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Press Archives
The Real Deal
Bad market gets worse
Contracts decline 75 percent as buyers wait for steeper price drops
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The torrent of bad news for New York City's housing market continued in November as layoffs eviscerated the city's work force, the national economy continued its downward slide and Mayor Michael Bloomberg lobbied for higher real estate taxes.

The real estate industry waited with baited breath for the next round of quarterly market reports, when Manhattan will see the real effects of the mortgage crisis on home sales. But a new analysis by at least one real estate appraiser offered a glimpse at the bleak picture that the reports will likely show.

Manhattan data compiled by the appraisal firm Mitchell, Maxwell & Jackson showed that the volume of signed contracts in September and October plummeted roughly 75 percent from the same period last year, The Real Deal first reported on the Web.

Jeffrey Jackson, a principal at the firm, estimated that roughly 50 to 70 transactions are being signed per week in Manhattan, far fewer than in previous years. The number of recorded sales in Manhattan in 2007, for example, was a record 13,430, according to city data, yielding an average of 258 sales per week. "It's pretty unbelievable," Jackson said.

Brokers said they noticed that the typical slowdown in transactions accompanying the holiday season seemed to come early this year.

"A typical seasonal deceleration starts with Thanksgiving and ends days after the New Year," said Shirley Hackel, the senior managing director of Warburg Realty Partnership. "This year, however, the slowdown began weeks before the presidential election. Few buyers made purchasing decisions this November and I suspect there will be fewer in December."

As a result of the slowdown, inventory keeps climbing, according to the most recent data from real estate appraisal firm Miller Samuel. The number of available units listed for sale on the market leaped to 7,792 in October, 36 percent higher than the same period last year and up 6 percent from 7,345 in September, according to the firm.

"Inventory in November has spiked upward as more people on Wall Street lose their jobs and realize they can no longer afford the same apartment we just helped them purchase last year, when nobody saw this crash coming," said John Gomes, a vice president at Core Group Marketing. "I suspect that the inventory will only increase next month and for a few months thereafter as more people lose their jobs."

Contributing to the slowdown is an ongoing face-off between buyers and sellers, though the dynamics of the showdown have now changed, brokers said. In previous months, sellers refused to lower prices while buyers expected to find deals. Now, many sellers are willing to negotiate, frantic to unload properties before prices drop further, but buyers are skittish.

"Sellers have finally realized this is a buyers' market," said Gomes. "For a long time we were not getting any traction on apartments because the two sides were at a stalemate."

While sellers are more flexible, buyers seem reluctant to commit to a purchase.

"Buyers feel that whatever price is being quoted is a moving target and should not be taken at face value," said Stephen Maycock, an associate broker at DJK Residential. "There is a general feeling of 'Why should I buy now?' when there is still a potential movement downward in the market."

As a result, "everything is slower," said Richard Bouchner, the managing director at Commodore Property Group. "There is less activity at open houses, fewer offers on listings, and financing is harder to obtain."

For the few deals that are getting done, brokers and developers must go to great lengths to calm buyers' and sellers' nerves in the fraught environment.

"No de facto 'rules' really exist anymore," said James Lansill, senior managing director at Corcoran Sunshine Marketing Group. "Every transaction lives in its own universe. Each buyer brings a collection of anxieties, concerns and personal thresholds to the table that must be satisfied, or a deal will not be made."

Coaxing buyers to the table requires remarkably innovative tactics. "Creativity is the name of the game," said Barak Dunayer, president of Barak Realty. "I'm seeing some seller financing deals taking shape, and auction-style selling where we price the property substantially lower than market and generate multiple offers to arrive at the market price."

Corey Wecler, an associate broker at City Connections Realty, recently found himself in the bizarre situation of having to personally remove a Murphy bed from an alcove studio at 157 East 32nd Street. Because the buyers, a Swedish couple looking for a Manhattan pied-à-terre, wanted the bed removed and the seller refused to do so, Wecler stepped in. After drawing up a legal agreement with the buyer outlining his responsibilities, he found a purchaser for the bed on Craigslist.

"A few hours after closing, I went to the apartment with my buyers, and oversaw the removal of this bed, which took some four hours to remove," Wecler said. "I helped these guys disassemble the cabinetry. It was the perfect end to a crazy deal."

Frances Katzen, a senior vice president at Prudential Douglas Elliman, said she is doing one deal where the sponsor is paying the buyers' rent until the unit in a new construction development is complete. The idea, she said, is to make the buyer "feel looked after."

Rental vacancy continued its upward trend from to 1.71 in October from 1.46 percent in September, according to Citi Habitats, while average rents in every category fell from last month.

Moreover, landlords and developers are offering more incentives than ever before. "Whether it's free months or the developer willing to cover common costs for a [period] of time, incentives right now are being offered at an all-time high," said Bryan Park, an agent at Platinum Properties.

Outside Manhattan, many local markets are seeing major pain. Numbers released in recent weeks for the Hamptons showed that market as particularly hard-hit. Average prices in the Hamptons and the North Fork were down 26.8 percent year-over-year in the third quarter, according to a market report released by Prudential Douglas Elliman, while median prices slipped 17.3 percent.