

THE GUIDE TO LUXURY LIFESTYLES IN THE TRISTATE AREA

NEW YORK LIVING MAGAZINE

Townhouses 1800s to 21st Century



November 2005
\$4.95 USA
\$5.95 CANADA

Florida NOW

Art, Design, Style



www.newyorklivingmag.com

Townhouse Values

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Q: What does a turn-of-the-century townhouse have that an apartment doesn't?

A: About four to five stories. As standalone buildings, townhouses have more physical stories than most apartments. There are also four or five "stories" to them in a metaphorical sense, that is, reasons they can be more valuable than apartments. Factors to consider are:

Historical Significance and Age of Housing Stock

With only a few hundred sold in 2005, at an estimated average sales price of \$5 million, Manhattan townhouses are within the upper tier of the Manhattan real estate economy. Yet only a few newly constructed townhouses have been built over the past 20 years. Why? Market acceptance is limited. In the current market, some condo developments are including townhouse-style units as a hybrid. Most of the Manhattan townhouses were originally constructed between the early 1800s and 1900s and contain details like dentil moldings, pocket doors, etched glass, inlaid hardwood floors, plaster walls, ornate balustrades, and cornices. Buyers are also purchasing history. Many of the houses were constructed by civic and business leaders of their day.

Most newly constructed townhouses are contemporary in design and achieve lower prices than older properties. In the 1970s, the New York City Landmarks Preservation Commission published a description of townhouses in landmark districts that includes information about each property. Details include the original owner and their profession, early ownership history, the builder, the architect, a discussion of style of construction, year built, as well as other facts that make this a useful resource for townhouse owners.

High-end apartment houses entered the housing stock as part of a subsequent wave of residential development in the late 1800s, indicative of the density required to accommodate the new affluent residents of Manhattan. Most of these apartments were originally constructed as rentals.

Marketing

The average marketing time of a townhouse is usually twice as long as an apartment and involves a larger discount from list price. In 2005, average days on the market for a co-op or condo was about 100 days, and the negotiability from list price was about 1.5 percent. Townhouses see marketing times of about 150 days and

negotiability of about five percent. They appeal to market segments whose buyer patterns are different, and the properties are less homogenous. For example, there are no sales in the same "apartment line" to compare. The price levels of townhouses are usually less volatile than comparing apartments with apartments.

Financial Privacy

Townhouse purchasers do not have to disclose their intimate financial details to strangers (other than a lender, if needed). In the case of co-ops, board requirements can be onerous, with some buildings requiring that a buyer's net worth be at least four times the purchase price. The irony is that these types of restrictions can actually hold down values by limiting the buyer pool. This restriction on marketability can eliminate buyers with "new money" and a short record of earnings. Quite often the same board members who would reject such a buyer would not be able to afford their own apartments if they had to purchase them in today's market.

Square Footage

Value of townhouses takes into consideration their large size and reasonable prices as compared to the equivalent-sized apartment. However, the square footage has to be computed in the same manner, since the two property types are measured quite differently.

The sizes of co-ops and condos are estimated by measuring the interior perimeter of an apartment that is above grade (ground level), exclusive of common areas. This measurement is referred to as "gross living area" or net square footage. The size of a townhouse is measured by using the exterior dimensions of the main building plus extensions, inclusive of common area (stairways, elevator shafts, etc.). The square footage can include below-grade space such as an "English basement." This space usually has a few steps below grade in the front and opens to a garden in the rear; to be considered living area it must be consistent in quality with the living areas found in the rest of the house. The measurement of a townhouse is usually referred to as its "gross building area."

The difference in size between the two property types can be quite pronounced, as much as 20 percent. In other words, a 5,000-square-foot apartment actually has more usable space than a 5,000-square-foot townhouse. Price-per-square-

foot calculations generally overstate the price per square foot of apartments relative to the price per square foot of townhouses. However, even after adjusting for the difference, the typical townhouse is usually less expensive than a "comparable" apartment on a per-square-foot basis.

Ease of Renovation

When an apartment or townhouse requires renovation, it is most often just subsequent to purchase. The co-op or condo owner's proposed renovations are subject to board approval. In a co-op, it is common for time-of-day, time-of-week, or time-of-year restrictions to be imposed. Some co-ops require that renovations take place during business hours, excluding weekends, and some require that major renovations be completed between Memorial Day and Labor Day when many residents are vacationing. Imagine purchasing a property in November and having to wait until May to begin renovations. Do you move in and then move out as the renovations begin? Rent until the renovations are complete? You can imagine the inconvenience and expense this sort of requirement can cause.

In a townhouse, this extra burden does not exist. There may be issues with neighboring property, but this occurs less frequently. Potential conflicts caused by extensive renovations usually result from damage to the party walls between properties.

Manhattan townhouses represent a distinct market segment in the mix of residential options for buyers and provide certain advantages over co-op and condo apartments. Townhouses are a finite form of housing stock with history and the benefits of privacy and flexibility. Prices tend to be less volatile. Renovations are generally easier to initiate, but marketing for sale takes longer.

Jonathan Miller is a cofounder and president/CEO of Miller Samuel Inc., a Manhattan-based real estate appraisal firm (www.millersamuel.com). His company appraised more than \$4 billion of Manhattan residential property in the past year. He is a general certified real estate appraiser in the State of New York and has been appraising properties in Manhattan for 19 years. He sits on the Mayor's Economic Advisory Panel for the New York City Office of Management and Budget and the Fannie Mae Co-op Panel, among others. He is a prolific blogger, running Matrix, a Web site that interprets the real estate economy (matrix.millersamuel.com), and Soapbox, a Web site covering appraisal issues (soapbox.millersamuel.com). He is also the cofounder of Miller Cicero, LLC, a commercial valuation concern, and is the author of reports on the Manhattan real estate market, including the quarterly Manhattan Market Overview, the 10-year Manhattan Market Report, and the Manhattan Townhouse Report on behalf of Prudential Douglas Elliman.