American nightmare is an investor's dream

HK buyers find big bargains in the struggling Big Apple. Reports by **Peta Tomlinson**

New York is a city where fortunes are made and lost – and not only on Wall Street. After Lehman Brothers crashed, the number of "short sales" – in which a home sells for less than the amount owned on a mortgage – rose alarmingly.

They included town houses, co-ops – owned by co-operative housing corporations – and condominiums. It seems no one was spared. Short sales advertised in one week ranged from a US$250,000 two-bedroom on the Upper East Side, to a US$2 million three-bedroom property designed by Philippe Starck in the financial district.

Despite prices plummeting by 30 per cent, American buyers were thin on the ground, such was the panic about their own circumstances. But from the outside, it was an offshore investor's dream.

Three factors crippling the United States property market – an oversupply of homes for sale, high unemployment and a weak currency – worked to their advantage, making a very attractive proposition for overseas buyers.

Investors who would normally put funds into the New York Stock Exchange now saw the value in property. Apart from the pure investment numbers adding up, there's also the desirability factor: who wouldn't like to slip into a conversation that they owned a condo in Manhattan?

That interest translated to sales. Data from the National Association of Realtors indicates that, between April 2009 and March last year, foreign buyers purchased US$66 billion of US residential property, or 7 per cent of the residential market. Buyers from Hong Kong and the mainland were the fourth biggest buyer group.

That was last year – what's the story now? According to Patrick O'Neill, CEO of ONeill Group Hong Kong, New York City continues to be one of the top markets for international investors, along with California, Florida and Las Vegas. Of these markets, he says, New York is still the top pick for the group's Hong Kong investors.

"There is a synergy and similarities between the two cities: both are top financial centres, urbanised, and fast-paced. Everyone is looking for a bargain and it is happening right now in New York. Also, don't discount the importance of good dim sum in Chinatown."

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The New York market bottomed out in the third quarter of 2009, O'Neill says.

"Since then prices have bounced [back] and now appear to be oscillating slightly, with modest growth forecasted this year. In the fourth quarter of 2010, average prices remained flat compared to the third quarter, but are up 14 per cent compared to the fourth quarter of 2009.

"Overall, prices remain discounted 20 per cent to 25 per cent from the peak in 2006. It is hard to predict how long prices will stay down, but we know for sure that this temporary window of opportunity will end – hey it's New York City."

Indeed, last year might have been a record year in property foreclosures and repossessions, according to RealtyTrac, but some agents already see an upward trend.

The latest Manhattan residential market report by brokerage Brown Harris Stevens shows prices for Manhattan apartments edged upward last quarter, for the sixth consecutive quarter, to stand 8 per cent higher than a year ago. It found the average co-op price also rose 8 per cent as more buyers began to favour larger apartments. Marcus & Millichap Real Estate Investment Services says the US apartment market staged an "incredibly strong comeback in 2010", well ahead of expectations.

It found that all 44 of the markets surveyed were expected to post employment growth, vacancy declines and effective rent gains this year, confirming a sweeping recovery.

New York City claimed top spot in this year's National Apartment Index, which ranks a series of 12-month, forward-looking variables, including forecasted employment growth, housing affordability and rents.

Post-crisis, though, buyers are savvier. They've realised the Big Apple is huge market. Hong Kong-based property company IP Global, which still rates New York as one of its property hot spots for this year, says Jersey City has seen a boom in real estate over the past few years, as Manhattanites cross the river for more competitive prices and lower taxes.

"Many of the residential properties being developed in Jersey City are larger than in Manhattan and are targeting families looking for more space," notes IP Global's New York property market report.

IP Global data shows the median property price in New York City in January to be US$1,110,000 – the highest in the US. In Jersey City, next to Manhattan, the median price drops by 22 per cent. This in an area where, the report says, "it is a quicker commute to Wall Street than from Times Square and Central Park".

TOP CONDOS WITH STUNNING CITY VIEWS

If money is no object, Patrick O'Neill, of the ONeill Group Hong Kong, recommends Trump SoHo Tower in New York City as a "good buy". The new, 46-storey, five-star condo hotel in "the fashionable heart of Manhattan" offers sweeping views of the city skyline, Hudson River and Empire State Building. Amenities include a spa, fitness centre, outdoor pool and 24-hour room service and concierge. Prices range from US$1,196,000 to US$2,670,000. More from www.ogrouphk.com.

For investors on a smaller budget, "who would like to gain a foothold in the property market and take advantage of the New York story", IP Global recommends The Beacon in Jersey City. The Beacon is a 350-unit condominium development – the largest residential historic preservation project in the United States – with views across Jersey City, the Statue of Liberty and the Manhattan skyline. Amenities include a 24-hour concierge, on-site gourmet market and restaurant, car park with valet service, a pool, gym, spa, cinema and a community garden.

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Trump Soho Tower in New York. Hong Kong investors are taking advantage of lower prices. Photo: SCMP Pictures