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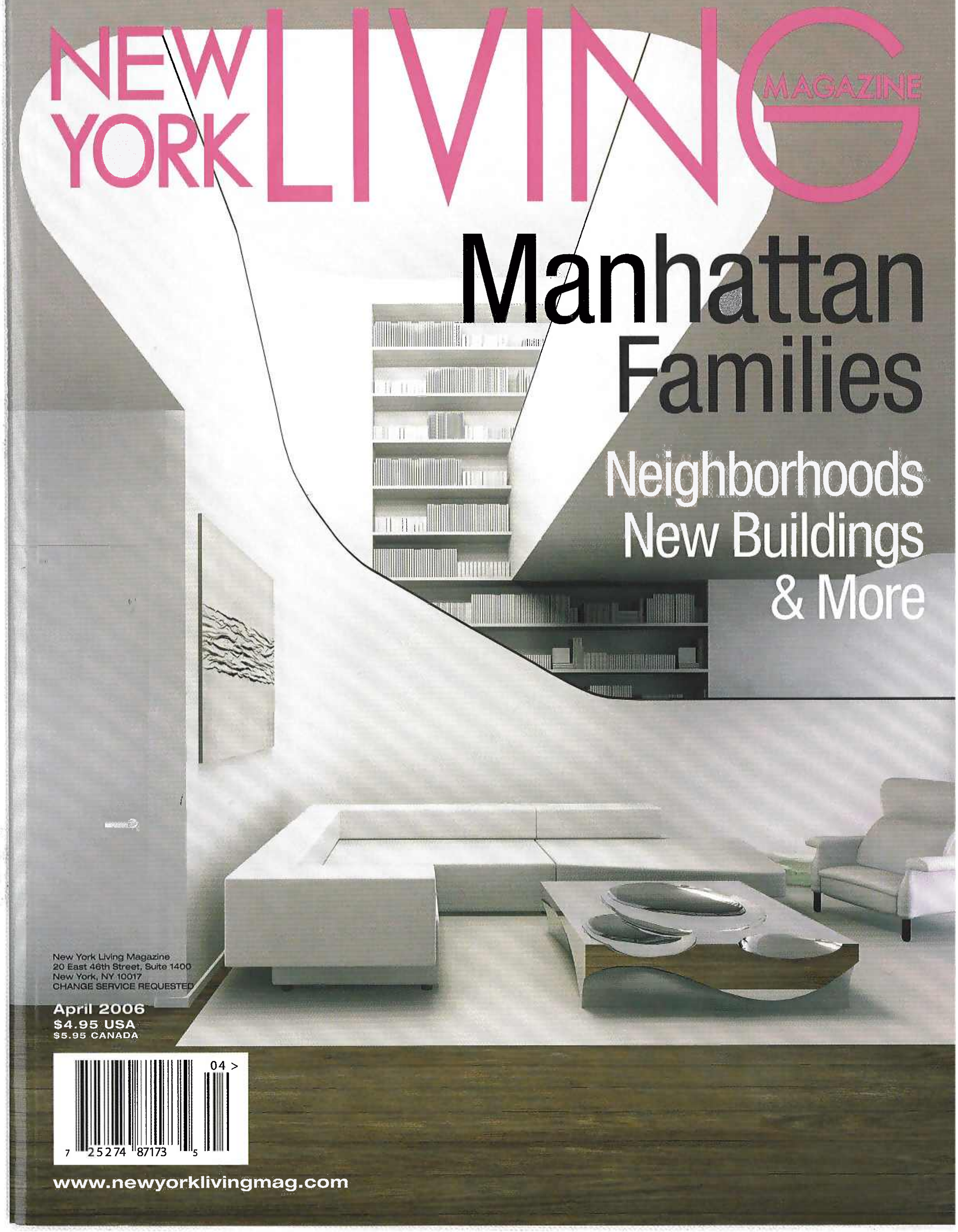
NEW YORK LIVING MAGAZINE



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New York Living Magazine
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April 2006
$4.95 USA
$5.95 CANADA

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contents

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FEATURES

DEPARTMENTS

NYL by DESIGN

LISTINGS

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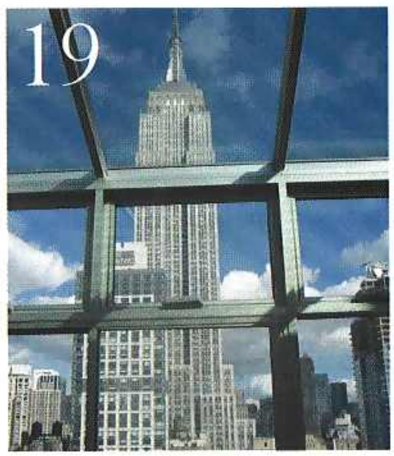

