

Foreigners Buy Up Multimillion-Dollar Homes

Thanks to a weak dollar, buyers from all over the world have been scooping up high-end real estate in the US. Subprime mortgage crisis? Not a problem in all-cash deals. • By Marilen Cawad



• View from 100 11th Avenue by Jean Nouvel, overlooking Manhattan's Hudson River

At the end of June, while the rest of the real estate world was reporting foreclosures and layoffs in mortgage companies, a cosmetics tycoon from Istanbul made an offer for an apartment in New York City. The two-bedroom unit, on the 15th floor of the Plaza, the historic building at the foot of Central Park, was purchased for \$7.2 million. The contract was executed without the buyer coming to the US.

Nikki Field, senior vice president at Sotheby's International Realty, represented the Turkish businessman in the transaction. She is convinced that sales of ultra luxury homes, particularly in Manhattan, are unaffected by the slowdown in the overall real estate market. "Foreign buyers have been taking advantage of the weakness in the US dollar, buying homes over the phone and online," says Field. These types of deals are not uncommon, she adds, especially in properties where the developer has a very good track record. "My clients are not buying blindly. They do their research and then buy when they realize it's a very good investment."

The term "ultra luxury home" generally refers to a residential property that is priced at \$5 million or more. In some markets, it could mean nothing lower than \$10 million. Some brokers in Manhattan would not even call a property "ultra luxury" unless it has a minimum asking price of \$20 million.

According to market research firm Data Quick, sales of homes

priced at \$5 million and above jumped from a total of 571 homes in 2005 to 675 in 2006. Sales in the first quarter of 2007 also jumped to 201 homes compared with 154 in the first quarter of 2006. At the top of the list are ultra luxury homes sold in California, New York and Connecticut.

"We have a very strong market, and it's ultra luxury leading the way," says Pamela Liebman, CEO at the Corcoran Group, a real estate brokerage firm in New York City. "I don't see it stopping." As long as the property has the right address, she says, there will always be takers. Most recently, these takers have come from overseas.

Donald Trump Jr., executive vice president for development and acquisitions at the Trump Organization, confirms that properties carrying the Trump name have sold mostly to foreigners. "People from overseas understand and appreciate the brand, and are willing to pay more for it than the locals," he says.

Europeans & Asians leading the way

Nearly one in five American real estate agents has sold a home to a foreign buyer in the past year, according to a new study by the National Association of Realtors (NAR). Buyers are coming from different parts of the world, but the biggest proportion, about a third, is from Europe and about a quarter come from Asia.

Corcoran's Liebman observes that Koreans are in a buying frenzy.

>>>> Ultra Luxury Real Estate Report



\$35 million gilded age mansion on the upper east side of Manhattan



\$39 million prewar co-op on the East River of Manhattan



995 Fifth Avenue, directly across from the Metropolitan Museum of Art in Manhattan



Guest suite at the proposed Trump SoHo Hotel Condominium in Manhattan

"A few years ago, it would have been very difficult for them to purchase US real estate," she says. "Now, they are buying at a rapid rate after the overseas investment cap in their country was lifted." South Korea had long kept restrictions on external investments, which helped the country in the wake of the 1997 Asian financial crisis. But with the strong won hurting the country's exporters, government officials are now encouraging citizens to spend more overseas, hoping to slow the currency's appreciation.

Buyers from Russia, Ireland and the UK are also finding that US luxury homes are a bargain compared with what they can buy in their own countries. According to the Global Property Guide, an online research firm, house price growth in the UK accelerated to 9.25 percent year-on-year in the first quarter of 2007, up from 5.3 percent year-on-year in the first quarter of 2006. Northern Ireland and London saw double-digit year-on-year house price increases early this year – 57.6 percent and 14.3 percent, respectively.

Global Property Guide ranks London as the second most expensive location (after Monaco) to buy an apartment in Europe. "While Europeans and other foreign buyers have helped spur condominium sales in Manhattan, there still has not been one to equal the \$196 million condominium sale in London's Hyde Park area to a resident of Qatar," says Kirk Henckels, senior vice president and director at Stribling Private Brokerage in New York. London condominiums, he adds, have an average price per square foot of \$4,600 versus Manhattan's average of less than \$2,000 per square foot.

