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Normally busy fall season now uncertain after turbulent August shakes confidence

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By Candace Taylor

August in New York City is usually a sleepy time, with offices empty by noon on Fridays and co-op boards disbanded for the summer.

RESIDENTIAL MARKET REPORT

Last month, however, was anything but quiet. After a bruising political battle over the debt ceiling, the U.S. saw its AAA credit rating downgraded by Standard & Poor's for the first time in history, prompting the stock market to plummet. If that weren't enough, the city -- already bracing for the 10-year anniversary of the Sept. 11 terrorist attacks -- suffered an earthquake and a hurricane. In the same week.

These events are, at a minimum, distractions from the real estate market. That was most palpably true as Hurricane Irene barreled toward New York City late last month. With the subways shut down, New Yorkers scurried to buy flashlights, and brokers canceled closings and showings.

"Open houses were almost entirely canceled or moved," noted Douglas Wagner, executive director of leasing at Bond New York. "Most consumers lost interest in the real estate market in favor of either evacuating the city or hunkering down for self-preservation."

Irene's wrath faded quickly, but the most recent round of financial turmoil will have a longer-term impact. Fall is usually one of the busiest times of the year for real estate sales, but the renewed economic uncertainty could mean a disappointing autumn.

Already-skittish homebuyers are now even more reluctant to sign on the dotted line, brokers say.

"Immediately following the latest financial scare, some of my buyers pulled out of their deals," said Patricia Levan, president of the Manhattan-based Levan Real Estate. Thanks to a mortgage contingency clause, one of her clients backed out of his contract to purchase a new Midtown condo after being offered 60 percent financing, not the 65 percent he'd requested.

"Even though 5 percent should not have been a deal-breaker, it became one when combined with the stock market plunge," Levan said.

Sellers, too, were influenced by the economic climate.

"We had [a] few sellers decide to drop the price and accept an offer that was lower than what they initially wanted to get," said Naomi Muramatsu, director of sales at Bond New York. Meanwhile, she said, "it is taking a lot longer to negotiate the price and get the contract fully executed, and we have to be constantly on top of everybody to make sure it will move forward."

This fall, "I think activity is going to be questionable," said Heather McDonough, a vice president at Prudential Douglas Elliman. "Some people will still be sitting on the fence due to the economic uncertainty."

Plus, Rosh Hashanah and Yom Kippur fall later in the autumn than usual, on the last weekend in September and the first weekend in October, respectively. That means a break from the action on what would normally

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be very busy weekends for real estate, rather than at the beginning of the month, when things are not quite in full swing yet.

"The fact that the Jewish holidays are so late will definitely impact the fall selling season," McDonough said.

One saving grace for the market is a continued lack of desirable inventory.

About 6,800 Manhattan apartments were available for sale in late August, according to Noah Rosenblatt, the founder of UrbanDigs, a Manhattan property consulting and analytics firm. That's down 5.6 percent from the same time last year.

A spate of new listings typically hits the market after Labor Day, with sellers hoping to capitalize on the busy fall market. But this year, brokers predict that some homeowners will be spooked by the economic climate, and avoid listing their properties if possible. So even if buyer activity is lackluster, a huge pileup of inventory is unlikely.

"Many sellers are more cautious putting their properties on the market because of this economic uncertainty, and I don't think we'll have a huge spike in inventory this fall season," said Bond's Muramatsu.

With so many New Yorkers putting off buying or selling their homes, the rental market continues to show strength.

"The summer of 2011 was the busiest since 2007, with historically low vacancy rates and higher-than-usual demand, fueling some of the highest rents the Manhattan market has ever seen," Bond's Wagner said.

Andrew Barrocas, CEO of the brokerage MNS, said rental incentives "dried up" this summer, and his company has seen brokers' fees increase by over 25 percent.

Barbara Ireland, a salesperson at DJK Residential, estimated that Manhattan rents increased 3 to 4 percent during the course of the summer.

David Vandenberg, a senior associate at City Connections Realty, also said prices were up and availabilities down on the rental side.

"I advise my clients to have their paperwork ready and be mentally prepared to choose an apartment the same day we meet," he said.

In response to these factors, "more and more brokers are shifting their focus toward the rental market, as the sales market continues to be stagnant," said Robert Varvara, an agent at Miron Properties.

But the tight rental market does have its challenges. Some renters, aware that prices are now higher, are opting to hang on to their current apartments rather than looking for new ones. That means brokers can't rely on previous customers as much as they normally would, Varvara said, and have to scramble to find new clients.

"The volatility has caused renters to be more price-conscious, and as a result they are staying put rather than upgrading," Varvara said. "This has a real, negative impact on repeat business."

Other renters are pushing back their move-in dates to October or November, "with the hope that more will be available at a lower price," he said.

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