

## Ep #21: The Booming Manhattan Market



### Full Episode Transcript

With Your Host

**Harriet Libov**

[Your Real Estate Connection in Westchester](#)

## Ep #21: The Booming Manhattan Market

Welcome to *Your Real Estate Connection in Westchester*. A show for people looking to buy or sell homes in the Northern Westchester County area. Join local real estate expert Harriet Libov as she shares her professional advice on the local real estate market, connects you with knowledgeable community residents, and gives you helpful insights behind the home buying and selling process. Now, let's dive into today's episode.

Today's episode is part two about what happened to the New York City real estate market in 2021, and what's in store for 2022. Part one was focused on Brooklyn, and this episode will be focused on Manhattan. As we discussed in the last episode with Lee Solomon from Brown Harris Stevens in Brooklyn, New York City real estate activity in 2021 took New York by surprise. The pundits who predicted the demise of the city turned out to be wrong as 2021 developed into one of the most robust sales and rental years within memory.

To recap, the Brooklyn market was very active with 35% more closings than a year ago. That took into account that sales didn't decline much in Brooklyn due to COVID. Apartment sales actually hit a record high for the fourth quarter in 2020, and that record has now been broken.

Manhattan proved especially resilient in the luxury new development market where sales topped all expectations and reduced a deep supply of new construction apartments to its lowest point in years. Overall supply in the Manhattan market is down around 30% year over year while pending deals are up 150% during the same time period.

Unlike in other markets, this one has been driven primarily by local demand. The market has seen very little foreign buying, but there's been a large surge in pied-à-terre purchases by American buyers from across the country.

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Today I'll introduce you to Carolyn Joy and Ian McGowan, a team at Brown Harris Stevens. Their office is in the flat iron district. Carolyn is dual licensed and balances her time between New York and her team with Ian and Westchester where she is one half of another team, The Tishelman–Joy Team at Houlihan Lawrence. They cover the river towns. Ian is the other half of the McGowan-Joy Team at Brown Harris Stevens. Hey, are innovative and results oriented professionals, and their personal approach is a rare find in the world of New York City real estate.

I know I just through a lot at you with the two teams, but I promise it will make sense when we speak to them in a few minutes. So let's settle in and being the conversation.

Houlihan Lawrence, my broker, and Brown Harris Stevens have had a networking relationship of referrals for years. Bess Freedman, the CEO of Brown Harris Stevens, wrote the intro in the fourth quarter report of 2021 and stated the following. "The Manhattan apartment market ended the year strong with closings 65% higher than a year ago and the most in a fourth quarter in 14 years. Both the average and median apartment prices posted small gains compared to 2020s fourth quarter rising 2 and 3% respectively.

"Strong increases in resale closing prices were offset to a degree by a 9% drop in the average new development price. Looking at just resale apartments, the average price is now 10% higher than a year ago while the median price is up 5%. Resale condos have posted stronger pricing gains than co-ops over the past year with a strong luxury market pushing the average condo price 16% above the fourth quarter of 2020. The average resale co-op price was 5% higher than a year ago.

"The frantic pace of activity of 2021 has driven inventory down making Manhattan a sellers' market. This can be seen in the 17% decline in time on the market over the past year to it's lowest level in three years.

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Apartments are now selling at 97.6% of their last asking price, the highest figure that has been since 2017's first quarter.

“Analysts expected demand from Manhattan’s apartments to slow down after the record setting activity of those in contract in the spring and the summer, but outside of the typical season slow down that is expected in the fourth quarter, it’s yet to happen. While the rise of the new COVID variant presents a challenge in the short term, there remains a lot to be optimistic about in 2022. The city has a new mayor. Record Wall Street bonuses are expected from 2021. More workers are returning to their offices. Foreign buyers will hopefully be active again for the first time in two years.”

On that note, let’s chat with Carolyn Joy and Ian McGowan. They are a team at Brown Harris Stevens in the Manhattan market, and they’ll give us their read.

Harriet: Hi Carolyn and Ian. Thank you so much for joining me today. Carolyn I tried to explain in my intro about your team situation in New York City and Westchester and how they differ. It was a bit confusing, I think, to our listeners for me to explain it. I’d love for them to hear it in your own words. Which partnership came first? How did they evolve? How do you work?

Carolyn: Interesting. So actually what came first was no partnership. I graduated college. I came to New York. Then I started working for a real estate firm when I was 25 years old because I speak a few foreign languages and there were foreign investors. Then around 2003, I decided to shift my focus after 15 years to Westchester. I had young children, and I wanted to be home more.

