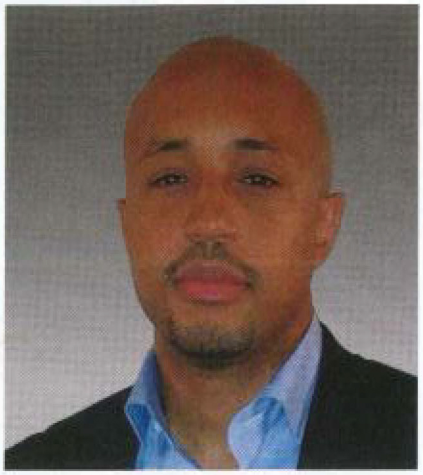

Tribeca and Beyond

By: Daniel Baskin, CPA, Marcum LLP

Daniel Baskin, CPA
Marcum LLP
105 Eisenhower Pkway Suite 301
Roseland, NJ 07068
973-646-3800
Daniel.baskin@marcumllp.com

Over the past decade, as New York City's neighborhoods have continued to grow and change, an influx of new developments have followed to take advantage of the recently added neighborhood amenities—rural parks, high-fashion retailers, and the finest restaurants. The Tribeca neighborhood in particular has benefited massively from its expanding neighbor, the Financial District. Home to many of the City's largest projects, the arrival of new transportation hubs, retail, and an increasing population to the Financial District has undoubtedly made a positive impact on the Tribeca neighborhood. The acronym Tribeca stands for "Triangle Below Canal," a longed-for section of real estate bordered by Canal Street (to the north), West Street (to the east), Broadway (to the west) and Vesey Street (to the south). Various celebrities currently calling the area home include Jay-Z and Beyoncé, Gwyneth Paltrow, Chris Martin, and, most famously, Robert De Niro. However, it wasn't always this way. In 2007, the average price for a condo or a co-op in Tribeca (and neighboring SoHo) was $1,304 per square foot, according to real estate appraisal firm Miller Samuel Inc. A decade later, that figure is more than 82 percent higher as of December 2017 where the average price for square foot was $2,363, as reported by the December 2017 CityRealty Year-End Manhattan Market Report.

However, due to the new tax reform, look for condominium prices in the Tribeca neighborhood and other New York City neighborhoods to stabilize or decline for 2018. The tax plan signed in the fourth quarter of 2017 by President Donald Trump lowers property tax deductibility on the state and local level, resulting in growing concern from property owners and buyers around the country. The new tax reform is projected to reshape the housing market in 2018 and for years to come, especially in the New York City market where the tax law previously allowed interest deductions on mortgages up to one million, but will now limit that to $750,000. Overall, with the luxury home buying market slowed in 2017, many analysts believe it is projected to do so even further under the tax reform, with buyers turning toward mainstream markets, as the new tax bill offers no incentive toward new homebuyers.

For the Tribeca neighborhood, this could be a tough blow after seeing the substantial activity during 2017 coupled with the number of new developments expected this year and next, which will add to inventory. Leading the way in Tribeca during 2017 was the condominium 56 Leonard, the Jenga-like glass skyscraper which had 65 units sold for a total of $636 million, at an average of $9.8 million per unit, according to *The Real Deal*. This distinctive 60-story tower had its priciest closing this past year with the $47.87 million sale of its top-floor penthouse, which was New York City's sixth highest transaction. Additionally, with 91 Leonard having a tremendous year with 50 contracts sold at an average price around $1.8 million and 100 Barclay Tribeca having average asking prices currently at approximately $5.6 million, the Tribeca neighborhood appeared primed for continued growth. But with 30 Warren St (23 condos and apartments with pricing going from $2.1 million), 108 Leonard (Tribeca's iconic clock tower with 151 condos with pricing starting at $1.5 million), 15 Jay Street (five-unit Tribeca rental will be converted into five luxury condos asking anywhere between $4 and $8 million), there are more options for buyers in Tribeca, allowing them to use their discretion and not take the first opportunity.

Accordingly, many analysts believe that prices in condos/co-ops and rentals will drop across the board. Velocity in the market has slowed, and there is a belief that there will be more concessions and downward pressure on pricing, especially with rising interest rates and adjustments to the tax code. In fact, New Yorkers aren't buying—the first three months of 2018 marked Manhattan's lowest sales quarter total in more than six years, as well as the largest annual decline in nine years, according to the newly released market reports for the first quarter of 2018. Many analysts predict a steady decline or stabilization within the Tribeca market over the next 12-18 months with the main driver being the new tax reform and inventory oversupply in the market.