



nerej

Ghost towers: Is the luxury condo. market about to slow down?

March 06, 2020 - Owners Developers & Managers

Edmund Allcock

Major cities across the United States saw a large number of luxury condominiums transform their skyline the past five years. Million dollar units have recently transformed the Boston Waterfront. The towers keep going up and if you drive into the city the skyline is still littered with cranes. While the market appears to remain strong in Boston, other cities are experiencing the phenomenon known as “ghost towers,” i.e. empty luxury condominium towers. As a result, thousands of unsold units wind up clogging the real-estate market.

One market currently experiencing the ghost tower syndrome is South Florida. In addition to Boston, other large cities including Los Angeles and New York also experienced a boom in condo development during the past five years. However, many of these luxury units remain empty. According to one report, 25 percent of more than 16,000 new luxury condos built in New York City over the last six years remain unsold. Such a glut gives buyers more options to choose from and less urgency to purchase, hence the ghost towers.

According to data compiled from Zillow, StreetEasy and Luxury Homes Los Angeles, condo sales have seen a steep decline over the last several years. Looking at the months January through September, in Miami, 1,260 units sold in 2016. In 2019, just 654 units sold, representing a 48% sales decrease. In New York, in 2016 there were 2,141 units sold. In 2019, only 1,724 units were sold, showing an almost 20% drop in sales. Luxury condos in Los Angeles had a sales count of 1,518 in 2016. That dropped to 745 this year, showing a 51% drop in sales.

While we like to think of Boston as a leader, the reality is that our real estate (and fashion) trends tend to follow major cities like New York and Los Angeles and lets face it Florida is considered by many of us as Southern New England.

What impact will this have on the Boston condominium market? According to some data I collected, Boston condo sales were down 5% in 2019.

Also, while it is somewhat hush hush, I personally know from my experience in representing some of the luxury condominium towners in Boston that a significant amount of Boston's luxury condominium units have been purchased by Saudi and Chinese investors during the last 3-5 years. Softening of the Chinese economy could possibly account for a portion of the decline of condo sales in Boston during 2019.

I spoke to one individual who claims to have insight on the Boston development plan and who has ties to city officials. This individual claims that there is an actual plan in place to overdevelop and oversaturate the Boston Housing market with the hope of eventually driving prices down to ultimately make Boston a more affordable place to live. That sounds like social engineering to me, but if that is the plan and if the statistics and trends from other cities translate to Boston, we could be seeing the bubble about to burst and quite possibly some Boston "ghost towers" of our own.

Edmund Allcock, Esq., CCAL, is the 2020 CAI-NE president and is a partner with law firm Marcus, Errico, Emmer & Brooks, P.C., Braintree, Mass.

New England Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540