At the controversial Trump SoHo, individual condo-hotel units are currently going for \$3,000 per square foot. But the duplex penthouse units are another story. "This is the penultimate of luxury in downtown," says Trump. "We've been turning away buyers at the price of \$5,000 per square foot." The 46-story building is currently under construction despite opposition from local residents, who say it is a condominium masquerading as a hotel (on a site that is not zoned for residential development). Completion of Trump SoHo is expected in early 2009.

Other such premium developments in Manhattan as the Plaza, 15 Central Park West, 40 Mercer and 165 Charles are now nearly sold out. "It is reported that there are at least two deals over \$50 million at the Plaza and 20 deals over \$20

million at 15 Central Park West," says Henckels.

Few barriers to owning property

It is easy for foreigners to own luxury homes in the US. Aside from having a large supply, the US does not restrict or scrutinize most property purchases by foreigners.

"Except to the extent necessary to enforce US laws and regulations (including immigration



Donald Trump Jr.
Trump Organization

and homeland security), foreign participation in US real estate is relatively free," said an NAR report on international home buying activity. Most foreign buyers spend less than six months in their US home, as visa rules do not allow nonresidents to stay in the country

for a longer period (unless they are on a student or work visa).

Choosing luxury homes to purchase from overseas is also getting easier. Aside from photos and videos that can be accessed via the Web, sellers are traveling abroad to promote their properties. Michael Golden, co-founder of @properties, is overseeing sales for the Chicago Spire. He is organizing international road shows to Dublin, Moscow, Singapore and Hong Kong in early 2008. The project, which will be ready for occupancy in 2011, has already generated more than 4,000 inquiries over the last year.

"We are targeting the global marketplace," says Golden. "This is more than a



Pamela Liebman
Corcoran Group

residential property – it's an iconic building." World-renowned Spanish architect Santiago Calatrava has designed the Chicago Spire, which when complete will be the tallest building in the United States.

The two-story penthouse on the 142nd

floor is priced at \$40 million.

Dominic Grace, director of residential investment and development at Savills, a global real estate service provider headquartered in London, says luxury homes in Chicago are a good value, compared with what foreigners can get in other big cities.

"That \$40 million penthouse at the Chicago

One Of These Grand New York Residences May Be Your Next Home

www.nikkifield.com



Riverfront Mansion: \$23,000,000



Baronial Grandeur: \$39,000,000



Beaux Arts Mansion: \$25,000,000

SOTHEBY'S INTERNATIONAL REALTY | EAST SIDE BROKERAGE | sothebyshomes.com/nyc
38 EAST 61ST STREET NEW YORK, NY 10065 T 212.606.7660

NIKKI FIELD SENIOR VICE PRESIDENT T 212.606.7669 | www.nikkifield.com



The Chicago Spire, designed by renowned Spanish architect Santiago Calatrava



The 46-story Trump SoHo: Condo-hotel units now at \$3,000 per square foot



\$7.8 million palatial manor home on a gated 2-acre property in Saddle River, NJ



Trump International Hotel and Tower in Chicago, scheduled for completion in 2008

Spire will probably be worth twice in New York and thrice in London," says Grace. "So it's an extraordinarily good buy."

Chicago's soon-to-rise ultra luxury condominiums offer one-of-a-kind designs, finishes and amenities. The Trump Tower, scheduled for completion in 2008, has a full view of the Chicago skyline, the lakefront and the Chicago River. Its interiors come with Brazilian hardwood floors and Italian wood kitchen cabinets.

The Waterview Tower, Mandarin Oriental Tower and the Elysian Condo Hotel, all aiming for a 2009 opening, offer five-star services, including valet, concierge, maid, catering and dry cleaning. Canyon Ranch and XO Condominiums are scheduled for completion in 2010. Both projects will provide lavish health and fitness centers for residents.

"Chicago's time has come," says Grace. "People are now beginning to see the great potential of the city. It is very accessible – an international gateway – and has a diverse economy."

No mortgage, no worries?

According to the 2007 World Wealth Report compiled by Merrill Lynch and Cap Gemini, high-net-worth individuals increased their investments last year in second and vacation homes. The interest rate was less of a factor in the purchase of these homes, which typically were not financed through mortgage debt.

