

LUXURYLETTER - August 1, 2004 luxuryletter.com

An up-to-the-minute report on Manhattan's Downtown Luxury Real Estate market.

Other Real Estate Reports provide information that may not be current enough to fully assess the state of the market: that's where we come in. We are brokers working the Downtown New York Luxury Residential Real Estate market on a daily basis, giving you an insider's perspective to understanding the market as it is...today.

While other reports focus on average, we choose to focus on luxury: Our specialty is Downtown New York Luxury.

Presented by Leonard Steinberg /Hervé Senequier (Douglas Elliman): the luxuryloft team.

LUXURY HEADLINES - August, 2004

What is this BUBBLE everyone keeps talking about?

There is an on-going debate about a BUBBLE existing in the Real Estate market, not only in New York, but around the country and around the world. A recent Morgan Stanley Report, asserts that 25% of the Housing market is in the state of a BUBBLE, and about 40% in BUBBLE-watch territory. They believe the Real Estate market has been excessively stimulated through historically low interest rates....increases in the money stock level automatically led to higher pricing. All of a sudden everyone is a real estate speculator, 'flipper's' abound (buying a property and flipping it for a quick profit), almost everyone has become a 'brilliant real estate investor' boasting outstanding equity gains with their property investment.....sound like the IRRATIONAL EXUBERANCE of 2000: the day-traders, internet billionaires, etc??? When it's so easy for all, is there a bigger message?

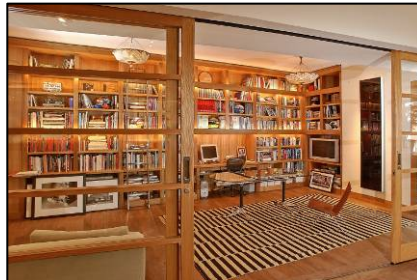
Morgan Stanley's report identified Australia, the United Kingdom, China, Korea, Spain, The Netherlands and South Africa as the most BUBBLE prone countries. The United States is the largest housing market in the world, and cities such as New York, San Francisco and Los Angeles are obvious contenders. The LUXURY market is different to the average market that is usually more reliant on financing. Whereas New York is expensive, it certainly is not that much more expensive than other U.S. luxury markets, and relatively in-expensive compared to other international cities. For foreign buyers buying with Yen, Euro's and Sterling.....New York is still relatively cheap!

Prices keep rising....

Was it not ONE MONTH ago, that we were raving about the \$ 1,000/sf pricing benchmark that is being achieved virtually across the board in the luxury condominium Downtown market.....well, that is changing, and we are seeing \$ 1,100, 1,150, 1,200+ per square foot.....and developers planning 2-3 years down the road are talking a minimum of \$ 1,250, 1,350/sf.... What does this signal? Irrational Exuberance? Rising building costs? Supply and Demand?or INFLATION?

OUR OPINION

The market indicators are pointing to pricing escalations in the MEGALUXE market that exceed all expectations.....up almost 30% in a few weeks! This may or may not indicate a trend.....although a spiraling escalation in the inventory of this classification is cause for alarm. In between lie opportunity buys, and with an upward trend in pricing across the board, this could be a good time to buy into these opportunities. All pricing records are being broken. Some new developments are selling out 40% in the first week. Pricing escalation of these proportions cannot last forever.



Douglas Elliman

AUGUST2004



Greenwich Village Prime (3,200sf) - SOLD



Chelsea (2,200sf) - SOLD



Tribeca Prime (3,200sf) - SOLD

**Lincoln Square - SOLD
Penthouse**



Lower Fifth Avenue Penthouse - SOLD



For Information Contact: Leonard Steinberg/Hervé Senequier, Telephone: (212)727-6164

Our 5 classifications of luxury property:

MINILUXE

Although smaller, luxury is not compromised, with a high cost per square foot, priced between \$ 1 and 2 million.

