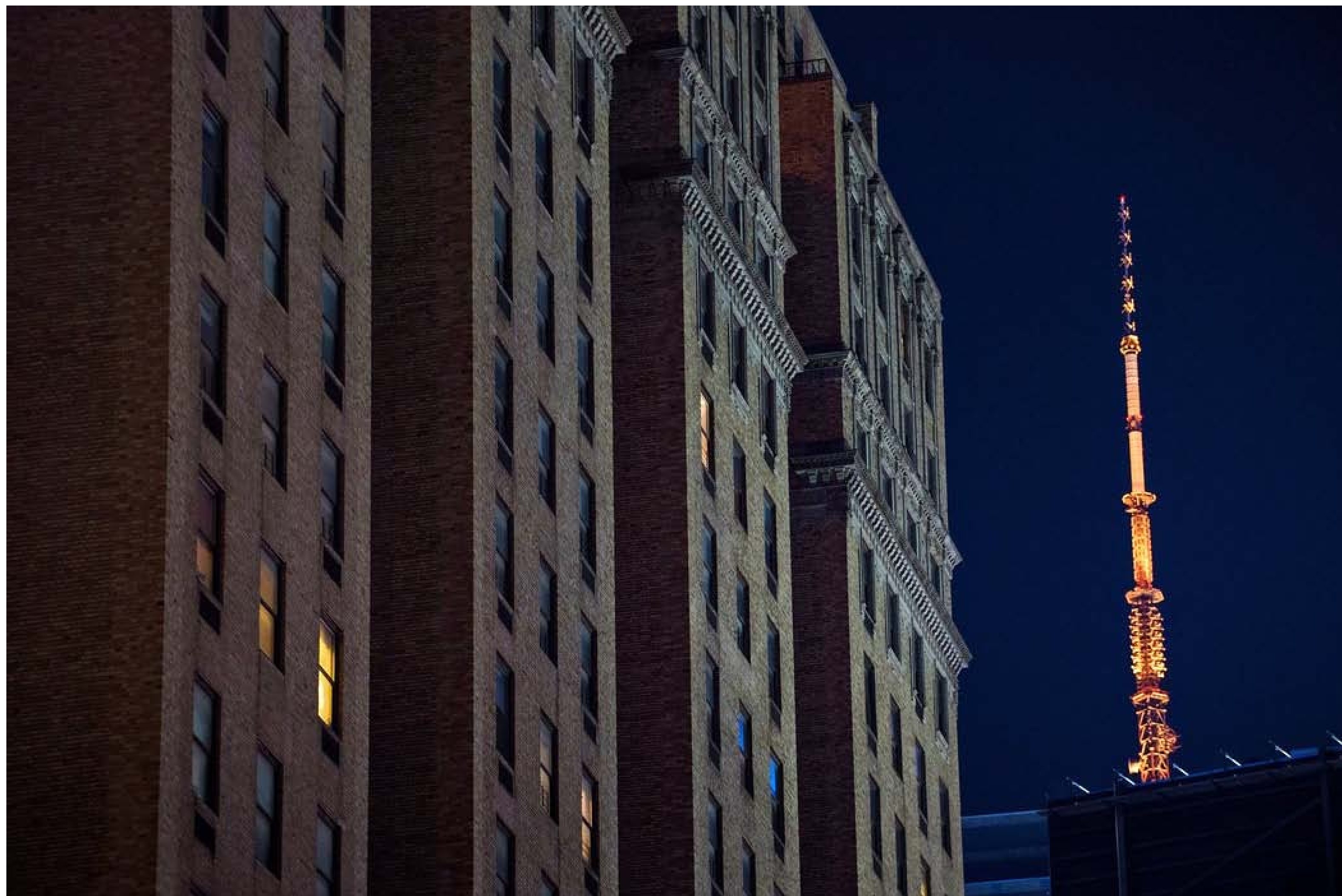
REAL ESTATE

Why the Doorman Is Lonely

New York City's Emptiest Co-ops and Condos

By JULIE SATOWJAN. 9, 2015



Executive Plaza, at 150 West 51st Street, has the highest percentage of nonprimary residences of any building in New York, 74.4 percent. Joshua Bright for The New York Times

The marble lobby at CitySpire, a skyscraping 72-story tower in Midtown, bustles with rushing people bundled against the cold. Nattily dressed doormen hail taxis and see to a constant stream of deliveries.

Yet the mixed-use building — the first 23 stories house offices — is not as crowded as it appears. CitySpire, at 150 West 56th Street across from Carnegie Hall, is one of the least occupied buildings in Manhattan, with more than 60 percent of its residential floors made up of investment properties and pieds-à-terre, according to data from the New York City Independent Budget Office.

