



## COVER STORY

# Luxury undercover

By JASON TURCOTTE

The term 'luxury' may not be taboo but, thanks to the economic recession, it has certainly taken a back seat to a host of new catch phrases pitching the high-end market. Perhaps none more important than 'value.'

After six months of dormancy, multi-million dollar homes are moving again, but those in the know have been quick to recognize this isn't the luxury market

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of old — a period defined by unabashedly high prices, excess and over-the-top amenities — slowly creeping back into the Manhattan scene. This time, luxury has a new meaning.

"The high-end luxury market has gone through a bit of a revolution over the last year," said Leonard Steinberg, managing director at Prudential Douglas Elliman. "I do think the flash, bells and whistles — and the gimmicky aspects — have died."

Steinberg said the pre-recession luxury market included bidding wars that drove prices to unrealistic figures, too much product misleadingly marketed as luxury, buyers who treated real estate as a short-term investment rather than a home, a nonchalance regarding spending and middle-class buyers biting off more than they can chew in market they shouldn't have been dabbling in.

"If you're middle class, don't pretend to be rich. You'll only get yourself in trouble," said Steinberg, who noted that many luxury buyers pre-recession had to resort to extensive financing while those in the market of \$8 million and up today are all-cash buyers.

But the type of buyers circling the market isn't all that's changed; new buzz words are emphasizing the changed needs of the luxury buyer, developers are rethinking their amenity offerings and prices are coming back down to Earth.

According to The Laurel sales director Joanie Schumacher, there's no hesitancy in marketing that project, which has most units priced north of \$2 million, as luxury. "If you look at how beautiful the materials are, you'd be kidding yourself to think it's not a luxury building," she said.

However, there's a new emphasis on highlighting the practical. In other words, Schumacher believes buyers need to rationalize a high-end purchase; they're looking for features that are useful in their everyday lives, rather than the extravagant amenities that were developed mostly for show.

"I think the Zen things out there were not of great importance. Buyers are looking for things they can use their

life," agreed Diane Ramirez, president of Halstead Property. In a poor economy, said Schumacher, there's a greater importance placed on entertaining in the home. That's why Laurel amenities like the residence club, which offers residents additional dining room space (available on a reservation basis) and a screening room (booked most nights) are growing in popularity. And on-site fitness centers have been a major draw as buyers see the amenity as a convenient and cost-saving one, allowing them to forgo costly gym membership fees elsewhere.

"I think there's definitely still a luxury market, but I think buyers look at value much more than the trophies they used to," Schumacher said.

Elizabeth Stribling, president of Stribling & Associates, expressed those same sentiments in her October 2009 market report.

"A new vocabulary has entered our residential arena," reported Stribling. "In today's economic climate, gone are the words luxury, trophy and prestige. Today, the emphasis is on value, condition and location. Today's buyers not only want value for their money, but they even feel cheated if they do not get 'a steal.'"

Ramirez said that though the word "luxury" will always be a mainstay in residential marketing, many are now using other terms — such as "crème de la crème" or "mint" — synonymous with high end.

And this new framing of the luxury product just may be starting to resonate with buyers. After the standstill first six months of 2009, activity has picked up in the luxury market.

But that doesn't mean prices have. For example, Madonna's \$32 million

it should have been listed in any type of market. But he said today's buyers aren't just looking for a quick deal, fast cash and a short-term investment. Luxury buyers are now in the market for the long haul and have the equity to spend. Now it's more a matter of justifying the purchase by ensuring value and a long-term need for the home.

"There's nothing like buying a sweater at Bergdorf Goodman at 50% off if it doesn't fit you," Steinberg said. "Real estate is more a home than just a get-rich-quick mechanism."

Outlandish amenities may no longer make the grade in today's market, but buyers are out there and most brokers say they're looking for practical, yet unique homes that cannot be replicated.

"High net worth people want what they want. They're not going to settle, nor should they," said Cindy Kurtin, senior vice president at Stribling & Associates.

With a rise in luxury inventory (resulting from a quiet first two quarters of the year), there are plenty of posh listings for these all-cash buyers to see.

Kurtin, for example, has a \$12 million listing at 15 Sutton Place for a unit she says is unlike anything she's seen in Manhattan, likening it to a private "oasis" along the East River. Jacky Teplitzky's marketing an \$8 million 5-bedroom townhouse at Lux 74, featuring luxurious — yet practical — amenities including a private movie theater and indoor swimming pool.

And Luxury Lofts and Homes is handling the sale of a 174-year-old mansion at 436 West 20<sup>th</sup> Street. The 10,000 s/f gem's massive renovation included restored plaster moldings, original pilasters, ceiling medallions, 13 fireplaces, grand mahogany doors and original chandeliers featuring Czechoslovakian crystal from the 1830s. The property, listed at \$21 million, even includes a ballroom perfect for entertaining more than 100 guests.

"The customer is definitely more selective. They're looking for quality; they're looking for a perception of value," Ramirez said.

And with the inventory buildup, high-end buyers have the luxury of being choosy.

Ramirez, who noted the luxury market has seen more activity in the latter half of the year, said buyers want a signature home without the hassle of specialty build-outs; fewer buyers are willing to go through the hassle, time and expense of adding their own ele-

ments. Therefore, these properties with inherent unique elements are drawing eyeballs.

While pricing hasn't gone north nor is it expected to in the immediate future, Steinberg reports some rejuvenated activity in the luxury market since the end of summer; he noted that a number of recent penthouse deals sold for more than \$10 million. With new development stalled since the collapse of Lehman Brothers, he's anticipating a shortage of luxury product in the next three to five years; meaning buyers should take advantage of the smorgasbord of inventory in the market today.

And some already have. DJK Residential's Carola Mack just closed on a more than 2,000 s/f luxury corner unit at Time Warner Center — a deal that fetched more than \$7 million. Halstead also sold a \$10 million condo at Time Warner in August, and Ramirez said there's even high-end interest coming back to the Brooklyn and Connecticut markets.

But while the luxury market presses on with its slow comeback, don't expect the attention-grabbing headlines, and overt indulgence to return with it — not yet, at least. According to Ramirez, luxury clients are looking for more confidentiality than ever before, in this economy where flash is no longer en vogue.

"It's truly a quieter purchase now," Ramirez said.



Leonard Steinberg, Joanie Schumacher and Elizabeth Stribling.

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buy on East 80<sup>th</sup> Street earlier this year came at a \$13 million discount; the buyer of a 40<sup>th</sup> floor penthouse at 15 Central Park West paid more than 50% less than the seller's \$80 million price tag; and, most recently, a triplex penthouse at 360 West 11<sup>th</sup> Street, which sold for \$10.5 million last month, closed at 33% of its original asking price.

While new activity has rejuvenated a few bidding wars, Steinberg said bids are still coming in considerably lower than asking prices. While people gasp at the 15 Central Park West sale discount, he said it's worth noting that the unit's original asking price was "a ridiculous fantasy" and priced 50% higher than