Neighborhood Watch

How vulnerable are you? A risk analysis.

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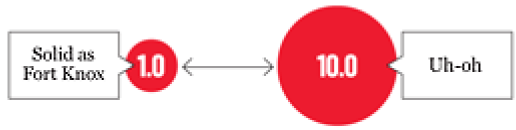
Is your neighborhood oversupplied with condos? Still in demand? Cruising along? Cruising for a fall? Here's the definitive guide, with **risk factors** (see key at right) for each neighborhood.



THE OLD GUARD: FIFTH AVENUE, PARK AVENUE, CENTRAL PARK WEST

It’s called the Gold Coast for a reason: Buyers and sellers here operate on **a rarefied plane where the larger economy barely affects their real-estate choices**. “Historically, Gold Coast markets tend to see a lesser degree of volatility,” says appraiser Jonathan Miller. “You’re paying to buy into a more established location.” That may be because exclusive co-ops and their boards demand such deep cash reserves and such big down payments that virtually everyone in this world can afford to buy or sell at any time. Broker Michele Kleier has sold here for decades and says that “even in the difficult times in the early nineties, I had good years.” In the roughest stretch of recent decades, between 1990 and 1995, the average price per square foot in the Fifth Avenue–Park Avenue corridor fell just 14.5 percent, according to Miller Samuel data. (The similarly genteel neighborhood around Sutton and Beekman Places fell 27.8 percent.) Median sale prices of four-bedroom apartments dipped for just two years—1991 and 1992—then went back up, even as nearly everything else continued to drift down. **If there’s one spot of vulnerability, it’s Central Park West**, where A-class buildings—the Beresford, the El Dorado—stand cheek-by-jowl with less desirable ones, leaving it less insulated than the other golden thoroughfares. As for those $50 million trophy spaces we all keep reading about, Miller explains that they will simply disappear from the market. Their owners will wait to trot them out when the bull market roars again.

UPPER EAST SIDE AND UPPER WEST SIDE

Apologies to the lefties on Riverside Drive, but—voting patterns and Fairway aside—there's barely any difference between the Upper West and Upper East Sides today. "They're a lot more alike than ever before," says broker Barbara Fox, who has bought and sold—and lived—in both neighborhoods. "If there's a serious downturn, it naturally affects everything. **But [these areas] are the last to be hit and some of the first to recover**." That's in large part because their good school districts are a selling point among Manhattan's new parenting class, notes Corcoran's Deanna Kory. The West Side is, right now, a bit more expensive than its eastern counterpart, according to the most recent data from the appraisal firm Miller Samuel; condos and co-ops there run $1,153 per square foot, compared with $1,134 across the park. Inventory remains low—exacerbated by so many homeowners' combining apartments to accommodate their growing broods, adds Kory—which is keeping prices up. **Plus those fussy co-op boards help.** Although most buildings aren't like the all-cash Dakota and 740 Park, they "have a layer of qualifications that they apply, and if you can pass, there's usually no question about being creditworthy," says Perry Gaa of New York Mortgage Company. "I haven't seen any issue with financing since the credit crunch began." Trouble spots are likely to be the fringe stretches of the neighborhoods, like northeastern Yorkville and the far West Sixties.

HARLEM

Well, it looks a lot better than it did in the high-crime years, and despite Harlem's fast and recent rise, there are just eight foreclosures on the docket. Still, trouble's brewing: According to the 2006 "State of New York City's Housing and Neighborhoods" report published by the Furman Center for Real Estate and Urban Policy, **30 percent of refinance loans in Central Harlem in 2005 fell in the subprime category**; 10.8 percent in East Harlem; and 10.4 percent in Hamilton Heights. (The Upper East Side's rate, by comparison, is 1.6 percent.) Yes, some Australian mogul may have set a record by paying $12 million for the penthouse at 111 Central Park North, but "it's an emerging market, and that's where a lot of the subprime lending starts," explains Miller. "You have people priced out of lower Manhattan squeezing and making it work with less than a prime mortgage." A decent number of those people won't be able to make their payments when interest rates rise; that means sudden fire sales; that in turn brings oversupply, driving prices down. That Central and East Harlem are packed with new condos can't help, either: In 2005, the Department of Buildings issued 940 new certificates of occupancy in these areas, nearly double the number given out on the Upper West Side. **Brownstone owners in West Harlem are going to be best off**; many buyers of new condos, particularly those whose developers have vanished and left them with leaking pipes and buckling floors, have somewhat more to worry about.

