

Have a great day Mrs. Levitov!" "You too, John." John is our doorman, and that is how my mornings in New York start. For just \$1.28 million I can have two bedrooms in a relatively new building with a swimming pool, health club, bike room and even a dedicated 6-bottle wine storage unit in the entertainment room. Courtesy of the doorman is included in the common charges.

For those who are used to Moscow's skyrocketing prices, the average Manhattan condo price of \$1,115 per square foot or almost \$12,000 per meter, according to the Residential 2007 report by the Real Estate Board of New York (REBNY), a professional New York City real estate guild, hardly comes as a shock. In fact, considering that many of these condo buildings are new developments, this sounds even reasonable. A simple comparison with Moscow property values leaves many puzzled: the average per meter price for every apartment within the Ring Line of the metro last month was \$13,740, with new developments going for a whopping \$22,896 per meter. So, are Moscow prices out of context of the world asset pricing? Or is it a narrow window of opportunity, not to be missed?

New York is no less different from the rest of the United States as Moscow is from the rest of Russia. New Yorkers are thin, rarely drive any — forget big — cars, more often speak foreign languages and are often immigrants in the first generation. In spite of the declining dollar, it remains the capital of the world, with the best shopping, food and entertainment, and numerous business and investment opportunities.

Investing in New York

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Interestingly, New York, and Manhattan in particular, remained insulated from the US real estate price melt down. Hardly any one particular factor can be credited for it. Some experts say that the Manhattan market, with an average apartment price around \$1.43 million as of the end of 2007, is a special segment, which is less affected by the slowdown in the economy. Owners of these properties have other investments and equity and are not likely to compromise their lifestyle at the first signs of recession. The low number of foreclosures in Manhattan proves that point. Other experts say that the demand for residential property in New York was so much higher than supply that high interest rates, which priced buyers out of the market and increased supply from new construction, could do no more than set an equilibrium where galloping price growth was only slowed, not stopped or reverted.

But most people, as is often the case, blame everything on foreigners. Indeed, today's real estate market is particularly attractive for investors, especially if your income is a non-dollar currency, as many have already noticed. New York City is

flooded with European investors, who are taking advantage of the strong euro. The Irish and the Italians are ahead of many, with purchases of entire residential buildings with over 130 apartments off-plan — before the end of construction — and often site unseen. Their investment logic is simple: the dollar is at its all-time low and it will not remain much longer at these exchange rates against the euro or pound. Buy a dollar-priced asset today and simple leveling of the exchange rate will guarantee reasonable return.

If you are more selective in your choice of a project, you can still find remarkable opportunities. The more you know about the market, the better off you are. And there is a lot to be learned about this city. New York real estate is very complex, and two buildings in a similar style and similar location can be drastically different in value depending on the ownership type.

Almost 80 percent of real estate is owned and sold as shares in Cooperative Housing Corporations or co-ops. Buying into a co-op means purchasing shares in a corporation in proportion to the size of

the apartment, thereby becoming a partner in the corporation with your neighbors. Rather than owing a title on real estate, you own a 'proprietary lease.' These corporations are governed by co-op boards, which approve every new member and set strict building policies. Even though many view such co-ops as exclusive clubs, where in spite of Fair Housing Laws, only a certain type of member can ever be accepted, they remind me of Soviet-era communal apartments, where no step could be taken without your neighbors' approval.

And those neighbors can be very nose-y. There are often caps on how much financing you can use — for example, up to 70 percent of the unit price. There are also restrictions on the sublease policy. Often co-op apartments cannot be rented out at all or can only be rented out for one or two years after a certain number of years of owner occupancy. Many co-ops only approve buyers who are employed in New York, pay U.S. income tax and have an excellent credit history. All these measures are intended to protect the interests of other co-op members and to make sure that the new buyer is financially stable and will always be able to pay for maintenance, improvements and running costs.

The purchase price of apartments in most co-ops is slightly lower than that of condos. Monthly expenses, on the contrary, are usually higher and include utilities, maintenance expenses, real estate taxes and the corresponding share in the mortgage indebtedness of the building if the building has a mortgage loan.

Still, co-ops can be attractive: for the most part they are older (i.e. pre-World War II) buildings with beautiful authentic features such as fireplaces, high ceilings

and moldings, and sometimes even private gardens. Many co-ops will allow pied-a-terre, i.e. using the apartment as your New York part-time home, which you use while permanently residing elsewhere.

A smaller portion of New York real estate is comprised of condominiums, or regular multiple-family buildings where you own an apartment, a corresponding share of common areas and undivided interest in the land under the building. These buildings usually have a Condo Board, an elective organ of owners that makes and approves important decisions on use, repair and internal rules that are mandatory for all owners and tenants in the building. The board approval of your purchase offer is often not necessary or a mere formality. There are also no restrictions on usage of your property. Condos usually allow pied-a-terre or sublease, which means that you can use your apart-

term accommodation every day, demand for rentals is very strong. According to the Real Estate Group, which evaluated the mass market (i.e. apartments rented below \$10,000 per month), the average price for a one-bedroom apartment was \$3,578 per month, and \$5,265 for a two-bedroom property. New luxury buildings are rented at 10 to 20 percent above these rates, depending on the services offered by the building. Additional return comes from appreciation. Over 2007, according to REBNY report, condos appreciated 17 percent, faster than other types of New York real estate, which gained 11 percent in the same year.

