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Despite Price Increases, New York City Residential Property Remains a

Smart Investment

During the past decade, New York City has experienced a truly remarkable increase in residential real estate value. As properties doubled, tripled or even quadrupled in price in Manhattan, the boom reached out to the boroughs, transforming neighborhoods in Brooklyn and throughout the city.

New York has continued to see increases during the past year despite a significant correction in most other markets throughout the United States, and it appears the city's momentum will continue in the near future. So, is it wise to wait on the sidelines for a correction and the possibility of a bargain? Probably not.

Right now, demand remains strong in New York City despite the introduction of a substantial number of new units to the market during the past 18 months. If a shift is coming – and a shift eventually comes in a cyclical industry like real estate – it appears that it is at least 12 months off. If the market continues at its current pace, a shift at this time next year might only reduce the price to current levels. And if this is the case, the cost savings currently available through historically low mortgage rates (which will not last forever) are likely to outweigh any possible future savings.

In fact, the influx of newly constructed condominiums has placed buyers in a strong position. Buyers have many options and market pressure has motivated developers. The next six to nine months are an ideal time for picky buyers. However, this leverage will disappear when the current spate of new construction decreases, as it could next year when a new law may affect the creation of residential housing.

Many have questioned how long New York City real estate can continue its upward march. Prices, after all, have far outstripped other American cities. But it is possible that New York City should no longer be com-

pared to other American cities. Yes, prices in Boston, San Francisco and Los Angeles are high too, but those are not international cities in the same way that New York is. It is quite possible that New York should now be viewed among its international peers: London, Paris, Tokyo.

During the past five years, New York City has attracted national and international corporations at a pace never before seen. They have located here to establish a presence in a global city that attracts the most talented pool of employees in the nation. This corporate relocation trend has transformed the city and driven up commercial real estate prices.

At the same time, residential buyers from around the world have chosen to purchase in Manhattan, the cultural center of the United States. Their decision has been helped by a weak dollar, which dramatically reduces the price of real estate for overseas buyers. It is almost as though buyers in Ireland, Dubai and Stockholm have recognized that New York has entered a new phase while most Americans have been unable to recognize the formation of a global network on international cities that is transforming the global flow of capital.

No one can anticipate the timing of a market shock or diminish the effect that political or economic turmoil could have on New York's residential market. However, given the current circumstances and the trend of urbanization, New York seems to have powerful momentum. It is estimated that the city's population will increase by one million residents during the next 15 years.

New York's prices – now ranging somewhere above \$1,000 per square foot -- may seem crazy when compared to the cost of a sprawling tract house in Charlotte. But it may be time to start comparing New York to Tokyo, where residential property sells at more than \$1,770 per square foot.^{DVNY}