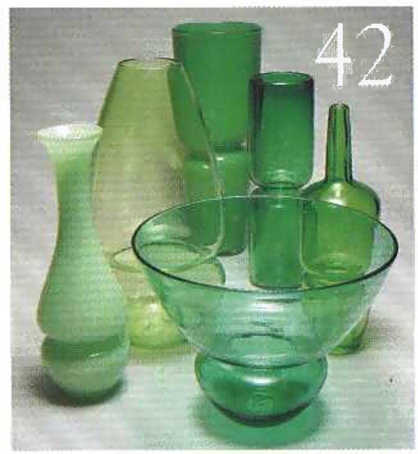

New York Living Vol. 11 No. 84- April 2006
www.newyorklivingmag.com

NEW YORK LIVING is published ten times a year by Chiba Publications, Inc., 20 East 46th Street, 14th Floor, New York, NY 10017. Annual subscription available for $33.00 (US), $73.00 (Overseas). New York Living is not responsible for unsolicited manuscripts, photographs or art.

Family-Sized Apartments

By Jonathan Miller,
President/CEO Miller Samuel Inc.

The idea of a having a larger apartment is the dream of many New Yorkers. Whether or not they have children, or are planning to have children in the future, there is a premium on more space. That additional bedroom for guests, an extra room for an office, larger living areas, or more storage capacity, is driving those who wish to trade up.

A new real estate term entered the cluttered landscape of real estate speak in the new millennium: family-sized apartments. To me, that means family-style dining: casual, shared, roomy. However, in prior incarnations of making larger apartments, developers simply added additional bedrooms and bathrooms to an apartment but did not change the sizes of the living areas such as the kitchen, living and dining rooms.

Today, these are not considered family-sized apartments. In those cases, the primary difference between a two-bedroom apartment and a four-bedroom apartment was two additional bedrooms and bathrooms. The living room, kitchen and dining areas remained the same size, encouraging occupants to "bump elbows."

What is the definition of a family-sized apartment? It can be loosely defined as anything larger than a two-bedroom apartment that has adequate living areas commensurate with the number of potential occupants. These living areas include large open kitchen areas, family rooms, large living rooms and dining rooms. A number of new developments that are on relatively small sites have resulted in full-floor or duplex layouts. Family-sized apartments are typically well in excess of 2,500 square feet and have above average room dimensions and ceiling heights.

Twenty years ago, housing stock that entered the market was overwhelmingly entry-level sized apartments, namely studio and one-bedroom apartments. Condo projects at that time were developed for sale to the investor who planned to rent them out. Existing rental buildings were converted to co-ops but these also failed to add many large apartments to the housing stock. At the same time, rental developments tended to be heavily weighted towards entry-level apartments.

Fast-forward to the current market. A premium is placed on larger apartments and the investor segment is currently dormant, largely because rental income no longer drives the pricing. The Manhattan axiom of higher price per square foot for larger contiguous space has encouraged the combination of adjacent apartments. The fact that the price per square foot of the entire apartment increases even before the renovations have begun often makes it more palatable to overpay for the adjacent apartment. However, combined apartments are rarely considered "family-sized" since the resulting layouts have the same issues as apartments created by developers of 20 years ago. New developments with "family-sized" configurations are more commonly found in residential neighborhoods with a higher density of schools and are in close proximity to cultural and recreation facilities.

Floor level is an amenity that drives value more in family-sized apartments than their smaller counterparts. Developers tend to locate larger apartments near the top of a building to leverage the higher price per square foot achieved by these units. Large family-sized units are rarely located on low floors unless they were created as the result of the combination of two or more apartments. Market concerns over street noise, security and natural light are also of concern for potential purchasers of this type of apartment.

How did the new-development market move from investor-oriented to family-sized? Once New York City government focused on quality-of-life issues like crime, graffiti, and sanitation, the outflow of residents to the suburbs eased, and by the late 1990s families were staying put or returning to the city. As a result, the demand for larger apartments, whether rentals or condos, began to increase. As a result, the value spread between two-bedroom as compared to three-bedroom or four-bedroom apartments is much larger today and has been the driving force for much of the new development since the late 1990s.

And that's also why developers are responding to the trend of "family-sized" apartments.

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.