So Rory and I formed a team so that we could both have good jobs in real estate, interesting lives, and still be there for our children. But I had been in the business a long time. So there was one foot always thinking about New

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York City, which is where my heart is. So Rory and I started a relationship. We grew into a full team 50/50, which is where we are now.

Simultaneously I had no team but a thriving business that was growing in New York City to the point where I needed another set of hands to help me with my New York City real estate. I walked Ian. I was saying it was love at first sight, but apparently it was love at second sight because I don't remember the first time I met him. He was in the office. He'll tell you where he came from. I met him, chatted with him, and thought I would really like to have a relationship selling real estate with this guy.

I'm gonna tell you all these good things about it. My manager felt the same way. So we were put together originally as we were testing it for a few months. It didn't take me long to figure out that he and I could have exactly the same 50/50 hands on relationship that I had taken to years to develop with Rory Tishelman in Westchester. So we've been a full flag team for almost the whole time we've been working together. I spend 50% of my time in both markets. Ian's here 100%. Rory's there 100%. So that's my story.

Harriet: Okay that's quite a plan. May I add, kudos to you because it's really hard to find that connection that works in any partnership in any business, and how luck you are it worked for you. So good choices of people. Ian how did you come to real estate in the city? How long ago was it that you guys started this partnership?

Ian: yeah so I came to the city in 2004 originally as a dancer. I was trying to make my living as an artist. I did that for about six years part time as a dancer and part time working at a golf store in midtown Manhattan. I saw one of my colleagues at the golf store leave the golf business and go into real estate and have some success at it. I said well if he can do that, I probably can do it too.

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So I made the venture into real estate thinking I would become instantaneously famous and successful. It was quite a bit harder than I had planned getting into this business. After some persistence and teaming up with the right person now, it's starting to do quite well. So that's how I got in the business.

Carolyn: and how long ago? Three years?

Ian: so I've been in the business for five years. Carolyn and I have been working together for three and a half of those years. We're coming up on our four year anniversary.

Carolyn: I want to say also we started out as the Joy-McGowan team and now we're the McGowan-Joy team. We take turns.

Ian: it's just because I don't like being called Joy McGowan.

Carolyn: that's true.

Harriet: that's great. That's great. Ian, it took me so long to build my business. I did not have a partner, but I had been in sales my whole life. Two years later I was barely doing any business. I didn't understand why. Then it just all took off. All the hard work. In a market like this, it's easy to crack into the business and do a few sales. If it's not a hot market like this, it is challenging. I think if it is like you said, you become very methodical and driven and do it the right way to build something long lasting, sometimes you just have to erase those first couple years from your memory.

Ian: that sounds about right.

Carolyn: Ian I think he had the benefit of meeting someone who I already had enjoyed, like you Harriet, the exponential growth that comes with

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patience, time, and good business practices. So I knew when I met him that if he was patient and had a long term plan, this business in New York City could do the same as what we developed as a team, the Tishelman-Joy team in Westchester. I think this is a breakout year for Ian and me.

Harriet: that's great. That's just great. So Carolyn with your involvement in New York City and Westchester, it must give you a unique perspective to both. Do you see inventory—Well, here's the question. We're all talking about inventory because there is none. Do you see inventory picking up more strongly in either New York City or Westchester? Is it similar?

Carolyn: I would say my market in Westchester, that's the river towns, which is similar to where you work. I would say there's no accumulation of good inventory. There's only accumulation of overpriced listings. So there really is still more buyers than there are good product, but I don't think prices have bubbled in Westchester really. I still think you get a very good house for a reasonable price per square foot, \$400 or \$500.

In New York City, and Ian can help me out with this, there are different areas with different inventory. We have a market report that Brown Harris puts out, and they divide it into East Side, West Side, Uptown, Downtown, FiDi, Tribeca. Because every market has a little bit of a change in its desirability and in its activity. For the last two years, people are coming into New York and they want when there's an abundance of inventory, they go East Side versus West Side, Uptown versus Downtown. Ian do you think the inventory in New York is growing?

Ian: well inventory is certainly down quite a bit from this time last year. Right now we're hovering at about 5,000 units. Last year we were probably at about 8,000 units at this time.

Harriet: it's a big difference.

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Ian: yeah well I mean it had built up quite a bit during the pandemic.

Harriet: okay.

