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Activity sparks during dog days

Buyers start timing bottom, creating a mini summer surge

By Candace Taylor

With unemployment on the rise and prices declining, the New York City real estate market is still on shaky ground during these dog days of summer. But morale in the industry has improved markedly as buyers, sellers and brokers, once shell-shocked by the chaos of the fall's financial markets, now see some action.

Many brokers have reported a recent increase in deal volume in the wake of this winter's paralysis, and second-quarter reports released by the city's brokerages early last month confirmed that. According to a market report by Prudential Douglas Elliman, there were 1,532 Manhattan sales in the second quarter of 2008, an increase of 28.2 percent from the previous quarter.

That's still a 50.3 percent drop from 3,081 sales from the same period last year, however, and prices have fallen accordingly. The average sales price of a Manhattan apartment is now \$1.31 million — down 21 percent from the same quarter of 2008, according to Elliman's report. The median sales price fell 18.5 percent to \$835,700.

Still, brokers say the increase in activity, however slight, is helping the bottom line.

"Prices are obviously down relative to recent years, but volume transaction is surprisingly high given general market conditions," said Christian Rogers, a sales associate at the residential brokerage Core (formerly known as Core Group Marketing). He said his deal volume is now "almost the same" as it was at this time last year.

To make that happen, he said, he's doing a higher number of smaller deals, selling homes priced between \$500,000 and \$1.25 million. "Whereas in 2005 to 2008 it was feasible to sell a number of luxury properties a year, this year it was obviously more difficult to do," he said. "However, it's now possible to turn over a number of smaller deals relatively quickly."

One reason for the uptick is that buyers, previously priced out of the market, are hoping to take advantage of low prices and buy before the federal \$8,000 tax credit for first-time buyers expires later this year.

"Many buyers are out there hoping to find that perfect property and close before the December 1 deadline," said Antonio del Rosario, the president of sales at the Manhattan-based AC Lawrence & Company. "We've never had so many first-time buyers compared to any other summer, due to the fact that prices have decreased so much — as much as 30 percent in some areas."

Sellers are finally becoming more flexible, brokers say. "I see sellers more likely to seek the advice of their brokers in an effort to understand and accommodate the changing market," said David Thompson, the co-chair of the market trends committee for the Manhattan Association of Realtors.

Meanwhile, buyers seem more ready to sign on the dotted line after a slow winter.

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"In 2008, buyers were holding their breath wondering if prices would ever stabilize and trying to figure a way to afford to buy," said Adrienne Albert, CEO of the Marketing Directors, who said her company is seeing more activity at new construction projects Visionaire, Platinum and Crystal Point. "This year, buyers are coming to the conclusion that this may be the bottom of the market."

Brokers, too, seem to be getting the hang of survival in the vastly altered marketplace.

"It took me a few months to understand this new market," said Ariel Cohen, an executive vice president at Elliman, who said he's been taking advantage of July's activity to focus on keeping up a high volume of deals.

Whatever the reason, brokers noted that the uptick, which started this spring, has carried over into the usually slow summer months.

"This summer is turning out to be busier than previous summer seasons," said Ric Swezey, a senior associate at the Corcoran Group. "This is because the usual spring buying season started much later this year. Prices are certainly down, but buyers seem to be staying in town this summer to hunt out the deals."

Karen Smith and Hans Schenck, sales agents at the 500 Fourth Avenue condominium in Park Slope, noted that attendance has ranged from 50 to 80 people at recent Sunday open houses.

"There had been a vacuum in the market all winter, and now people are really coming out, doing their diligence, and looking for value," Schenck said.

The same applies to rentals.

Elliman's first-ever quarterly report for Manhattan, released last month, found a surprising rental surge in June compared to previous months. Nearly 50 percent of rental transactions for the quarter took place in June, the report said, while in previous years, sales volume was evenly divided throughout the quarter.

The surge is likely a result of pent-up demand and unlikely to be a sign of a market turnaround, since fundamentals are still weak and volume is still far off when compared to last year.

The report showed that 2,346 apartments were rented in the second quarter of 2009, a 58.3 percent drop in transactions from 5,624 during the same quarter of 2008. That drop coincided with a 17.5 percent decrease in the average rental price per square foot to \$44.16, from \$53.50 in the prior-year quarter.

Still, brokers are enjoying the summer surge while it lasts. "Our number of transactions [this July] is up from July of last year," said Adina Azarian, the founder and principal broker of rental firm Adina Equities. "This is due to higher turnover in our exclusive rental buildings."

The market certainly still has its challenges. Mortgages continue to be an obstacle, with most lenders requiring large down payments.

"I'm seeing a lot more of 30 to 50 percent down," said del Rosario. "That way it is easier to get a mortgage, plus [buyers'] monthlies will be much lower."

On the East End of Long Island, Town & Country Real Estate President and CEO Judi Desiderio said buyers

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must also make hefty down payments of "at least 25 to 30 percent cash down."

One of the biggest questions for buyers is how much further prices will fall.

Buyers and sellers "are talking mostly about the uncertainty," said Vanessa van der Linde-Brown, a senior sales agent at City Connections Realty. "They expect the prices to go down an additional 10 percent."

Eddie Shapiro, the president and CEO of Nest Seekers International, said staying optimistic is key for his firm and his agents.

"[Our agents] are aware that some firms are not making it and that things are pretty wild out there," he said. "However, it is our job and responsibility to stay optimistic and find the opportunity in every situation. If we don't, we will sink into self-destructive behaviors that stem from a lot of pity."

More clarity will hopefully come this fall.

"Buyers will wait to see how the financial markets do in September and early October," Rogers said. "I think the financial market performance in those months will set the tone for the rest of the year for many things, including the real estate market, as buyers try and time the bottom."