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In New York City, the Demand for New Developments Is Bouncing Back

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Condos

Almost three years after Covid waylaid the New York real estate industry, the city’s new development market is tiptoeing into unfamiliar territory: normalcy.

The glut of luxury condos that saturated the Manhattan market long before the pandemic has largely been sold. Sale and rental prices have exceeded 2019 levels, with rents continuing to break records, according to market reports. And developers are once again moving forward with ambitious megaprojects.

“I see this as a period of moderation for new development — not a boom, but certainly not a laggard like before the pandemic,” said Jonathan J. Miller, the president of Miller Samuel, a real estate appraisal and consulting firm. “Call it reverting to the mean.”

But everything is not as it was, with Covid both accelerating some nascent trends and pushing builders in new directions. The average size of new apartments has shrunk, despite the growing demand for home office space, according to market reports. The luxury market, beaten down for years before the pandemic, is once again in a bright spot, fueled mostly by domestic — not international — buyers. Large projects in the boroughs beyond Manhattan, spurred both by rezoning and renters’ hybrid work schedules, are taking shape. And yet the new normal could be threatened by growing concerns about a recession.

When Covid gripped the city in early 2020, Manhattan already had a huge overhang of new condos — over 8,000 unsold units, which would have taken more than eight years to sell at the time, Mr. Miller said. A healthy market can sell out between two and two and a half years.

But after a period of ultralow mortgage rates, a stock market frenzy and sellers finally being realistic with pricing, the current sellout rate is just three and a half years — a remarkable turnaround for a once bloated market.

Prices, too, have rebounded. The median sale price for a new development unit in Manhattan was $2.6 million in the second quarter of 2022, up 5.3 percent from the same period last year and up 6.3 percent from the same time in 2019, before the pandemic, according to Mr. Miller.

“The headline is that the new-dev market is stronger than you think,” said Kael Goodman, the chief executive of Marketproof, a real estate analytics company. He pointed to a $74 million contract signed for a nearly 6,800-square-foot penthouse at Aman New York, the recently opened hotel and condo in the Crown Building in Midtown Manhattan, across the street from Trump Tower. While it may be the most expensive new development sale of the year, it is still a far cry from the city record-holder, the 2019 sale of a nearly $240 million penthouse in a skyscraper overlooking Central Park.

The comeback hasn’t been easy.

“I can’t even tell you how much more stressed and nervous my partners and I were,” said Van Nguyen, a partner at JVP Management, the developer of 96+Broadway, a new 23-story condo on the site of a former Gristedes supermarket on the Upper West Side.

His firm began excavating the site in March 2020, right when the city effectively shut down construction because of Covid. During lockdown, the developers completely changed tack, reducing the number of units to 130 from 150 to provide extra space for residents spending more time at home. In the common areas, they installed 13 ultraviolet filters in the ventilation system that are designed to neutralize airborne viruses. The rooftop, initially reserved for the penthouse owners, was redistributed to create a 2,800-square-foot terrace for all the residents, including several outdoor dining areas and a drive-in-style movie projector.

Prices ranged from $1.3 million for a 734-square-foot, one-bedroom apartment to $11.85 million for a 4,362-square-foot, four-bedroom penthouse with a large terrace, according to plans filed with the state.

But the condo market could be in for another shock, thanks to stubbornly high inflation. The number of contracts signed for Manhattan condo apartments, including resales, was down almost 34 percent in July, compared with the same month last year — a sign that buyers are becoming skittish as economic worries grow, Mr. Miller said. Still, with less new inventory coming up for sale, the outlook does not look nearly as dire as it did in 2020.

“Office towers are empty and yet residential housing, in rentals specifically, is booming,” he said. “And that bodes well for new development.”