Ambient Images)

WASHINGTON HEIGHTS AND INWOOD

Though prices have risen remarkably at the top end of Manhattan, the ascent has been steady and relatively stable. (In 2006, apartments here cost, on average, $505 per square foot, slightly more than triple that of 2000, according to Miller Samuel data, but still 50 percent cheaper than a couple of miles to the south, in Zabar's Land.) That may be because there's so little new condo building in the area. **The properties that are for sale are virtually all in prewar buildings, many of high quality** (and getting better, as new money flows in and freshens up their battered details). These structures are often full of larger three- and four-bedroom apartments, making them attractive to families who, even if prices were to fall citywide, would not be able to afford the large spaces they need in the West Eighties and Nineties. That particular demographic is likely to keep filtering into the area, creating a healthy "gradual growing," says Corcoran's Kelly Cole, who specializes in the area. Adds Paul Cole of Trachtman & Bach, **"When you buy up there, you're not paying for the hype, because there is no hype."** Of the two, "Washington Heights is a little more immune than Inwood, which has a slightly limited appeal because it's so far," says Cole. The Audubon Terrace section in the West 150s, with its prewar condos and established co-ops, will likely weather any storms, as will the ever-popular Hudson Heights in the West 180s and low 190s. East of Broadway? "[It's] more pioneering," she says, delicately.

Next: Risk factors from Midtown to the Lower East Side.

MIDTOWN EAST AND WEST

Thank the Irish, the Russians, and the Koreans—and a lot of other foreign buyers, for that matter—for keeping midtown on an even keel. It is and will continue to be **the choice of overseas pied-à-terre buyers who want to be near shopping, theater, and Central Park**. The Plaza's nearly sold out, at completely mad prices ($3 million for a one-bedroom!). Even when you get away from the trophy properties, the picture's still pretty rosy. Tudor City's holding its own despite the long subway schlep, says Corcoran's John Gasdaska. Beekman Place and Sutton Place have reached near parity with Park Avenue, and their glory trickles outward to nearby blocks. "A lot of the buildings right on Sutton and Beekman are at least 50 percent down," and require large cash reserves, meaning "you can't even dream of getting in unless you're totally financially stable and beyond," says Janice Silver, sales manager of Bellmarc's East Side office. (These days, they operate like Gold Coast buildings: no open houses, stringent vetting, requirements of gobs of liquid cash.) **The optimism wanes considerably when you head far west**, beyond the lively Ninth Avenue corridor, where some properties have asking prices rivaling those in more desirable locales. In a heated market where everyone's hyped up to buy, that's acceptable behavior, but not now. "It's a whole different world," says Silver. "It's a market that went up when there was nothing else." As one industry insider puts it, "No one really says, 'I want to live on 55th Street and Eleventh Avenue.' "

CHELSEA

What will save Chelsea from a major meltdown? Two words: High Line. Green space is at a premium, and far West Chelsea has zoomed from industrial no-man's-land to must-have address. It's helped along by daring architecture (André Balazs's Standard Hotel) and the still-growing gallery scene. **Enthusiasm for the new park, which is scheduled to open in 2008, is going to keep buyers coming for a good long while**, as is proximity to super-desirable areas like the West Village and the Flatiron district. The western arts district is "pretty well insulated," adds Core Group Marketing's Shaun Osher. "Chelsea five years ago was a B neighborhood. Now it's an A neighborhood," and it has a good chance of staying that way even if next year's bonus season is disappointing. **Those well-kept houses on the landmarked side streets around Eighth and Ninth Avenues are likeliest to hold their value in a downturn**, but look out as you head to the neighborhood's eastern boundaries. A real weak spot are those scads of new towers along Sixth Avenue, says JC DeNiro managing director Christopher Mathieson. "I don't understand why people are spending millions there. It's commercial and chaotic. You walk out, and there's an onslaught of traffic and pedestrians."

