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Foreign Buyers in Manhattan's Luxury Condo Market: They're Back

Pent-up demand, a weak dollar and surging wealth have lifted Manhattan's luxury market from the pandemic doldrums — developers, take note

By: Adam Bonislawski
Impressions: 325,900



HIGH STAKES: LUXURY CONDO BUILDINGS IN MANHATTAN, INCLUDING THE SUPERTALLS ALONG BILLIONAIRES' ROW, ARE ONCE AGAIN DRAWING COMPETITION FROM FOREIGN BUYERS. PHOTO: GARY HERSHORN/GETTY IMAGES

Manhattan during COVID-19 has been no exception.

With borders closed and movement restricted — either by law or personal choice — the international set that has long been a driver of demand for tony New York City residences has largely been sidelined since the winter of 2020. Most people, after all, aren't going to drop many millions of dollars on an apartment based on a virtual tour.

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That said, there could be a rebound in the making. The pandemic, combined with a Manhattan luxury scene that was already slumping in the years prior, produced a surfeit of bargains at the high end of the market. At the same time, a rapid rise in the value of asset classes ranging from Tesla stock to Bored Ape NFTs boosted bottom lines around the globe. Add to that a dollar that has weakened against certain foreign currencies, and you have a set of conditions ripe for the return of international buyers to the Big Apple.

“Pre-COVID, in the latter half of 2019, that [luxury] market contracted,” said John Tashjian, co-founder and principal of Centurion Real Estate Partners. “And there was an opportunity, or people perceived there to be an opportunity, and we started to see some foreign interest, but it was tempered by the fact that people couldn’t come [to the city].”

Keller Williams NYC broker Nicole Gary recalled this past summer trying, unsuccessfully, to get one of her high-net-worth clients to the city to check out some properties.

“I was working with a buyer in the \$20 million to \$30 million range, and I just couldn’t get them here,” she said.

The combination of pandemic restrictions and improving capital markets and growing global wealth produced what Tashjian called “a demand overhang” among foreign buyers. He said that in the last weeks of 2021, into the first weeks of 2022, this overhang began translating into activity as more potential buyers returned to traveling.

The numbers support this. Luxury Manhattan home sales were up 87.4 percent annually in the fourth quarter of 2021, according to appraiser Miller Samuel, which defines the luxury market as the top 10 percent of sales.

Centurion is the sponsor at 200 East 59th Street and 212 West 72nd Street, both luxury developments. Tashjian said that currently around 20 percent of its weekly traffic at both properties consists of broker previews for foreign buyers, which he noted is roughly double the typical figure.

Corcoran broker Tara King-Brown likewise sees a resurgence of foreign buyers on the horizon.

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"There was a major uptick around Q4 of last year," she said. That uptick reversed following the emergence of the omicron variant but has returned in the past few weeks, King-Brown noted.

"My feeling is that by the end of Q1 we will definitely see a nice increase in the international market," she said.

Foreign buyers have traditionally loomed especially large in the new development market, King-Brown said, noting that they accounted for 20 to 25 percent of new development sales pre-pandemic. That figure dropped to under 10 percent in 2021, as the luxury market's strong year was driven largely by domestic buyers.

Kobi Lahav, the senior managing director at Living New York, said that while it has been challenging, he has done business with foreign buyers throughout the pandemic, with an uptick in deals in 2021. These buyers have fallen into a few different categories, he noted.

"First of all, you have countries where the dollar is weak compared to the local currency," he said. "So for them Manhattan real estate is kind of a foreign exchange trade. If their currency allows them to buy a lot of dollars, they can buy something here and then if the dollar recovers, which everyone assumes it will at some point, even if the apartment hasn't appreciated that much, they have still made their money on the foreign exchange trade."

He said he has worked with a number of buyers from Israel operating along these lines. The dollar is down around 12 percent against the shekel since March 2020. "So for them Manhattan has never been cheaper," Lahav said.

Another category of foreign buyer Lahav said he was seeing are those looking to diversify their holdings after having witnessed a run-up in various investments during the pandemic.