Last, but not least, in New York you can actually own a townhouse, an historic four- or five-story mansion with original decor, wooden panels hardwood floors, fireplaces on every floor and private landscaped gardens — the ultimate luxury in

Although these wonderful options don't come on the market each day, it is possible to find one. Then, a world of possibilities opens up: some can be simply restored to their original grandeur as a single family home, if location justifies such strategy. Otherwise, they can be restored as income-producing properties, divided into a number of apartments and duplexes, where an investor can keep one unit as a residence and use the income from the other units to cover mortgage, tax and maintenance payments. Sometimes you can add an additional floor or a terrace during renovation and increase the size of the building, thus generating additional return.

Now that we have looked at the different types of New York real estate offered to an investor, we can explore this city's geography. For years, as a justification of Manhattan's constantly rising prices, real

status of the neighborhood offers generous tax savings for the first 25 years of ownership. Rents here are lower than in other, more developed parts of Manhattan, and much of the upside is in the future appreciation. However great it sounds, betting on the future is always risky, so for the moment Harlem is definitely a destination for risk takers only.

Another neighborhood rapidly changing its appearance is the Financial District. After the tragedy of September 11, many businesses left the area and the city government launched an ambitious rehabilitation plan, which included rezoning — changing former commercial buildings to residential use to ensure a better balance of businesses and residents. City funds and other incentives gave a boost to extensive construction and many options are available for purchase. With most financial institutions and businesses still in

ment as an investment property and rent it out for as many years as you would like. Condos are priced higher than co-ops, mainly because of the higher liquidity of this type of investment. Put simply, condos are easier to buy and easier to sell than co-ops and their number is rapidly growing. All new developments in New York City are condos. Many older buildings are undergoing renovation and are being converted to condos as well.

These new luxury condos are particularly attractive to international investors. Most newly constructed condos offer tax relief for the first 10 to 25 years, which results in significant savings. In addition, many of these new developments boast sleek modern amenities, floor-to-ceiling windows, mint decor and superb services, which command premium rents.

So buying a new condo, which is conveniently fitted out for you by a developer, and renting it out is the most popular investment scenario in today's market. As 75 percent of New Yorkers rent, and hundreds are seeking short- and medium-

the heart of a bustling city with a multi-million population. Not many places in the world offer properties like these, some of which are only a few minutes' walk from Central Park, an island of greenery and serenity in the middle of Manhattan. These townhouses are a rare and exciting find. Some are restored by famous architects and designers, some have a rich history, with famous sellers or tenants.

The ones in need of renovation are particularly interesting. Over the century of their existence some were divided into several apartments, some were even used as SROs — single room occupancy — when a family occupies each room in a townhouse. Moreover, in the zeal for protecting tenants, many rents on the apartments were frozen, creating rent-stabilized and rent-control apartments, which are regulated by special legislation and are thus taken out of the regular market cycle. Getting rid of these protected tenants and bringing apartments back into the market is a great, but highly risky way to generate value.

estate professionals repeated, like a mantra, 'It's because the island is so small,' and indeed it is. However, today this statement has a different dimension; because the island is so small there is no room for bad neighborhoods. The process of rapid gentrification is positively affecting many parts of the city, the most famed being Harlem.

This famous neighborhood, which was decrepit and neglected for years, in decline over most of the 20th century, is now on an upswing. The Clinton family was among the first to open an office there. Columbia University is planning a major expansion, buying up land and buildings along 125th Street, a main thoroughfare of Harlem. Many developers have taken over empty sites and abandoned buildings to convert into luxury developments with the help of city funding and using attractive tax incentives. Today, Harlem's new developments are offered at Brooklyn prices or, translated into Moscow terms, something around what you would pay for a new development in Kurkino or Mitino. The special

the area and grand plans for a new transportation hub next to the World Trade Center site, this neighborhood has great appreciation potential. It might face some decline in rental demand, however, following the job cuts announced by several major banks.

A more conservative investor may choose to stay within the more traditional areas and choose between the touristy Midtown neighborhoods close to the numerous offices and premier shopping areas, or residential Upper West or East Side, from where one can easily get to Central Park for a run or a stroll with a dog.

Best of all, a buyer doesn't pay the broker's fee — this expense is borne by the seller. But choosing a good broker still matters a great deal. Besides the selection process, the transaction requires much coordination and energy in organizing everyone involved: lawyers, appraiser, mortgage brokers etc. It is particularly important to have a broker experienced in working with foreign buyers, as the requirements and the process differ considerably.