MURRAY HILL, THE FLATIRON DISTRICT, AND GRAMERCY PARK

Yes, Murray Hill is sort of boring. But so are T-bills, and in a downturn, they're a godsend. "Instead of living in a glamorous neighborhood where you're paying for the brand name, you're paying for the [actual] space," says Corcoran's Anne Marie Salmeri, who has lived and worked in the area for a decade. **The preponderance of co-ops here means buyers usually have funds in reserve** and won't be hit by interest-rate spikes. As a result, property values are far from peaking. Gramercy, being closer to downtown, is likewise rot-resistant, notably in buildings fronting the keyed park. (Last year, fewer than 50 apartments on Gramercy Park proper went on the market, says Warburg Realty's Judith Thorn.) Move farther east, though, and the prettiness and its attendant market buffer fade. In particular, a number of new condo slabs along Third are going to raise inventory without making the neighborhood any more charming. As for the Flatiron district, remember how small it is—roughly from 18th Street to 23rd, between Broadway and Sixth Avenue—and note how few new buildings are here, apart from the nearby towers on Sixth (see "Chelsea" for a discussion of their prospects). "It's a little enclave that people really love," says Toni Scott of Prudential Douglas Elliman. Exhibit A: 141 Fifth Avenue, near 21st Street. The condo conversion **went on the market at midsummer and sold out 80 percent of its 38 units in three months** at $2,000 per square foot. All that without running a single ad, says its marketing chief, Shaun Osher.

EAST VILLAGE AND LOWER EAST SIDE

These neighborhoods are no longer "emerging"—they have emerged, and we are not going back to dodging crack dealers on Avenue A. (Gripe all you want about gentrification, but "the quasi stripping of character—it's a double-edged sword," says Barry Silverman of Halstead Property.) "We've seen strong growth there," says Halstead's chief economist, Gregory Heym, adding that the average price per square foot has risen 87 percent in the East Village just since 2002. That said, **a big market swing could certainly hit here, because these areas are still most attractive to the young**, and young buyers can be fearless. "They take more chances and they're more aggressive, the kind of people who put more of their assets into living where they want to live," says Citi Habitats agent Noah Rosenblatt, a former Wall Street trader who now blogs about the market on Urbandigs .com. "They haven't seen a major crash and **don't know that they may get salary restrictions or that their bonuses may not go up as much**. No good time lasts forever." (Stable exceptions include complexes like Coop Village—"You cannot get into buildings there if you are shaky," says Silverman—and the few available properties in Chinatown.) As ever, prices in these areas fall as you drift east from Third Avenue and south below Houston. That won't change until the Second Avenue subway reaches down here around 2025. "You really don't want two commutes to work: one to the subway, and then the subway itself," adds Silverman.

Next: Risk factors from Soho to Brownstone Brooklyn.

SOHO, NOHO, AND CENTRAL GREENWICH VILLAGE

If the West Village and Tribeca are king and queen of the downtown market, these neighborhoods are next in line to the throne. Preservationists may not like New York University's aggressive expansion plans, but the dirty truth is that **NYU's presence helps anchor the area, ensuring a steady stream of newcomers** to the housing market and parents willing to plunk down money for condos. Noho has singular appeal for buyers seeking something ever so slightly less polished than Soho, and as for the original loft neighborhood itself, "there are always people who want to live in Soho and only in Soho," says Stacey Max, sales manager of Bellmarc's downtown office. Super-luxe condo projects, including the much-discussed 40 Mercer and 40 Bond, have drawn a new set of those impossibly moneyed buyers. (The average price for a loft in the area jumped from $1.43 million in 2002 to $1.9 million in 2006.) Besides, says Prudential Douglas Elliman luxury broker Leonard Steinberg, "it never hurts to have Chanel down the block," even if it means a crush of shoppers on Saturdays. **Whether owners are finally protected from a sinking market will likely depend on the apartments themselves**: "Loftlike" spaces—and many new buildings are branding themselves as such—are a poor substitute for genuinely great old industrial spaces. Real lofts with high ceilings and big windows will survive most any real-estate shakeout. Facsimiles will be a lot less desirable, and if you've overpaid for one, look out.