"I have personally not had a mortgage contingency over the past year in contracts over \$7 million," says Dennis McCormack, president of Prominent Properties, a real estate brokerage firm specializing in luxury residential properties throughout Bergen County in New Jersey. Last August, he sold a \$14.9 million home in Saddle River, about 29 miles from New York City.

McCormack is currently marketing a traditional colonial home in Alpine, NJ, for \$52 million, the most expensive piece of real estate on his list. The property, which is on approximately 20 acres of land, includes a guesthouse, swan pavilion, pool and pond. Alpine is about five miles north of Manhattan and the George Washington Bridge.

Fifty percent of McCormack's ultra luxury home transactions have involved overseas buyers, who perhaps have to do business in Manhattan but are attracted to the bucolic charm of a top-quality suburban community. "Foreigners are looking for quality residences," he says. "They tend to gravitate

toward brick or stone houses with slate roofs and elevators."

But while foreigners are unaffected by the subprime mortgage crisis, some wealthy Americans seem to be taking a step back. Dolly Lenz, who is vice chairman of the brokerage firm Prudential Douglas Elliman in



Dominic Grace Savills

New York and who specializes in homes costing at least \$25 million, is seeing a standoff in her market. "The whole subprime mess really caught a lot of people by surprise," she says. "Today, the game is all about who is going to blink first."

A seller of a \$25 million home, for instance, may not be willing to sell for \$20 million, and the buyer is not confident enough in the existing market to pay the asking price. "A lot of people bought real estate in the last two years, and now they're content just holding on to see what happens in pricing," says Trump. "They don't have the advantage that foreigners have of buying at an effective nominal discount because of the currency."

According to a recent survey by the American Affluence Research Center, a marketing research firm in Aventura, Florida, respondents are cautiously optimistic in their outlook for the economy and conservative in their future spending plans. In the Spring 2007 Affluent Market Tracking



Nikki Field Sotheby's Intl. Realty

Study, 46 percent of respondents expressed no plans for major expenditures in the next 12 months. "This is interesting given that the affluent have a somewhat positive future outlook," the report said.

But as Trump puts it, whether the economy is good or bad, there will always be people making a lot more money than the rest of the pack – be it locals or foreigners. Multimillion-dollar homes will eventually sell because "someone who is doing very well would ultimately want to buy the best of the best," he says. "And that allows ultra luxury real estate to weather the cyclical nature of the market." ■

Prominent
Properties

Sotheby's
INTERNATIONAL REALTY

Exclusive

THE ESTATE SECTION AT ALPINE



TODAY, HISTORY IS REDEFINED WITH THE OFFERING FOR SALE OF
THE FORMER FRICK FAMILY ESTATE IN ALPINE, NEW JERSEY, USA.

- A 13,000-SQUARE-FOOT ENGLISH MANOR-STYLE RESIDENCE ON 28 ACRES
 - CARRIAGE HOUSE FEATURING CARETAKER'S QUARTERS, 3-CAR GARAGE, & FAMILY RECREATION ROOM
 - ENGLISH CUTTING GARDEN • SWAN PAVILION • MAJESTIC PRIVATE POND • 8 MILES FROM NEW YORK CITY
- PLUS 12 EXCEPTIONAL ESTATE SITES RANGING IN SIZE FROM 1 TO 5 ACRES

WWW.ESTATESATALPINE.COM

MAGNIFICENT FRENCH CHATEAU



Englewood, New Jersey, USA

Located in Englewood's great estate section, this residence is situated amidst 3 acres of meticulously maintained grounds. A paved herringbone driveway leads you to this sprawling mansion flanked by a carriage house on one side and a large swimming pool on the other. A slate roof accentuates this spectacular 3-story, 20 room residence, and features approximately 10,000 square feet of living space. The private park-like grounds feature an English garden and outdoor entertainment area.

\$6,995,000

WWW.PROMINENTPROPERTIES.COM

CONTACT DENNIS MCCORMACK • CELL: 917.566.9800

1022 CLOSTER DOCK ROAD • ALPINE, NEW JERSEY 07620

201-768-9300 • FAX: 201-768-1880 • EMAIL: DENNIS.MCCORMACK@SOTHEBYSREALTY.COM

