CHANGE

IS THE CONSTANT IN A CENTURY OF NEW YORK CITY REAL ESTATE

By Jonathan Miller

While researching the last 100 years of New York City residential real estate, I came to appreciate the single constant in the tumultuous ebb and flow of housing: a market that continually adapts to significant economic, political, and social change.

Over the past century, the city has been held together by a diverse economy that links every economic capital across the globe, and as the result of this collaborative character that has come to define New York City, its housing market has proven to be a direct reflection of the conditions of the world at large. The housing stock has shifted from dependence on single-unit dwellings, to apartments, to co-operatives, to condominiums. It has ranged from overcrowded tenements to newly developed luxury high rises. The addition of new housing or re-purposing of existing structures has resulted in a wide array of residential property that forms the texture of the New York City real estate market.

The irony of this evolving housing legacy is that, when simply gazing upon the physical configurations of buildings, we take comfort in a sense of permanence, which, as it turns out, is more illusive than accurate. Leaf through "before and after" photo books of New York, and the revolving landscape is readily apparent. The founders of Douglas Elliman recognized the opportunity that change brings, and therefore were able to build a company that has remained a significant part of the history of the last 100 years of the New York housing market.

The timeline below illustrates the evolution of value of New York City real estate and the series of events that helped shape it.

1910s

THE SURGE IN DEMAND FOR HOUSING, WORLD WAR I

Sale: $8 price per sq. ft., Rent: $40/month

The economy was bustling, railroads were thriving and Manhattan's population was at its peak of 2.3 million as the country moved towards World War I. Over the prior 30 years, the Upper East Side and Upper West Side had transitioned from farmland with single-family houses to higher-density tenements and apartment buildings.

1920s

THE "ROARING TWENTIES"

Sale: $15 price per sq. ft., Rent: $60/month

The decade-long rise in prices was published in a 1927 market report by Douglas L. Elliman & Co., Inc. Building sites were becoming increasingly scarce on primary streets, best suited for apartments, causing development to press eastward. By 1929, Elliman reported that land prices along Park Avenue had risen 44% over the prior several years.

1930s

THE 1929 STOCK MARKET CRASH AND "THE GREAT DEPRESSION"

Sale: $5 price per sq. ft., Rent: $45/month

Sales fell by 30% a year following the crash, but by the middle of the decade, the rental market had begun to improve. Douglas L. Elliman & Co., Inc. reported a 22% increase in the number of signed leases on the East Side.

1940s

WORLD WAR II

Sale: $8 price per sq. ft., Rent: $50/month

Manhattan townhouse sales began to pick up but prices remained below peak levels during the "Roaring Twenties." On its 30th anniversary, Douglas L. Elliman & Co., Inc. reported the highest number of rental transactions in its history. Apartment builders were more active than at any time in nearly a decade. After the war ended, New Yorkers faced a housing shortage as GI's returned home.

1950s

THE POST-WORLD WAR II HOUSING BOOM

Sale: $12 price per sq. ft., Rent: $60/month

The housing boom was the product of pent-up demand from the prior two decades as household formation was outpacing supply. Apartment and co-op demand increased as buildable space became scarce. As the economy grew, the midtown central business district expanded.

1960s

FIRST CONDO BUILDING, WORLD'S FAIR, BUILDING BOOM

Sale: $25 price per sq. ft., Rent: $200/month

The 1961 Zoning Resolution updated zoning principles established in 1916 creating parking areas and open plaza design in exchange for additional floor height. The World's Fair exhibition opened and the first condominium building began its sales effort.

1970s

WORLD TRADE CENTER COMPLETED, NEAR BANKRUPTCY, FINISHED STRONGER

Sale: $45 price per sq. ft., Rent: $335/month

The first half of the decade saw the completion of the World Trade Center, a straining economy and surging oil prices. Weak conditions were punctuated in 1975 with New York City narrowly avoiding bankruptcy despite the famous October 30 New York Daily News Headline "Ford to City: Drop Dead."

1980s

CO-OP CONVERSION BOOM, "BLACK MONDAY" STOCK MARKET CRASH

Sale: $250 price per sq. ft., Rent: $1,700/month

This decade will long be identified with the enormous volume of rental to co-op conversions. Pre-war and post-war rental buildings were rapidly converted to co-op apartments and for tenants the phrase "insider pricing" became the object of envy by those who were not insiders.

1990s

FROM RECESSION TO LOFTS AND THE "SILICON ALLEY" DOT-COM BOOM

Sale: $590 price per sq. ft., Rent: $3,200/month

The New York City housing market began the period in recession. The city adopted a "broken windows" theory to focus on small details and to improve the "quality of life" for its residents, resulting in significant unsung benefits for the housing market in the future. As the economy improved, the downtown loft market evolved into a mainstream part of the housing market.

2000s

9/11 TO HOUSING BOOM TO LEHMAN

Sale: $1,200 price per sq. ft., Rent: $3,800/month

After the events of 9/11 stunned the world, the housing market took less than two months to restart. The Federal Reserve pressed interest rates to the floor and consumers responded quickly, leading to one of the greatest periods of new development in the modern era. Wall Street enjoyed record compensation as the regional economy and the housing market thrived.

2010s

QUICK REBOUND, TAX CREDIT AND HOUSING SEASONS

Sale: $1,070 price per sq. ft., Rent: $3,500/month

The decade began with a rebound in sales activity and the introduction of an expanded federal tax credit for new and existing homebuyers. By 2011, the housing market began to return to more normal seasonal patterns after several years of turbulence. Ongoing political discord in Washington over the debt ceiling led to the rating agency S&P to downgrade US debt. As a result, mortgage rates for homebuyers fell to historic lows although credit remained unusually tight. The continued weakness of the US dollar resulted in a noticeable increase in demand from foreign investors seeking safety from the volatility of the financial markets. New development activity saw greater traction from the new sources of demand.