cost the same or close,” he said. “Unfortunately, that’s not how it works.”

In the art of property pricing, size, location, condition and features like outdoor space, prewar character and other details come into play. Then, the property must be compared with what nearby homes with similar attributes have sold for. If a property is priced too ambitiously, brokers say, that will quickly become clear when it is placed on the market.

Still, some sellers don’t get the message right away. “It’s almost like the boyfriend or the girlfriend who stops calling,” said Mr. Willkie of Brown Harris Stevens. “They didn’t tell me they didn’t like me anymore,’ ” he said, quoting the jilted. “Well, no, but they didn’t call you.” In real estate, he said, “it’s the same thing.”

Loath to resort to discounts, some developers and high-end brokers are quietly ratcheting up commissions and other incentives they offer real estate agents to try to increase sales. The Oosten, a 216-unit condominium in Williamsburg, Brooklyn, which began sales more than a year ago, is offering a $5,000 American Express gift card to brokers who can deliver a signed contract for one of its 78 remaining units, listed for $1.14 million for a one-bedroom to $6.42 million for a six-bedroom penthouse.

In November, 200 East 62nd Street, a 115-unit condominium conversion that began sales earlier last year, introduced a $10,000 broker bonus for one-bedroom deals closed by the end of December, $20,000 for two-bedrooms and $30,000 for three-bedrooms. In Midtown, a new 93-unit condominium at 252 East 57th Street, which topped out in October, began offering brokers a 1 percent commission within 60 days of a signed contract — even if the buyer does not ultimately close. Normally, brokers aren’t paid until a sale officially closes, which can take as long as two years in developments under construction.

“We’re doing this to try to raise awareness among brokers who have not been to the building,” said Steven Rutter, the director of Stribling Marketing Associates, which is handling sales. Despite the increase in price reductions, industry experts say the market remains strong. “If a property is worth $1 million and you ask $1.4 million and reduce it to $1.3 million, it’s not an indication of a problem in the market,” said Mr. Willkie of Brown Harris Stevens. “It’s a problem with overpricing.”

Sales remain robust for the bulk of the market, with competition particularly heated for two-bedrooms, where there are still too few apartments to go around. It’s the high end where sales volume has begun to slow. “We still see interesting things happening, including record-setting prices closing,” said Michael Graves, an associate broker at Douglas Elliman Real Estate. “There just happens to be a lot more uber-luxury product coming to market.” As a result, he said, “buyers are much more patient, and some of the exuberance we saw last year has faded away.”

Over all, 189 apartments were sold for $10 million or more in 2015, down nearly 12 percent from the record 214 in 2014, according to CityRealty, which tracks co-op and condo sales. Donna Olshan, a broker who keeps track of contracts of $4 million or more, said sales volume has become “erratic” at the high end. “September was lousy, October was worse,” she said, citing a total of 153 contracts signed at prices of $4 million or more, compared with 216 for the same period last year. November rallied with 140 contracts signed, versus 124 in November 2014. But December was back down. “Over all, the market is not what it was,” she said.

Shaun Osher, the founder and chief executive of the brokerage firm CORE, calls the situation “the tale of two markets,” adding, “We’re seeing an incredible dichotomy in the market, where certain projects are selling better and quicker and for higher prices than ever seen in history, and there are projects where very little is happening.” What that shows, he said, “is that the fundamentals of real estate are starting to come back into play.”

A spate of new luxury condominiums is creating more competition for sellers at the top. In Manhattan, there were 3,513 unsold new-development units in the third quarter of 2015, up from 2,402 in that same quarter in 2014, according to the Corcoran Sunshine Marketing Group. And more units are coming down the pike: An estimated 5,740 apartments across some 140 buildings are expected to come to market next year in Manhattan alone, most of which are aimed at the high end.

Faced with more options, luxury shoppers can afford to be choosier. “Buyers are in less of a rush and they’re coming back two, three, four times,” said Mr. Rutter of Stribling, noting that sales at 252 East 57th Street have been strong for apartments $8 million or less, but less robust for units priced at $10 million or more. “Whenever they have more choices, it’s a little bit more difficult.”

To spur sales, nine five-bedroom apartments that were listed for $10 million and up are being reduced. Similarly, Douglas C. Yearley Jr., the chief executive of Toll Brothers, told investors in a December conference call that the company planned “to be a bit more aggressive in pricing” for the remaining units at 400 Park Avenue South, an 81-unit condominium in NoMad designed by Christian de Portzamparc. Prices have been slashed for 16 of the remaining units, which range from a nearly $1.9 million one-bedroom, down from $2.28 million, to a $12.9 million penthouse, down from nearly $17 million.

Prices have also come down roughly 10 percent at 1110 Park Avenue, a nine-unit limestone condominium on the Upper East Side, which has five remaining units available, from an $8 million three-bedroom to a $31.5 million five-bedroom penthouse. Changes to asking prices for remaining units are being made “through price amendments” and “one-off negotiations with buyers,” said David von Spreckelsen, the president of Toll Brothers City Living, New York. “In a market where there is more supply, you really need to do everything right.”