

The New York Times

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Sunday | Real Estate

Honk if You Think It's Over

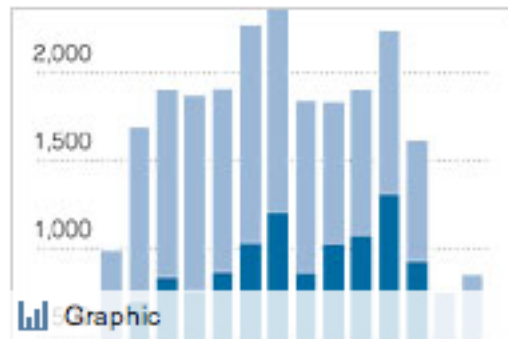


David Papazian/Corbis

By **JOSH BARBANEL**

THE panic in the Manhattan real estate market of the winter of 2009 lifted in the last few weeks, brokers say, as more and more buyers and sellers have found the courage and the comfort level to sign on the dotted line. A bidding war has even occasionally broken out, though at prices far below those of a year ago, and often considerably below asking price.

“When we were in free fall, nobody was willing to pull the trigger,” said John B. Gomes, a broker at Core Group Marketing. “Sellers are more realistic and buyers



A Shift in Momentum?

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are optimistic, and we have the lowest interest rates in a generation.”

There is considerable room for skepticism, since the number of closed sales filed with the city remains near the lowest level in many years. Prices are still down as much as 30 percent and show no signs of rising, low-ball offers remain common and some of these latest deals may never come to fruition. But brokers say the climate has definitely changed, producing sales at all price points, as some buyers, tired of looking and waiting, are seizing the moment. Suddenly, brokers say, it is exciting to be in real estate again.

Deals picked up first among studios and one-bedrooms, which benefited from a combination of lower prices, reduced interest rates and incentives for first-time buyers. Then apartments selling under \$3 million began to stir. Finally, in the last few weeks, a number of significant deals have been done in the somnolent market for trophy apartments listed above \$10 million, brokers say. Sales of many expensive new Manhattan condominiums remain sluggish, however.

At Brown Harris Stevens, a real estate brokerage firm, contracts were off 60 percent last fall, after the collapse of Lehman Brothers, and a steep plunge in the stock market brought deal making to a near halt. But Hall F. Willkie, the company's president, said that as spring — the peak selling season in New York — got under way, contracts picked up sharply. Sales, off 30 percent in April from a year earlier, were off less than 10 percent in May compared with the same month in 2008.

“We are busy, very busy and the tempo is intense, and that is all great,” Mr. Willkie said.

At Halstead Property, Diane Ramirez, the company's president, said that contract signings in May had surpassed the number of deals reached the year before. She said many of the sales were to first-timers, and to buyers who had long been priced out of the Manhattan market but were now seeing an opportunity to get in. Some buyers who have lost out on previous deals are showing up at open houses and making offers on the spot, she said.

Bill Kowalczyk, a broker with the Corcoran Group, says that what has changed is that buyers are “willing to step up to the plate” and when they do, “sellers are listening.”

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Mr. Kowalczyk has been trying for 17 months to sell a four-story town house, in need of considerable work, on West 21st Street in Chelsea near Ninth Avenue. By January he had cut the asking price by more than 25 percent to just under \$4.8 million. A few weeks ago, he said, three buyers made serious offers.

A deal was almost immediately struck with one couple. But after a bank reneged on a previously approved mortgage, they backed out. Mr. Kowalczyk quickly went to contract with a second buyer, who was planning to finance the purchase by taking out a home equity loan on property in London. The final price was below \$4 million.

The rise in activity does not mean that the local real estate recession is over. Prices remain sharply lower than they were a year ago, by about 30 percent, and are likely to continue to drift downward over many months, or even years, until the local economy, heavily dependent on Wall Street profits, picks up.

There is also some debate about whether the bump up in activity, which many brokers say has kept them busy showing apartments seven days a week, represents a predictable seasonal uptick, or a shift in market psychology.

Actual closings filed with the city's Department of Finance are sparse, but these often lag behind the market, because closings can occur months after a deal is struck, especially when co-op or condominium boards have a right to review contracts.

As of the end of May, the overall number of apartments closing in the second quarter was off 55 percent from the same period a year earlier, though up slightly from the first quarter. Co-op closings rose significantly from the first quarter, while condo closings fell as the backlog of contracts signed in new buildings many months ago began to shrink.