The issue of occupancy in New York City has become a hot-button topic in recent months, with much made of foreigners who buy expensive apartments to use for just a few weeks a year. Some argue that they drive up prices, while others bemoan the fact that these buyers do not pay personal income taxes. A bill has been introduced in Albany that would impose an annual pied-à-terre tax on properties worth $5 million or more.

Despite all the interest, few hard figures have been available. At the request of The New York Times, the budget office, an independent city agency, reviewed New York City tax data. The agency determined that nearly one quarter of the apartments in New York City are not used as primary residences, serving either as pieds-à-terre or investment properties that are rented out to tenants.

The Parc Vendôme has a high percentage of pieds-à-terre and other nonprimary residences. Joshua Bright for The New York Times

As a tenant at CitySpire, Nicholas Richards has a front-row seat on a pied-à-terre-packed building. "If you pay attention to the lobby on a Friday or a Monday, you'll see a lot of key exchanges taking place and people with suitcases coming and going," said Mr. Richards, who rents a studio in the building, returning home to Boston on weekends.

"Twenty-four percent of co-op and condo apartments citywide are not the primary residence of their owners," said George V. Sweeting, the deputy director of the budget office, who oversaw the research. "Not all of these units are pieds-à-terre; many are likely owned by investors or original sponsors renting out the units."

The data the budget office used is based on the New York City co-op and condominium tax abatement, which the city began restricting to primary residences in recent years. The agency compared the number of apartments that received the abatement in 2012 to the number that received it this fiscal year to determine its results.

The figures may be underestimates, since the agency did not include apartment buildings that receive 421a tax exemptions, which leaves out some more recently built condos that are widely known to have high concentrations of foreign buyers, including One57 and 15 Central Park West.

Patti Galluzzi, a full-time resident of pied-à-terre-packed Madison Green. Joshua Bright for The New York Times

In Manhattan, the number of nonprimary residences is slightly higher than the citywide average, 29 percent, and in some neighborhoods favored by investors, such as Midtown, the share of nonprimary residences ranged as high as 44 percent.

"Many of these buildings were built or converted in the 1980s, and are largely made up of smaller apartments, such as studios and one-bedrooms," said Jonathan J. Miller, the president of the appraisal firm Miller Samuel. "The smaller the apartments, and the more smaller apartments there are, generally the higher the pied-à-terre factor."

And perhaps surprisingly, the data indicated that "the vast majority of pieds-à-terre are middle class," Mr. Miller said. "They are owned by people who have a studio in the city and a home in the suburbs, or maybe it was their first apartment that they chose to keep and rent it out."

That's what Swarna Kuruganti did. In January 2008, she bought an apartment at Madison Green, a towering complex at 5 East 22nd Street. The 424-unit building is a block from Madison Square Park, and the subway is just steps from the front door.

CitySpire, at 150 West 56th Street, is one of the least occupied buildings in Manhattan.
Joshua Bright for The New York Times

"I had been looking to buy for several years and had built up savings, and even though it was the peak of the real estate market, I signed the deal," said Ms. Kuruganti, who purchased a one-bedroom on the 26th floor, with views of the Empire State Building.

At the time, Ms. Kuruganti was single and working as a management consultant, which involved a lot of travel. "I wasn't really home other than two or three months a year," she said. "I would come home on the weekends, but on Monday morning I would be back on the plane." She knew her neighbors well enough to say hello as they passed in the hall, "but these high-rises are like mini cities, with so many apartments and so many people. It is like a world unto its own," she said.

After three years of living at Madison Green, Ms. Kuruganti met the man who became her husband, and they moved to Bloomfield, N.J. She debated selling the apartment, but "it was my first real estate investment, and all the people I talked to swore it was a good investment and told me I should keep it." So Ms. Kuruganti, who is a founder of the start-up Wellwatch.co, began renting it out.

"The monthlies are low, partly because the building has so many apartments, and it is a great location, very central," said Nathaniel Faust, the associate broker at Citi Habitats who helped Ms. Kuruganti find her current tenants, who pay $4,500 a month in rent. "Since the common charges and real estate taxes are low, Swarna can cover her monthlies and then some with the rent, so it is doing very well for her."

Hello! Anybody Home?

The 10 buildings in Manhattan with the highest number of apartments that are not primary residences.

Almost half the apartments at Madison Green are nonprimary residences. Like many of the properties flagged by the Independent Budget Office data, Madison Green is a relative bargain for its neighborhood. A two-bedroom apartment is on the market at Madison Green for $1.895 million, while nearby at the newly completed condominium tower One Madison, a two-bedroom is on the market for $4.65 million, according to StreetEasy.com.

