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Manhattan Real Estate: Good Value vs. Top Global Cities

Wealth Report 2010 ranked New York as the number one property market in the world based on economic activity, political power, knowledge and influence, and quality of life.

By Wei Min Tan, Special to TheStreet.com

THESTREET.COM — 06/23/10

NEW YORK (TheStreet) -- Manhattan, New York has the most expensive real estate in the U.S. The average condo apartment costs more than \$1,000 per square foot. A studio condo starting at around \$500,000 is the size of a kitchen in a comparable affluent neighborhood in Malaysia.

An apartment is a starter home in other parts of the U.S. President Obama, during his Presidential campaign, even gave an example of when they lived a modest life before his book became a bestseller. The example of this modest start was living in a three-bedroom apartment in Chicago. Wow, I wish I live in a three-bedroom apartment in Manhattan. Here, a two-bedroom is large and a three-bedroom condo, at around \$2.5 million, is for the rich.



Given these ridiculously high prices, am I crazy to say Manhattan is a good value? Instead of comparing Manhattan to Austin or Chicago, we should compare it to similar international cities.

According to Knight Frank, the most expensive real estate in the world is Monaco at \$4,300 per square foot. Having been there just two months ago, there is probably no other place in the world that has more private banks. Second is London at \$3,600 per square foot; third is Paris at \$2,400; and fourth is Hong Kong at \$2,000.

Fifth is Rome at \$1,800 per square foot and sixth is Geneva at \$1,700.

Manhattan? A low tenth place at \$1,500 per square foot. Just below Tokyo and above Singapore.

Further, the recent Wealth Report 2010 ranked New York as the number one property market in the world based on economic activity, political power, knowledge and influence, and quality of life. New York's growth factors include Wall Street which made an astonishing \$61 billion in 2009, New York University's expansion and the up and coming High Line residential area.

Gross Rental Yields

Some may argue that Manhattan prices are lower because, from an investment perspective, rents are lower. Hence, let's compare the gross rental yields of some of the cities mentioned above.

This is the annual rent divided by property price.

As a Manhattan real estate broker, I know Manhattan's gross rental yield is from 4.5 to 5%.

According to *Global Property Guide*, Hong Kong's gross rental yield is 2.5 to 3%, prime Central London's gross yield is 3.72% and Paris' gross yield is 4.3%. Hence, from an investor's perspective, Manhattan does provide a better rental return for the price.

This means that London and Hong Kong property prices are not higher because the rental income they can command is higher. Rather, it's simply because they are more expensive. And Manhattan is less expensive.

For the non-investor, it is cheaper to live in Manhattan compared to the other cities.

The financial capital and number one ranked real estate market in the world is only tenth in terms of real estate prices. This is why Manhattan is a good value among top global cities.

Wei Min, CEO of Castle Avenue Partners, is a real estate entrepreneur focused on brokerage, investments and management. Previously, Wei Min was VP at Citigroup (C) responsible for a \$500 million portfolio. He received Citigroup's (C) prestigious Chairman's Award, a recognition awarded to the top 2% of managers. He was also Director of Travel Insurance at American Express (AXP) where he managed a \$180 million portfolio. Wei Min's first exposure to real estate was in 1998, when he helped develop mortgage strategies at Citimortgage. He has traveled to many cities to view thousands of properties. In addition to English, he speaks Cantonese, Malay and is conversant in Mandarin. He is a runner who frequently races at 10K and half marathon distance events. Wei Min holds a black belt in tae kwon do and works out at the gym almost everyday. He graduated with an MBA from the University of Illinois at Urbana-Champaign and a BBA from Marshall University. He can be reached at tan@castle-avenue.com www.castle-avenue.com.

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