Both average and median apartment prices are off roughly 15 percent so far in the second quarter, compared with same period a year ago, with the median at \$812,000, the lowest level in more than two years, according to a tabulation of city property filings.

Jonathan Miller, an appraiser at Miller Samuel who prepares market reports for Prudential Douglas Elliman, confirmed that inventory levels began to fall this

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spring as sales picked up. But he questioned how significant the trend would turn out to be.

“You did see an upturn in activity this time of year,” he said, but “it was not a robust spring.” Mr. Miller said that the spring did not “undo the damage that occurred last fall” during the banking crisis, and that prices still appeared to be slipping, though at a slower pace than earlier in the year.

Mr. Miller says he is particularly worried about new developments that have not cut prices as much as many individual sellers have. Mortgages can be difficult to come by in these buildings, making it harder for buyers to complete deals.

Kirk Henckels, a Stribling broker who prepares a report on the luxury market, doesn't foresee a rise in prices anytime soon. He said he thought they might fall a bit further; he also feels that prices are in the process of stabilizing amid a burst of deal making.

Last July, Mr. Henckels listed an 18-foot-wide town house at 136 East 80th Street near Lexington Avenue for nearly \$12 million. By February the price of the town house, owned by Thomas Flexner, a former vice chairman of Bear Stearns, had been cut by 25 percent, to \$8.95 million. After languishing over a slow winter, it went into contract at the end of May.

Mr. Henckels said that over the winter, buyers felt they were in a “deflationary market” and had no reason to buy, since prices would most likely keep falling. With prices now off 30 percent, buyers feel the damage has been done and are tired of looking, he said.

“It's rather remarkable,” he said. “I did five to six deals in the last two weeks at all price ranges.”

John Burger, a broker with Brown Harris Stevens who just sold a \$12 million apartment at One Beacon Court on 58th Street near Third Avenue, attributes the market uptick to the rebound in the stock market since March.

“The stock market has always been a barometer for the health of the Manhattan real estate market,” he said. “Buyers are encouraged by the rebound on Wall Street. It has given people a sense of security to stop and make deals.”

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Many of these trends can be seen in the battle over a one-bedroom apartment on the second floor of the Grand Madison at 225 Fifth Avenue and 27th Street. A former showroom building for the gift industry, it was converted to condominiums a few years ago.

The apartment has 11-foot ceilings, a stylish kitchen and a home office, and at 1,200 square feet, is unusually large for a one-bedroom. But it has limited views, facing the Museum of Sex rather than Madison Square Park. Two years ago, in a rising market, an investor paid \$1.35 million for it, \$1.2 million of which was borrowed money.

When the rental market soured, the seller came under pressure to pay the mortgage, and Jaylin Ramer, a broker at Bond New York, listed the unit in March for \$1.15 million, 15 percent below the original purchase price.

Along came Luke Sager, a recent Harvard graduate and co-captain of the college soccer team, looking for his first apartment in New York. Working with Emily Beare of Core Group Marketing, he methodically studied the market, visiting 50 apartments over three months, she said. Love struck when he saw the apartment at the Grand Madison.

But Ms. Ramer was listing the apartment as a “short-sale opportunity,” and other buyers were interested. An offer of \$1 million in March was turned down cold, but as time went by the seller decided to be more flexible. Then, during a single week in May, three separate offers came in: one for \$825,000; a second, Mr. Sager’s, for \$850,000, half in cash; and a third for \$900,000.

Mr. Sager countered with a \$925,000 bid, all in cash, and to circumvent any more bargaining, insisted that the contract be signed the same day.

And so it was, but now Mr. Sager is waiting for the seller to complete his negotiations with the bank.

Ms. Ramer said that she and her colleagues had been involved in three bidding wars in the last week and that their negotiated deals were running ahead of those a year ago. She said she was working with several buyers who had been waiting, sometimes for years, for prices to come down.

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“A lot of people I know couldn’t afford to live in Manhattan a year ago, not even close,” she said. “The people who were waiting on the sidelines are now out, and they are having great values and they are now buying.”

Dolly Lenz, a broker at Prudential Douglas Elliman, said she had several first-time apartment buyers about to sign contracts. These buyers had not been priced out — they currently live in luxury buildings on the Upper East Side, paying rents of around \$8,000 a month. But drawn by the prospect of deals, they are willing to spend up to \$8 million or more.

“You don’t think of these people as first-time buyers, when they have an oceanfront house in Quogue,” she said. “But this guy has always rented in New York.”