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For Foreign Buyers, Family Homes Over Trophy Towers

By JULIE SATOW NOV. 13, 2015

Mauricio Amaro, the chairman of the Latam Airlines Group, with the tools of his trade in a hangar at Congonhas airport in São Paulo, Brazil. CreditLalo de Almeida for The New York Times

On a rainy night a few months ago, Mauricio Amaro, tired after a long day of business meetings, decided to pick up some dinner at the Dean & DeLuca inSoHo. There, he ran into a wealthy businessman he knew from São Paulo, Brazil.

"I was shocked when I saw him," said Mr. Amaro, the chairman of the Latam Airlines Group. "You would never see a high-profile person like him going to the grocery store back home, especially not without armored guards. There you go straight from the office, to the car, to home."

The scene confirmed for Mr. Amaro why he wants to move his family to New York. "We really want to raise our kids in a more relaxed environment, where they can be free and just walk to school without having to worry about safety," said Mr. Amaro, whose children are 3 and 5.

He recently purchased a four-bedroom condominium at the Astor, at 235 West 75th Street on the Upper West Side. He will move there with his family once his green card is approved. “New York is a very natural fit for us,” he said. “It is very affluent, very cosmopolitan and very multicultural, which is what we are looking for.”

Mr. Amaro has purchased an apartment as a home at the Astor at 235 West 75th Street. His priority: a “relaxed environment” for his family. CreditÁngel Franco/The New York Times

Foreign buyers have been a mainstay of the New York real estate for years. But the profile of these buyers seems to be changing. Gone is the Chinese shopper snatching up apartments sight unseen on social media sites likeWeChat, as are the Russian oligarchs who thought nothing of writing eight-figure checks for flashy penthouses with Central Park views. In many cases, those buyers left their apartments empty for much of the year. But now, many international buyers like Mr. Amaro are looking to purchase a home for their families.

Driven by a complex catalog of factors in their home countries, including political instability in Brazil, weakening economies in Europe, policy shifts in Russia and currency devaluations in China, these buyers are more conservative about what they are willing to spend. They are conducting more due diligence before making a purchase. And they are turning their focus from the city’s various gold coasts to reasonably priced neighborhoods such as the Far West Side of Manhattan; Long Island City, Queens; and parts of Brooklyn.

“Foreign buyers purchasing along Central Park grab the headlines, but more of them are focused on the middle market,” said Richard Jordan, the senior vice president of global markets at Douglas Elliman Development Marketing. He was speaking from Taipei, where he was about to make a presentation about the Dutch LIC, a condominium in Long Island City that is to begin sales later this year.

The thinking is that buyers in Taipei will like the project because of its prices — studios start at $490,000 — its tax abatements, its rapidly improving neighborhood and the possibility of appreciation down the road, he said.

Data on foreign buyers is hard to pin down, but Jonathan J. Miller, the president of the appraisal firm Miller Samuel, estimates they make up about 15 percent of the overall

Manhattan residential market. Their presence is much larger in the condominium market, where foreigners drive about one-third of sales, and they are even more prominent in new developments, where they buy roughly half of all units, Mr. Miller said.

Recently, their very prominence has put foreign buyers under new scrutiny. In an effort to corral the real estate taxes that some owners may be avoiding by claiming legal residency outside the city or even the country, the de Blasio administration has imposed new disclosure requirements on shell companies, through which many high-end purchases are made.

As foreign buyers begin to shift away from trophy towers, the supply coming online is disconnected from the demand. As often happens in real estate cycles, because of the time it takes to plan and construct a building, the apartments now hitting the market tend to be high-end.

On the market earlier this month were 1,362 apartments priced at $4 million or more in New York City and 185 apartments priced at $20 million or more, according to StreetEasy.com, At the same time, prices were cut at more than one in four apartments priced at $4 million or above and at one in five apartments priced at $20 million or more.

Despite the inventory and price cuts, more apartments are coming. Twenty-eight condominium developments will deliver 1,175 more apartments through the end of the year, according to Douglas Elliman. Of those, eight buildings with some 375 units, or 32 percent, are considered luxury.

Sanjay Sachdev, the executive chairman of ZyFin Holdings, takes a break from his desk in London.CreditTom Jamieson for The New York Times

And more are in the pipeline. Plans have been filed for 17 additional buildings, bringing another 700 units priced at $4 million or higher, to market over the next year, according to data from CityRealty.

Meanwhile, some of the city's newer trophy towers have yet to generate the returns for which buyers had hoped.

