

Manhattan real estate prices hit record high

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6 July 2015

Housing prices in the New York City borough of Manhattan, the center of the world finance industry and one of the world's most expensive real estate markets, have reached record highs.

Reports by two real estate brokerage firms cited in the *New York Times* last week estimated that the average sale price of a Manhattan apartment reached \$1.87 million, an increase of 11 percent since last year. The median sale price of an apartment was \$980,000.

The prices are being driven up largely by the luxury condo market, which is attracting purchasers among Wall Street executives and the super-rich around the world. *Crain's Business* estimated that "A total of about 13,000 new condo apartments will be built through the end of 2016, most of which will be priced at least \$3,000 per square foot."

Six years of soaring stock markets, fueled by easy money from global central banks, have vastly expanded the fortunes of the financial elite, who are spending more money than ever on real estate, art and luxury goods.

In another sales record last month, two penthouse units in the luxury high-rise on 220 Central Park South owned by Vornado Realty Trust sold for \$250 million to a Qatari buyer, who plans to combine them into a single unit. Other penthouses in the building sell for above \$50 million.

The previous price record for an apartment unit in Manhattan was set in January when Extell Development's "Billionaire Building" One57 on West 57th Street in Manhattan, sold a penthouse to an anonymous buyer for \$100.5 million.

Extell is one of the New York real estate development outfits that has built or remodeled apartment buildings with separate "poor doors" for non-wealthy tenants who will live in "affordable" units added for the sake of tax breaks.

The prices of commercial real estate in Manhattan

have also skyrocketed. Media reports have noted that office towers now sell for twice as much as they did five years ago. In May, CIM Group sold a 49 percent share in a building on 11 Madison Avenue to SL Green Realty for \$2.3 billion. CIM paid \$469 million for the share in 2010.

Another firm, Savannah Real Estate, sold a Manhattan office tower at 1375 Broadway in June for \$310 million, after having purchased it for \$135 million in late 2010. Office space in the building that sold for \$22 a square foot in 2010 now sells for over \$60.

These prices have fueled a sharp rise in real estate executive compensation. According to industry reports, the best-paid CEO in the real estate sector last year was NorthStar Realty Finance's David Hamamoto, who received compensation of over \$75 million. Albert Behler, CEO of property developer Paramount Group received a \$50 million pay package in 2014.

Jonathan Gray, who heads the real estate division of Blackstone Group, which owns Hilton Worldwide, was paid \$206 million last year in salary and bonuses. He is believed to have a net worth of \$1 billion. Gray's boss, Blackstone Group's CEO Stephen Schwarzman, received \$690 million last year in compensation.

Soaring real estate values have sharply driven up rents for working-class residents, driving thousands out of the city limits or into homelessness. New York, a city of 8 million, has over 60,000 people living in homeless shelters and thousands more on the streets.



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