

THE WALL STREET JOURNAL.

DOW JONES | News Corp *****

MONDAY, OCTOBER 8, 2018 - VOL. CCLXXII NO. 83

WSJ.com

★★★★ \$4.00

Condo Buyers Demand Deep Discounts

By JOSH BARBANEL

It is deal time for buyers looking to purchase an apartment in one of New York's new condominium buildings, many with high ceilings, large windows and a whiff of glamour, brokers said.

As sales of new apartments have stalled this year, many developers are cutting asking prices and agreeing to go even lower—at a pace not seen in years, brokers said.

"Everybody today comes in and expects a discount," said Ziel Feldman, chairman and founder of HFZ Capital Group, who has half a dozen condo and co-op projects on the market.

The overall market in Manhattan is in a correction, brokers and developers said, as the supply of new apartments is increasing in many neighborhoods. The third quarter is usually a peak period for apartment sales, but new development sales plummeted in this year's third quarter, down more than 30% compared with the same quarter in the previous three years, according to an analysis of sales records by The Wall Street Journal.

Mr. Feldman said many new developments haven't been priced to the current market. Still, if a building is "unique and competitively priced, you sell very well," he said.

In more deals, developers are also agreeing to pick up closing costs, including the city and state transfer taxes of 1.825% usually paid by new condo buyers to close a deal, according to brokers and real-estate lawyers.

Brokers who bring buyers to some buildings are being offered enhanced commissions of 4%, higher than the standard 3% in the industry.

Discounting is also on the rise. According to figures compiled by listing site StreetEasy.com, the share of listings in new buildings with price



JOHN TAGGART FOR THE WALL STREET JOURNAL

At 100 Barclay in lower Manhattan, the five sales listed in 2018 averaged a discount of more than 10%.

cuts of at least 5% has grown steadily during the past five years, to 8.7%, the highest figure since at least 2012.

In Brooklyn, the share of such listings rose sharply this year and reached a peak 12.3%, the highest since at least 2012. The StreetEasy figures count listings in buildings open five years or less, and include some resale listings, too.

Though some buildings still report solid sales activity, many buyers are making demands for deep discounts or simply waiting on the sidelines, brokers said. "Not all buyers appreciate the level of discount they can get today and are hoping prices will drop further," said Pamela Liebman, president of the Corcoran Group.

Vickey Barron, an agent at Compass who has represented developers and buyers, said a lot of the pressure for cuts is coming from agents who are pushing too far. "They don't know when to stop and some buyers are losing out on an opportunity," she said.

Let's Make a Deal

Share of listings in new developments with price cuts of 5% or more



Note: Includes all listings in new buildings open five years or less.

Source: StreetEasy.com

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At 100 Barclay, a large condominium development on the upper floors of a 32-story art deco skyscraper built for New York Telephone Co. in lower Manhattan in 1927, many listings have sold slightly below asking prices. But that dis-

count grew steeper during the past year or so, according to listings on StreetEasy.

The five sales listed in 2018 averaged a discount of more than 10%. A four-bedroom on the 20th floor with 10-foot-high ceilings and a 30-foot-long living room was listed for \$10 million and sold in August for \$8.13 million, an 18.7% discount.

A few weeks ago, Extell Development Co. opened model apartments for 1010 Park Avenue, a narrow, 16-story building going up on the site of a community house of a landmark church on Park Avenue near East 85th Street. It cut the overall asking prices on the 11 apartments there by 10.4%, according to a filing with the state attorney general.

Many in the industry see the slowdown as a healthy shift, especially in the long term. Frances Katzen, a broker with Douglas Elliman, said there was a time when there was "shock and horror" when a developer cut prices, but no longer. "It bodes well for the market," she said.