The building that tops the Independent Budget Office list for the highest percentage of nonprimary residences is the Executive Plaza, at 74.4 percent. Just 97 of the building's 379 apartments that received the tax abatement in 2012 are still recipients. The building, at 150 West 51st Street, allows owners to rent out their apartments by the month, and the units are generally small, "some very small, like less than 400 square feet," said Pej Barlavi, the owner of Barlavi Realty, who is familiar with the

building. “It isn’t surprising that it would have the highest ratio of investor apartments, because it operates more like a hotel than a condo.”

The building has 12 apartments for sale, including a one-bedroom that is listed for $725,000, as well as 95 units for rent, according to StreetEasy.

Other buildings on the list include Three Worldwide Plaza at 393 West 49th Street, where more than 54 percent of the units are nonprimary residences; the Vanderbilt at 235 East 40th Street, with nearly 53 percent; and the Zeckendorf Towers at 1 Irving Place, 51 percent.

The exterior of Madison Green, which boasts Empire State Building views.
Joshua Bright for The New York Times

Some full-time residents who live among a large number of pieds-à-terre or investment properties say their buildings still seem like a home. “While not all of the apartments in the building are owner-occupied, I know many of the landlords, and it doesn’t feel the tiniest bit transient,” said Patti Galluzzi, who owns a duplex penthouse at Madison Green.

In 2000, Ms. Galluzzi and her husband purchased the apartment, which has a wraparound balcony and nearly unimpeded views of the city skyline, for themselves and their two children. “This place is very much my home,” said Ms. Galluzzi, surveying her living room, which has a lived-in feel, with toys scattered about and paperwork and coffee mugs strewn on the dining

table.

Alan Ebert feels much the same about the two-bedroom he has lived in for 48 years at the Parc Vendôme, at 353 West 56th Street. Of the apartments there that received the abatement in 2012, roughly half are no longer eligible because they are pieds-à-terre or investment properties, according to the budget office. But to Mr. Ebert, who serves on the condominium board, it doesn't seem the least bit vacant.

"We are not a bed-and-breakfast, you cannot rent out your apartment for less than three months," he said. "We have a very strong community feel here. We just held a cabaret night and it was packed with about 100 people in attendance."

Nicholas Richards, a rental tenant at CitySpire. Joshua Bright for The New York Times

While the budget office research sheds light on ownership across the city, the true number of part-time owners is difficult to pin down. That is

because buildings that do not receive the particular tax abatement the budget office examined were excluded. Many of these unconsidered buildings are recipients of a more lucrative tax break known as the 421a tax exemption.

"The I.B.O. data doesn't include townhouses or 421a buildings, so there are a lot of misses, but of the condos and co-ops that are captured, the number of nonprimary residents is high," said Andrew A. Beveridge, the president of Social Explorer, a firm that tracks census data and demographic information, and the chairman of the sociology department at Queens College.

To fill in the data gaps and to better inform the discussion about potentially taxing pieds-à-terre, the New York City Department of Finance has spent the past month examining the ownership status of units with the 421a tax exemption.

So far, it has been a tall order. "It is complicated, since there is no requirement that you have to be a permanent resident to be eligible for the 421a tax exemption," said Theodore Oberman, the director of commercial exemptions for the Department of Finance. "So it isn't something we typically capture."

To overcome this hurdle, the agency is reviewing apartment ownership by looking at owners' Social Security numbers along with their New York City personal income tax records. So far, it appears that in Manhattan, around 36 percent of apartment owners in 421a buildings are nonprimary residents and a slightly smaller percentage are primary residents. However, results are inconclusive because the remainder could not be identified.

The most likely scenario for the ownership veil is that the home was purchased through a limited liability company, or L.L.C., which does not require Social Security numbers. "All you have to do is buy an apartment as a limited liability company and they can't find you," Mr. Miller said. "It seems just ludicrous."

As for the data that has been uncovered, "it reflects the increasing level of income inequality in the city, that you can buy a relatively expensive condo and not have to occupy it all the time," Mr. Beveridge said. "Housing has a

strange spending curve. If you are poor, you spend a high proportion of your money on housing. Then as you get up into the middle class, people pay off their mortgages and you don't see as much spending on housing. Then as you get really wealthy, the rich spend a lot on housing, but they do it by having a lot of homes."

A version of this article appears in print on January 11, 2015, on Page RE1 of the New York edition with the headline: Why the Doorman Is Lonely. Order Reprints | Today's Paper | Subscribe

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