# of properties:	35 ***
Average price:	\$ 1,581million (\$1,015/sf) EVEN (compared to 1st half 2004)
Average Size:	1,558sf
Factoids:	* This market is growing, providing manageable luxury, often in 1 bedroom layouts * 85% Condominium * 40% New Developments, many selling above the average pricing * 79% with Doorman

MIDLUXE

Mid-sized luxury properties, priced between \$ 2million and \$4million

# of properties:	64 ***
Average price:	\$ 2,588million (\$914/sf) UP MODERATELY (compared to 1st half 2004)
Average Size:	2,832sf
Factoids:	* 148 properties currently on the market for sale (DOWN SIGNIFICANTLY) * 75% Condominium * 56% with Doorman

ULTRALUXE

Larger, luxurious properties priced between \$ 4million and \$5million

# of properties:	4 *** (52% Soho, 19% Tribeca, 19% Chelsea)
Average price:	\$ 4,743million (\$1,378/sf) <u>UP SIGNIFICANTLY (compared to 1st half 2004)</u>
Average size:	3,444sf
Factoids:	* 100% Condominium * 75% with Doorman * 100% with outdoor space

MEGALUXE

Large, exceptional properties, priced over \$ 5million.

# of properties:	4 ***
Average price:	\$ 6,962million (\$ 1,833/sf) <u>UP SIGNIFICANTLY (compared to 1st half 2004)</u>
Average size:	3,798sf (excluding outdoor space)
Factoids:	* 100% Condominium * 75% with Doorman * 100% with outdoor space * 81 properties currently on the market for sale, with average asking over \$ 1,600/sf.

HOUSELUXE

Large, Single family townhouses are a rare breed in the Downtown market.

# of properties:	3 ***
Average price:	\$ 6,416million <u>UP SIGNIFICANTLY (compared to 1st half 2004)</u>
Average width:	25feet (One house surveyed was a double-width house)
Factoids:	All Greenwich Village 13 Available on the market, average asking price: \$ 6,416m

LUXURY NEWS

NEW PROJECTS OPENING IN THE FALL : Several exciting new development buildings are opening for sale in the Fall in the Gramercy/Flatiron area, Chelsea, SOHO, Wall Street, Astor Place, etc.... Most fall within the classification of LUXURY, with doorman and a host of other luxury features setting new standards for Downtown.....for more detailed information, please call (212)727-6164.

LUXURY HOTSPOTS

THE GANSEVOORT HOTEL: Unusually Modern architecture for the area, this hotel features fabulous rooms, restaurants, and a rooftop bar with swimming pool that is quite the item du jour in the gossip columns. 18 Ninth Avenue, Tel: (212)414-1008

SILK SPA: A Gorgeous Spa that has arrived....tucked behind the never-ending subway ventilation construction site at 13th Street and Sixth Avenue. Tel: (212) 255-6457

LUXURY TRENDS

Blue Tooth.....wireless technology.....Loro Piana Cashmere Throws Prouvé furniture Mallorca Surlatable.com, for the kitchen Rasa Candles Chelsea Passage, Barney's.... Agent Provocateur.... Lap pool La Cornue Cymbidiums David Barton Gym, 23rd Street

Contact information: Leonard Steinberg Telephone: (212)727-6164
Hervé Senequier Telephone: (212)727-6162
lsteinberg@elliman.com

Leonard Steinberg and Hervé Senequier are Douglas Elliman's #1 brokers specializing in the Downtown Luxury Real Estate Market. Their clientele relies on their advice, judgment and expertise for all their real estate transactions, capitalizing on their broad knowledge and information-based service...a service un-paralleled in the industry.

For more information about 'full service brokerage', please view: www.luxuryloft.com ...or call (212)727-6164 to learn how you can benefit from the ultimate real estate experience.

***While every effort has been made to provide accurate, up-to-the minute information based on closed and contract-signed transactions, the information is provided subject to errors, omissions and changes. Our criteria for luxury may be different to other's. Some prices are estimates only as they have not closed yet. For 100% accurate information, please consult a legal professional to perform the necessary due diligence.

Douglas Elliman