"For the segment of the population that can afford to buy luxury properties in New York, the pandemic was actually good for business," he said. "I've seen people whose portfolios have tripled. They are fairly liquid and they want to diversify some of their holdings."

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Most of these buyers are coming from Europe and the Middle East at the moment. Lahav said he believes recent conflict between the U.S. and China had worked to limit demand from buyers from the latter country. He said, though, that he expects to see a return of Chinese buyers if and when tensions between the U.S. and China subside.

Gary from Keller Williams NYC agreed that demand from Chinese buyers has been muted, though she said she has recently seen an increase in activity on that front.

"I'm seeing more money coming out of China in the past several months than I have in a long time," she said. "Seven to eight years ago we had a ton of international buyers from China, but then we saw that drop off over a period of time. But I'm definitely seeing more Chinese money come back into the United States."

Developer Michael Shvo said his firm has seen strong interest from international buyers at its Mandarin Oriental condo project at 685 Fifth Avenue since launching sales there in December 2021. Of course, given that the project is designed to offer, as Shvo put it, "hotel living without hotel guests," out-of-towners are its core market.

Shvo said buyers at the property thus far were "probably 75 percent" international. He added that while at times in the past the foreign market for Manhattan luxury buildings has been dominated by particular countries — for instance, China in the mid-2010s, as Gary alluded to — he was seeing a fairly diverse geographic mix.

The 375-unit Towers of the Waldorf Astoria development from Dajia U.S. is likewise targeted to an international clientele, a fact that Dan Tubbs, senior director of sales at the project, said led him and his team to prepare virtual tours and other sales tools that came in handy when the pandemic hit New York shortly after the building opened for business in February 2020. Tubbs said that around a quarter of sales at the building have been transacted entirely virtually amid strong interest from global buyers. He declined to say how many units have gone into contract, characterizing it only as "a very healthy amount."

Ray Urci, an agent with Bond New York, said that he began seeing high-end foreign buyers come back in late 2021, though he added that he believes they may remain somewhat selective this year as they return to the market.

For one thing, bargains that might have been available in the middle of last year may now be gone. As Olshan Realty's 2021 Luxury Market Report found, COVID discounts have "started to dry up" following a boom year for high-end property.

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Pandemic-driven deals “are really disappearing,” agreed Centurion’s Tashjian. “The bid-ask spread has gone from like 25 percent to 7 percent.”

“It’s very hard to find good inventory in Manhattan,” Gary said, noting that the \$20 million to \$30 million range was particularly challenging at the moment. “There was a short period of time to take advantage and get extreme discounts before the market started coming back this summer.”

The luxury sector in the fourth quarter of 2021 commanded its biggest share of bidding wars for the entire Manhattan market in at least five years, according to Miller Samuel.

Perhaps more than in past markets, foreign buyers appear interested in purchasing luxury properties not just as investments but to use them — either as pieds-a-terre or for children who are going to school or working in the city

That means buying decisions aren’t driven purely by numbers but also factor in considerations like where buyers prefer to spend time in the city, King-Brown said. “That is something we have noticed has really shifted.”

In terms of buildings and locations, Midtown’s Billionaires’ Row is a strong draw, with buildings like Central Park Tower and 220 Central Park South seeing interest from foreign buyers, King-Brown said. Last year, a foreign buyer, Brooklyn Nets owner and Alibaba exec Joe Tsai (a Canadian who’s lived on and off in the U.S. for years), dropped \$157.7 million on a pair of units at 220 CPS in one of the most expensive home sales in U.S. history. Last month he one-upped himself, purchasing a penthouse in the building from hedge funder Dan Ochs for \$188 million.

Downtown neighborhoods like SoHo are also hot with the international set, Gary said. She said she has recently been working with international clients interested in buying at the Renzo Piano-designed downtown building 565 Broome.

“There’s a lot more deal flow, a lot more volume,” she said. “People are coming back to the city and buying again.”

Make hay while the sun shines, or until the next variant hits.

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