Ian: it nearly got to 10,000, which would have been sort of a record breaking number at the very peak of inventory. As things started opening up, sales started happening. Inventory slowly whittled down. To Carolyn's point, it's neighborhood to neighborhood, it's sub neighborhood to sub neighborhood, and it's building to building even. Every building in New York can be its own market it seems.

Harriet: I don't know how you do it. Then you have to pass co-op board after you make the sale. I like selling houses.

Ian: yeah we don't have to do house inspections, but I would say the co-op board package probably makes trumps the house inspection. I don't know.

Carolyn: it does. Trust me, it does.

Harriet: yes because you're in contract but it doesn't mean anything until you pass.

Ian: yeah. That's why you have to be really careful to prequalify your clients.

Carolyn: I was just going to say Harriet I have a hard time sometimes in Westchester because I've got such a background in New York City. So I'll have a buyer who wants to bid on a house for \$3.5 million, and he doesn't want to go another \$100,000. I don't have his financial statement. I can't advise him and say, "Hey you've got the money. Pay the price. This is worth it." Because I don't have their finances. To the contrary, a buyer will come to us in New York City and say, "I want a co-op for \$2 million." Then I need to say you revenue form, your financial statement. Then I say oh I've

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read your revenue form. They're not going to approve you. You have to spend \$1.5.

So it's a way more methodical and intense relationship with your buyers in New York City. It's all transparent.

Ian: it's very intimate.

Carolyn: very intimate. It starts from the—It's way more interesting than just having a buyer say, "I want a backyard and I want \$3,000 square feet." You learn a lot more about your buyers otherwise you wouldn't get the job done.

Harriet: interesting. Interesting. No one's even explained it to me that way. It makes so much sense. Ian I read Bess Freedman who is your CEO, right, Brown Harris Stevens.

Ian: yes.

Harriet: she mentioned in the fourth quarter report that foreign buyers could become more active in 2022. Any indication of that so far?

Ian: as of right now, I would say no. I mean when she put out that statement, it was kind of omicron was just starting to rear it's head. That certainly slowed down the influx of foreign buyers.

Harriet: right.

Ian: after this wave passes and hopefully not another wave comes up soon, we expect foreign buyers to come back and have a significant impact on the market.

Harriet: where do you see most of the buyers that you're working with coming from?

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Ian: most of the buyers that we're working with are local. Another chunk of them are either from New Jersey or Westchester buying pieds-à-terre. A lot of the buyers are trying to be closed either to old friends. They have a community in New York City that they want to be close to. A lot of them have children who have moved to the city and started jobs or—

Carolyn: or have grandchildren.

Ian: yeah started families in the city, and they want to be close to their younger children, yeah.

Harriet: oh okay.

Carolyn: also a lot of, we have one buyer who lives in Nyack who originally was working with me in Westchester to buy a house for \$4 or \$5 million. He pulled the plug on that one after COVID and decided he needed a place in the city instead. So he came to me in the city. I have both licenses. Now he's bidding on a new construction in Midtown so he can walk to work. We'll get a lot of that, people who want to—Being near your office has become more important than almost any aspect of your geography.

Harriet: interesting. Why do you think?

Carolyn: they don't want to ride the subways. They don't want to get sick again.

Harriet: oh okay. Yeah.

Carolyn: I just did a really great... Ian and I have a contract on a two bedroom in the Financial District. These people are thrilled. There's going to be a Whole Foods opening up down by the Broad Exchange downtown. There's an Hermès, a shopping. There's the Oculus. So that's a neighborhood, by the way, that I think has been really flat for a long time

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because it's financial that will draw buyers more and more so that they can be near work. As long as they start going back to work and they want to be near their office, I think that'll improve.

Harriet: okay I recently came in the city. I drove down 5<sup>th</sup> Avenue, and it was the first I had done that since COVID. 57<sup>th</sup> and that corner and then walked down. I just couldn't believe how the landscape had changed with retail as well as driving up Madison and seeing how many empty store fronts there. How do you feel about those parts of the city coming back, going forward? What are you hearing? What are you feeling?

Ian: Midtown was certainly the hardest hit of the city throughout the pandemic. That's where the tourists were. That's where the office workers were. Both of those things have gone away. And retail, yeah. We expect that all to come back in good time, but that's certainly going to back last, retail.

Harriet: I wonder if Madison Avenue, I mean when I lived in the city Madison Avenue was just the best street to walk up and down. I don't know if it's going to still have that same appeal Uptown.

