

The Loft Apartment Market

Thinking Inside The Box

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It's a fact of life that New Yorkers crave larger living quarters. Because of the high population density that is endemic to the Manhattan lifestyle, large living space is limited in availability.

As economic conditions improved in the last half of the 1990s, lofts emerged as a solution for many apartment buyers seeking more space. The average size of a loft apartment has expanded over the past five years by 12.8 percent to 2,009 square feet, up from 1,781 square feet in 1998. This is 800 square feet, or 66 percent larger than the average Manhattan apartment size of 1,209.

Featuring large open layouts, solid flooring and high ceilings, new loft conversions began to transform the gritty artist-based housing stock into more formal luxury residences with amenities typically found in newly constructed Uptown condos. Even newly constructed properties, built essentially as replicas of turn-of-the-century loft structures, are being well received as the availability of commercial buildings for residential conversion diminishes.

It wasn't always this way. Looking back more than 300 years to the 1700s, many of the current loft neighborhoods were predominantly residential row houses. As the population quickly increased, residential use moved northward. From the mid 1800s to the early 1900s, commercial and light manufacturing took the place of residential use in lower Manhattan. The loft areas that

today we call SoHo, NoHo, TriBeCa and later Chelsea, Garment and Flat Iron became defined by their architecture. Distinctive styles evolved in loft construction, with cast-iron perhaps the most well known. However, by the early 1900s, Downtown commercial activity began to shift to the outer boroughs, and much of the loft building stock fell into disrepair by the 1960s.

In the 1960s and 1970s artists were attracted to the loft district for large open space, inexpensive rent and relatively quiet surroundings. Although residential occupancy was not legal, their popularity as residences grew, and changes in zoning eventually took place, to accommodating the new residents.

Perhaps one of the most well known residential loft zoning designations is commonly called Artist-in-Residence (AIR). This zoning classification is found primarily in SoHo and provides for joint live-work quarters for artists who are certified as such by the New York City Department of Cultural Affairs. In an effort to authenticate the look and feel of certain loft districts, there are limits or controls on the installation of trees or greenery in order to keep an original stark manufacturing appearance. Some of the highest concentrations of old cobblestone streets are found in loft districts.

By the 1980s, Downtown artist loft districts became a highly residential location, as well as a valuable economic resource to the city. Residential support services, such as restaurants, grocery stores and shops moved into these areas, along with tenants and apartment owners who were not artists, but white-collar professionals from a variety of employment sectors.

A new terminology associated with lofts began to emerge. When non-loft apartments are described as "loft-like," it implies large open living spaces with above average ceiling height. A "white box" loft conversion is configured with "raw" apartments that have no significant interior amenities other than large space and high ceilings. The construction completed is just enough to qualify for a temporary certificate of occupancy so the purchaser can install his or her own high-quality custom finishes.

With the increased demand for lofts came an increase in prices. Today, the residents of the area are no longer there for the inexpensive housing costs but rather for space and lifestyle. The Manhattan loft market has outpaced the overall real estate market in price growth in recent years. Based on results from the most recent Manhattan Market Overview that I author for Insignia Douglas Elliman, the average sales price of a loft in the last five years rose 75.9 percent to \$1,400,489, exceeding the 62.4 percent gain in the overall market to \$808,657 in the same period. This pattern says a lot about the demand for loft housing, considering the predominantly Downtown locations in close proximity to the World Trade Center site.

Living in a loft is more than just living in a box. The loft market mirrors New Yorkers' demand for space and lifestyle. As a result of their popularity and limited availability, the loft market has been one of the fastest growing sectors of the Manhattan real estate market in recent years. ■



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