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As New York eyes post-coronavirus economic reopening, will real estate rebound?

Some experts believe the market could rebound quickly

As New York – the state hardest hit during the coronavirus outbreak – begins to think about reopening its economy, some experts are hopeful the real estate market could help lead a rebound.

New York Gov. Andrew Cuomo said the state is looking at a $10 billion deficit from battling the coronavirus – and Manhattan's real estate market has shown early signs of strain.

Preliminary data from CORE Real Estate shows that only 90 contracts were signed during mid-March. That was the smallest amount since the week of Hurricane Sandy in 2012 when 81 were signed. Garrett Derderian, managing director of market analysis at CORE, noted that those figures are a stark contrast to February when the number of contracts signed hit its highest monthly level in a decade.

Since then, the Big Apple's housing market has ground to a "screeching halt," Steven James, president and CEO of Douglas Elliman Real Estate in New York City, told FOX Business.

Experts are having a hard time comparing the unprecedented global pandemic to any event the city has seen in recent history.

Following the 2008 financial crisis, housing prices across the U.S. fell about 20 percent.
But Derderian told FOX Business there are a number of differences between the current "black swan" situation and the Great Recession – including the fact that housing is a casualty of the crisis, not the cause, and prices in New York specifically have already gone through a correction over the past two years. Beyond that, homeowners are also sitting on a record amount of equity.

Derderian expects the market could rebound rather quickly, depending on how long it takes the economy to reopen – which would be more comparable to how the market behaved in the aftermath of the September 11 terrorist attacks.

"If the coronavirus turns out to be a short-term severe disruption, buyers are unlikely to see deep price cuts for a prolonged period of time, assuming the broader U.S. and global economies reopen," he said.

The Corcoran Group founder Barbara Corcoran said during an interview with FOX Business earlier this week that the housing market will be impacted by the job market and the stock market.

If joblessness were to exceed 20 percent, Corcoran said, "all bets are off" as first-time buyers exit the market completely and the middle market could suffer as well. A crash in the stock market would affect higher-end buyers, she added.

However, on the bright side, Corocoran said we could have “an explosion” in prices if people begin to believe over the coming months that the U.S. is moving past the virus, which she dubbed a “confidence game.”

Derderian’s expectations are similar, as he noted that people’s life events tend to drive the real estate market.

“As consumer confidence rises and employment opportunities follow, we should see a normalization of the residential market,” Derderian said. “While housing led the recession in 2008-2009, it may be poised to bring us out of it now.”