Carolyn: I 100% Harriet it will. 100%.

Harriet: it will?

Carolyn: yeah you know and also I think all you had to do was get into the 7<sup>th</sup>. You may have been between 42<sup>nd</sup> and 57<sup>th</sup>.

Harriet: no, no. I was 57<sup>th</sup>, 50/60/70s which is always my favorite part.

Carolyn: I don't know. I may have blinkers on because I haven't felt. We are selling, and I have a buyer looking all over Park Avenue, and we're in that neighborhood. I don't see that as a neighborhood. That neighborhood will

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recover. It's not a neighborhood that's going to slip out of sight like some other frontier sections.

Ian: some of the most successful projects in the last six or eight months have been Upper East Side condo buildings, new construction, very high end on Madison Avenue. Now as for the retail, retail's got it's own fight ahead of it with the internet and how people shop. That's a different thing all together.

Harriet: right. That's what I was saying when I was talking about Madison Avenue. It was all about the browsing. I don't know if anybody's ever—I guess tourists will browse. You know I don't know if that will be a part of it. So I personally see the New York suburbs remaining out of balance for buyers because of our lack of inventory. So many of the buyers who left during COVID went to rentals.

So I am finding that, and Carolyn I don't know if you're seeing this in your Irvington Market and the river towns, but my whole list of buyers I would say is 50/50 who are currently living in the city and 50/50 who are in rentals who moved out a year ago, a year and a half ago. Then there are some from California that have decided to come back to family. It's not the typical make up, what we used to have pre-COVID. There's just more of them.

You answered one of my questions, which was you do see suburban empty nesters shopping around in the city, but are you seeing that people are just moved into rentals, sold their places, and there's just more and more buyers?

Carolyn: yes. I would say that in Westchester, people did settle in. They were trying to get out of the city, and they needed a place to land, and they rented. But a lot of them are coming back to buy in the city. In the city you're going to spend \$1,000/\$2,000 a square foot, but your taxes are

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nothing to speak of. In Westchester, your taxes are 3 and 4% on your real estate every year.

So it used to be that the buyer pool in Westchester was people in Westchester moving around Westchester. They already were used to the taxes. They were just upgrading and downgrading their real estate. The New York City wasn't so great as it has been in the last two years. That flow from New York City who said, "I don't care what my taxes are," they care now. They're looking at—I can't tell you how many buyers are telling me they have a cap on what they're willing to spend in real estate tax in Westchester. It eliminates Ardsley. It eliminates Dobbs Ferry.

Harriet: send them to Armonk.

Carolyn: they go to Armonk. They go to Chappaqua. They go to Scarsdale. They'd rather pay a higher price per square foot than they would pay taxes year in and year out. So some of these buyers, even who have bought real estate, are selling it, and moving back to the city. They bailed on the city. They were worried it was never coming back. Then they turned around and they said, "Whoop, you know what." If they're in a rental, it's great. They can come back to the city. Otherwise they're selling and they're making a profit and coming back to the city. Lots and lots of renters.

Harriet: right. Look, as you know Carolyn, my own kids are looking and exploring all of their options. Looking in different areas with different taxes. They sent me something last night with, I think, taxes of \$58,000, which I don't think they say. They were just looking at the house and the price.

Carolyn: I know that house.

Harriet: yeah okay. I needed to say that means you're just paying \$58,000 a year after you pay your taxes just to wake up in the morning. I mean.

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Carolyn: well you see, Harriet come on.

Harriet: unless you're making millions and millions.

Carolyn: or unless you have three kids.

Harriet: right, right and you're paying for schools. I don't think, you know, I'm not used to those taxes. It really makes me think, but all comes back to the earning power of what you have on an annual basis whether or not it even matters. That's back to what you said that in the city, you have that information. In the suburbs, I have to guess based on what they do for a living where they fall. So what are the opportunities you guys see for buyers in Manhattan?

Ian: well I think that there's still—Even though inventory's down quite a bit from last year, there's still ample opportunity. There's enough out there to choose from in most neighborhoods, in most product lines. I would say that rates are really good still and prices have not shot up yet in the city. They're off their lowest, but they haven't shot up. So there is an opportunity. I would say that if you're willing to do a little bit of work, that's also where you can get a little bit more of a deal.

Carolyn: and also starting from the top, the hidden structured real estate deals in the new construction is pretty awesome. This buyer we have who's bidding at 53 West 53<sup>rd</sup>, he has been watching the market actually recover. So you get buyers who are looking at new construction saying, "Wait a minute, the market is going to come back. This is my opportunity."