THE NEW GOLD COAST: WEST VILLAGE AND TRIBECA

A decade ago, few would have expected Park Avenue to have anything in common with the West Village or Tribeca. But **these days, they're pulling from the same moneyed demographic**, says Prudential Douglas Elliman's Leonard Steinberg. Credit the gracious housing stock, public schools prestigious enough that even the rich send their kids there (P.S. 234, P.S. 41, and P.S. 3 are consistently top-rated), and rabidly protective locals who fight any project that seems even slightly intrusive. Brokers say they can barely keep up with demand, especially in the West Village, which has managed to distance itself from the rest of the area despite all those cupcake-toting tourists. **"The desire just keeps increasing,"** says Sabrina Kleier of Gumley Haft Kleier, who went all the way out on that limb to declare it "recessionproof." (Consider that if somehow property values were to fall in this area, even for a moment, a whole lot of people with imagined Village lives would flood in from second-tier neighborhoods like Murray Hill and Hell's Kitchen and Yorkville. Prices would bounce back up in a heartbeat.) Tribeca is equally coveted, but inventory there is not as tight, thanks to a higher condo count (there are 30 new developments there, according to Streeteasy.com, and 9 in the West Village). **Anything east of Church Street is less desirable**, as well as south toward Chambers Street and the construction zone around ground zero, says Steinberg, so if you merely have a whole lot of money to spend rather than an *immense* lot, start there.

FINANCIAL DISTRICT

All those years we heard about the financial district's residential future, and it didn't happen—well, it's finally here. There are twenty new developments and counting, and the longtime major complaints—no supermarket! No restaurants!—are being addressed, if slowly. A flood of new apartments has been marketed to Wall Streeters and families, and they appear to be strolling in, backed by an influx of expensive retailers like Hermès and Tiffany. But it's a company town, driven by bonuses and financial-industry performance, and you know what that means: **a real downturn in the stock market has the potential to stop all this change in its tracks**. "There are a lot of units that have come on the market, and given the fact that the neighborhood's still not established, [it] may experience a slowdown," says Corcoran's John Gasdaska, who's had three clients who've postponed their search here. (They want to see what happens next.) **The buildings that are doing well are at a slight discount (or offer more) relative to areas like Tribeca and the West Village**, says downtown broker Leonard Steinberg, and those that aren't are likely to lose buyers to those areas. As for cookie-cutter properties out of the main swim of the neighborhood, declares JC DeNiro's Christopher Mathieson: "If you're not in the right building in the right location, you have a problem." Fortunately for buyers and sellers alike, the good spots are multiplying—around the subway stops and the Seaport are consistent favorites.

ESTABLISHED BROWNSTONE BROOKLYN

"A brownstone in Brooklyn Heights is almost $3 million, so even **if you put down just 10 percent, you still need $300,000. That's a lot of money,**" says appraiser Scott Gallant, who adds that in general, recorded selling prices are no lower than last year's. "Buyers who have that kind of money are usually financially stable," having qualified for a giant mortgage. But brownstone Brooklyn's real hedge comes from its mix. Park Slope and its ilk are home to a highly mixed demographic, with bankers next to teachers next to Safran Foers, notes Corcoran's Deborah Rieders. That lends stability if, say, financial-industry bonuses go south next year. The locals are also stable in another way: Though plenty of residents cashed out during the recent run-up, many more have been here a while, which means not everyone bought at the top. In other Brooklyn hot spots, Gallant says, quite a few recent buyers could soon "wake up and say, *What was I thinking?*" (The wild card, of course, is Atlantic Yards. If 6,000 apartments are slammed into the neighborhood in a few years, they'll play havoc with both the area's makeup and its supply-and-demand equations.) The danger zones are likely to be areas that have glommed onto the cachet of these old reliables, where asking prices may be overreaching: the bottom edge of the Slope, say, or the fringe where Carroll Gardens fades into Red Hook. "**I had a guy asking $700 per square foot in Sunset Park, and nothing happened for eighteen weeks.** I said we should lower the price and he wouldn't, and it's still sitting there," says one broker.

Next: Risk factors from Williamsburg to Jackson Heights.