“The first generation of new condos are in, and many investors who bought in 2011 or 2012 are now thinking of selling, but there just isn't that kind of robust appreciation,” said Stuart Siegel, the president of Engel & Völkers New York Real Estate. “Early buyers at One57, for instance, paid up to $6,000 to $7,000 a foot and they probably can't exit for much more than that now.”

Foreign buyers are not expected to absorb much of this high-priced new inventory.

“I'm waiting for the Indians to show up,” said Raphael De Niro, an associate broker at Douglas Elliman. “I know they will because they have an exploding middle class and a strong economy, but they will be mostly focused on the $3 million and below range.”

Sanjay Sachdev, who is from Mumbai, is among the Indians who are already here and making just the kind of purchase Mr. De Niro describes. The executive chairman of ZyFin Holdings, a macro analytics research and investment advisory company, Mr. Sachdev did not consider looking at Billionaires' Row on West 57th Street, in West Chelsea or in other neighborhoods where wealthy foreign buyers have been known to flock.

Instead, he zeroed in on Hell's Kitchen on the West Side, specifically the area surrounding the Hudson Yards development, where dusty construction workers, towering cranes and loud cement mixers dominate the landscape.

There, he bought a two-bedroom condominium at the Atelier, at 635 West 42nd Street, where an apartment of similar size is now on the market for $1.175 million. The apartment “was reasonably priced, and we were informed the whole area will soon go through a transformation, so there was long-term value,” said Mr. Sachdev, who rented out the unit and is now looking to purchase a second property as a pied-à-terre.

The reason Indians are forgoing apartments in flashy new buildings isn't just financial, said Jason Lanyard, a salesman at Stribling & Associates, who, along with Nicole Grandelli, a saleswoman at Stribling, represents Mr. Sachdev. Political and social pressures at home, particularly how badly buying an apartment in a trophy building would play to a domestic audience, are also having an impact on Indians' buying choices, they said.

Mr. Sachdev has invested in an apartment at the Atelier on West 42nd Street. Like many recent foreign buyers, he chose an area where the prices are relatively reasonable and the neighborhood is perceived to be on the upswing.CreditÁngel Franco/The New York Times

"Indians are very hyper aware of who is and who isn't a billionaire because the wealth disparity in the country is so strong," Mr. Lanyard said. He has a client, for instance, who runs a publicly traded bank. "If he were to buy at a building like 15 Central Park West, like the Russians do, his stock would tank," he said.

The Indian government also caps how much money each Indian can take out of the country annually, which limits what an individual can spend on real estate abroad.

Foreign nationals are also buying in the United States because of their children. Mr. Sachdev has one child at the Massachusetts Institute of Technology and another at the University of Southern California — and he will use his second apartment to spend the summers here with his wife while his children are on break.

Indians "don't typically take their money out of India because it is unsafe," Ms. Grandelli said, "but because the children are going to school here already or they expect they will someday."

The Chinese, whose government cracked down this summer on how much money can be taken out of the country, will continue buying here, but will likely focus on lower-priced apartments, said David Friedman, the president and co-founder of Wealth-X, a firm that tracks the buying patterns of people with a high net worth. By Wealth-X's measurements, China comes in third on the list of foreign buyers, behind Britain and Switzerland, whose citizens have been investing in New York real estate for many years.

“Political gyrations and geopolitical instability is driving the Chinese flight to safety, but on the other hand, it has diminished their purchasing power,” Mr. Friedman said.

The Chinese still have plenty of money to spend, so the change is more psychological than financial, Mr. Friedman said. “Chinese care about discounts,” he said. “That part of the Chinese psyche was eclipsed by wanting to have their currency in something safe, but now that is going to be a more prevalent attitude, with buyers looking for deals.

“Are we going to continue to see Chinese buyers in New York? Absolutely. But are they going to think harder before they buy something? Yes.”

The number of Russian buyers has dropped in the past year or two, but those who already own here are still buying, said Edward Mermelstein, the managing partner of the law firm Rheem Bell & Mermelstein, who has many Russian clients.

“Those who are coming here for the first time are doing so for political reasons,” Mr. Mermelstein said. “There are changes in Russia, cloaked under the guise of ‘anti-corruption reforms.’ So if they are coming today, it is because they are worried what might happen tomorrow.”

Whatever the motivator, international buyers continue to seek out New York as a safe investment, although the days of the $100 million penthouse appear to be on the wane. “There are no more vanity purchases,” Mr. Mermelstein said. “The name of the game now is return.”