Then the sponsors are building in closing costs to the price and paying the buyer's closing costs so that they can make the price look higher. So there's a lot of hidden. When you're talking about \$4 million and up, there's tremendous value in new construction if you're willing to take a little bit of risk on a building that's not done selling out.

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Harriet: right no. Those are very good incentives.

Carolyn: yeah.

Harriet: tell me if you agree with me, my feeling about the suburbs right now. In February, people are going to pay a lot of money for a desirable house or maybe not as desirable as a prime location because there's no inventory and there's so many buyers and multiple offers. I do think when and hopefully we get more inventory in March, April, and May, we're going to see a little bit more balance. You agree?

Carolyn: I agree, and I hope so. One thing that on both sides of my teams but Ian is incredibly sensitive to value purchases. We don't like to put people into real estate that later one is going to depreciate, especially by the time they're trying to sell or any time in between. It should be a good value. In Westchester right now, I am bidding on properties and having success because of my experience and putting people into overpriced housing, but that's what they want.

Harriet: well, and that's I was just going to say. I mean you just can't turn around to anybody when they say, "If I go to sell it, am I gonna get it back?" There's no answer. I mean this is how much do you want this house right now?

Carolyn: 100%.

Harriet: because it's the only way you're going to get it is if you bid up. If you're gonna have regrets then don't do it. If you feel that this is the house you absolutely positively want to live in, go for it because you're gonna be there for 20 years. I mean it's a really hard conversation to have, but people are looking for our expertise. Yet are we more experienced and experts than they are? 100%, but it's more holding your hand and guiding

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you with that expertise than it is actually being aware of value, in my opinion.

Carolyn: well when a buyer says to me am I gonna make money or am I overpaying?

Harriet: lose money.

Carolyn: or lose money. I like to tell them you can only pay what the market will bear. I can tell you that this is the house, this is the price, this is the market. History of experience would suggest that inflation alone will lift all boats, but I don't know how else to answer this. I know in New York City, Ian and I can look our buyers in the eyes and say you are getting a good value investment right now in this market which is down. We can promise people that they're paying the right price in a market that's not inflated.

Ian: it's the one thing I've really realized in the last year is that it's not just a financial decision. Whereas buying any other asset, you're basing it all on the numbers. With housing and where you're going to live and spend the next 10 years of your life with or without a family is much more than just the numbers.

Harriet: correct. You know I can certainly say to somebody we haven't, in the suburbs, had appreciation before this whole bump with COVID in 10 or 15 years. So is it time for us to have appreciation? It sure is.

Ian: yeah. Well you have a great lifestyle that's different than you can get in the city, you know.

Harriet: right, right. I think people have come to appreciate it.

Carolyn: yes.

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Harriet: all right well this has been great. Thank you so much. Share the podcast, and I hope I get to see you guys soon.

Carolyn: yeah. So great.

Ian: sounds great. Thanks so much.

Carolyn: you have to come into the city and see our beautiful office on 5<sup>th</sup> Avenue and 18<sup>th</sup> Street.

Harriet: I would love that.

Carolyn: take a tour around Union Square.

Harriet: that's one of my favorite neighborhoods. So I would love that.

Carolyn: yeah. All right well thanks for calling.

Harriet: okay. Talk to you soon.

Ian: bye.

Carolyn: bye.

In summary, the more I learn about the market in New York City and Brooklyn, the more knowledge I become to my clients. The two are connected in so many ways. My takeaway from Carolyn and Ian is that the New York City market is very much alive, and there are good investment opportunities there. Thanks for tuning in today.

I'll be talking next week about relocation and finding agents through a reliable global network. That's how I help my clients. Tune in as it's really good to know how real estate brokerage firms create relationships that

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benefit their buyer and seller clients anywhere they want to go. For me as an agent, I'm giving them personal service and almost like a concierge wherever they need a real estate agent. Talk to you soon. Have a great day.

If you enjoyed today's show and don't want to miss an episode, you can subscribe on Apple podcasts, Spotify, or wherever you listen to podcasts. If you haven't already, I would really appreciate it if you would leave a rating and review to let me know what you think and to help others find *Your Real Estate Connection in Westchester*. It doesn't have to be a five star rating, although I sure hope you loved the show. I want your honest feedback so I can create an awesome podcast that provides tons of value.

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