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As coronavirus spreads in NYC, its impact on real estate begins to take shape

How will the novel coronavirus pandemic impact New York home prices? It's complicated



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The novel coronavirus pandemic has upended how New Yorkers live: City residents have been asked to stay home, bars and restaurants are largely closed (except for takeout and delivery), the city's public schools have shuttered, and that's just the tip of the iceberg.

Another crucial New York industry that has been impacted by the pandemic is real estate. When the first confirmed COVID-19 cases were announced in early March, the industry took note but largely operated as normal; now, the outlook is significantly different. Brokers, buyers, and sellers are all navigating uncertainty amid the pandemic, as home hunters are forced to tour listings virtually—or not at all. Some buyers are suspending their searches, while sellers are pulling their properties as they try to make sense of the new market reality.

“We aren't pushing forward with blinders, but we are doing our best to give informed advice that protects our clients and their real estate investments,” says Steven Gottlieb, an agent with Warburg Realty. “We all might be singing a different tune in the coming days.”

On March 20, Gov. Andrew Cuomo ordered all non-essential workplaces to close statewide. For real estate agents and brokers, that meant the end of in-person showings.

As the New York State Association of Realtors points out on its website, brokers are allowed to continue to perform their regular duties from home (aside from making unsolicited phone calls, due to the state of emergency) and leverage online tools available to them. The Real Estate Board of New York has also offered guidance on conducting virtual closings.

Many brokerages had already begun working remotely and shifting their in-person approach to the digital world: Compass sent instructions to its brokers on how to do virtual open houses through Instagram, Facebook Live, and YouTube; Ideal Properties Group and Nooklyn launched virtual showing platforms; and Elegran started conducting applications, lease signings, and payments online while offering virtual reality tours (like this one).

And while agents agree that the market has slowed down, some transactions—those that had already started before the pandemic—continue to move forward, albeit online.

“If I had to sum it up, clients already in contract are still on the way to the closing table,” says Armen Meschian of brokerage CORE. “Those with active listings are at zero.”

A pair of Brown Harris Stevens agents, Nada Rizk and Joanne Greene, virtually closed on two apartments last week: a \$5 million property on the Upper West Side and a \$3.495 million home on Central Park South. Both transactions had started earlier in the year, with the buyers physically touring the apartments and contracts closing in January.

Still, the market has taken some noticeable hits. The week of March 16, when New York City began shutting down with a series of government-mandated closures, nearly 450 listings were pulled off the market, according to analysis by UrbanDigs, a Manhattan real estate data firm. Contract signings were nearly halved from 214 to 109 compared to the same week last year, and the number of listings that went live sank by a whopping 79 percent.

In an attempt to incentivize those skittish sellers, REBNY has ordered the public “days on market” clock to stop for all its residential listings. Any partner that accepts listings from the trade group’s Residential Listing Service will need to stop calculating and publicly displaying days on market. The change seeks to placate sellers who worry a property will be deemed “stale” once the pandemic tapers off and activity picks back up. StreetEasy has followed in REBNY’s footsteps.

As for the impact on home prices, Steve Kalifowitz, the president of listing website Localize.city, says it “is still somewhat of a wait and see game.” Localize’s users have indicated that they’re spooked, with more time spent researching properties online and less time contacting agents. Kalifowitz acknowledges that the market is “somewhat frozen,” but once life eventually returns to normal, he says buyers could see an uptick in inventory as New Yorkers hit hardest by the health crisis may list their homes to raise cash.

“I think in the short term, we’re already starting to see a softening in the buying side of the market as opposed to rentals,” says Kalifowitz. “The softness will remain until we have a sense of, ‘Okay, here’s what’s going to happen.’ The amount of uncertainty is just too high right now.”

StreetEasy economist Nancy Wu stresses that “[it] may be wise to wait” if you’re uncertain or have a more flexible timeline, as sellers have yet to adjust to the current economic downturn and “we’ve seen in the past that stock prices adjust to economic news faster than home prices.”

Locally, some in the industry are hopeful about where the market is headed. “The true effect of coronavirus on price in NYC real estate will likely be seen in the next 6-12 months,” says Jared Antin,

director of sales at Elegran. “We believe international money will start flowing back into the US and Manhattan market, as real estate is a relatively stable investment, particularly during volatility in the equities market.”

There is, of course, more anxiety at the national level. The Federal Reserve has implemented two emergency interest rate cuts since the start of the COVID-19 outbreak. As Curbed’s Jeff Andrews points out, this would normally cause mortgage rates to fall but because they were already low, it is possible lenders won’t go any lower despite the rate cut.

And overall, Andrews notes, while recessions normally have only a minor effect on the housing market, the coronavirus is making life and markets anything but normal as previous pandemics have put the housing market on pause.

In New York, city and state officials have urged residents to stay home whether they’re sick or not. Tenants who have signed new leases can still technically hire moving companies (current state guidance deems them essential) but officials say that may not be the prudent move right now. And that may not even be an option for many who’ve lost income due to the pandemic and are uncertain how they’ll pay their rent come April 1.

To help ease the burden, Mayor Bill de Blasio has offered support through the Human Resources Administration’s One Shot Deal, the New York City Housing Authority has temporarily suspended evictions, and the Mayor’s Office to Protect Tenants has published a tip sheet of tenants’ rights to keep in mind during the pandemic, stressing that it is illegal for New Yorkers to be booted from their homes because they are sick or quarantined.

On the state level, Cuomo has enacted an eviction moratorium—for residential and commercial tenants—until at least June 20. The policy protects tenants from losing their homes for three months, but those who miss rent payments will still be on the hook for paying back their landlords. Lawmakers and tenant advocates say the order is a good first step but argue that without additional relief thousands will face eviction once the moratorium is lifted, triggering mass displacement and skyrocketing New York’s homeless population. State Sen. Michael Gianaris hopes to hedge that crisis with new legislation.

“The only way to really deal with this is to actually forgive the rent payments,” says Gianaris.

Under a bill introduced by Queens State Sen. Michael Gianaris, residential and commercial tenants suffering due to the COVID-19 pandemic would not have to pay rent for 90 days. It would also provide mortgage relief to landlords of qualifying tenants. Cuomo has resisted calls to support the legislation.

But housing advocates want officials to go further. Housing Justice for All—a coalition of tenants’ rights groups including Make the Road, New York Communities for Change, and the Met Council on Housing—have called on Cuomo to enact an immediate suspension on rent, mortgage, and utility payments; a full eviction moratorium; and state investment in affordable housing.

A petition pushing for those policies has collected more than 82,000 signatures.

“The question I get the most is what do I do after April 1? How am I suppose to pay my rent? That’s what’s keeping people up at night,” says Cea Weaver, an organizer with Housing Justice For All. “This problem isn’t going to disappear in three months when the eviction moratorium is lifted. We have to act now if we want to stabilize a very unstable situation.”