HIPSTER BROOKLYN: WILLIAMSBURG AND GREENPOINT

The fact is, asking prices are down already in Williamsburg. Local broker David Maundrell says **the area is off as much as 10 percent**, though he's quick to add that it looks like it's stabilized. The culprit appears to be the huge amount of new construction (and reconstruction). According to the Furman Center for Real Estate and Urban Policy at New York University, the Department of Buildings issued 559 new certificates of occupancy here in 2005—more than five times as many as in Park Slope and Carroll Gardens combined. That said, some 'Burghers have a lot more to worry about than others. "Everything good that Williamsburg is known for, it's on the north side," says Maundrell. **South of North 1st Street, things get far dicier**, especially in smaller condo projects (eight units and below) with "rental-quality" finishes. They don't offer much in the way of amenities, turning off high-end buyers. They also attract plenty of first-timers—creative types, often freelance workers, who have availed themselves of "exotic" mortgages that didn't require much documentation. (At least 30 percent of Maundrell's local clients fill the bill, he admits.) Those "no-doc loans" are harder to come by now, so if these folks can't spring for those apartments anymore, who will? Greenpoint may see a related decline in property values, because its market catches the Williamsburg overflow. If those T-shirt designers and bloggers can suddenly afford their first choices, closer to the all-holy Bedford Avenue stop on the L, they'll abandon Greenpoint in a Brooklyn minute.

EMERGENT BROOKLYN: BEDFORD-STUYVESANT AND BUSHWICK

Few neighborhoods in New York have been directly rocked by the subprime-loan crisis, but dozens of homes are on the auction block in these two areas, with more to come. At press time, there were 225 properties in distress here (compared with zero in Park Slope), and according to NYU's Furman Center, a whopping 42.1 percent of home-purchase loans—and 47 percent of refinances—in Bed-Stuy in 2005 were in the subprime category. That's because the neighborhood has been a last resort for people **priced out of not only Manhattan but also Cobble Hill and Williamsburg and everywhere else** within a modest commute to midtown. They have, in short, stretched themselves to their absolute limits, many with big adjustable-rate mortgages. If they can't refinance at low rates, they'll be in real trouble, and that would put many properties up for grabs, glutting the market. Though that hasn't happened yet, according to Brooklyn appraiser Scott Gallant, **asking prices seem to have taken a hit already**; of 170 active listings in the area, 10 percent have had price reductions of at least 5 percent, according to Streeteasy .com. (Lots of these properties have been sitting on the market for a few months, too.) Bushwick may be similarly vulnerable, but broker David Maundrell says its increasing popularity among teachers, firefighters, and other middle-class buyers who hold recessionproof jobs could leave it in a slightly sturdier position. (Upside: The bargain buys everyone talks about in these neighborhoods may soon be even bigger bargains.)

EMERGENT QUEENS: LONG ISLAND CITY, ASTORIA, AND JACKSON HEIGHTS

You'll eat well in these settled, comfy outer-borough enclaves (especially Jackson Heights), and they all have established, loyal followings. **They're distinctive, diverse, and, compared with most of Manhattan, refreshingly modest and sane**. But they're not without problems. In Astoria, a study by the Furman Center found that subprime lending doubled from 2002 to 2005. Foreclosures and *lis pendens*—the notifications that banks file when owners start missing payments—are casting their shadows in Jackson Heights, where two-to-four-family units have attracted starter landlords "buying for no money down, or not much, and having a much higher mortgage payment," explains mortgage broker Jeff Guarino. "Assuming you can get tenants, [you're fine]. But if you can't …" And there are 21 new developments in Long Island City, per Streeteasy.com, which is a few too many for a neighborhood that still hasn't quite shaken off its industrial roots. "They're creating a market there, and emerging markets, by definition, are more volatile," says real-estate expert Jonathan Miller. "Some of those markets are asking a lot compared to the rest of the housing stock. They're leveraging the proximity to Manhattan." **If you are wedded to the idea of buying here, follow the traditional advice and stick to properties near the subway lines**, suggests Andy Gerringer, the managing director of Prudential Douglas Elliman's Development Marketing Group. "The farther away from the train, the harder it is to sell."