

As layoffs bite Wall St, New York real estate hit

By Julie Haviv

Reuters

Wednesday, June 4, 2008; 8:10 PM

NEW YORK (Reuters) - While most of the United States has suffered a housing slump over the past two years, home prices in New York's Manhattan have been largely unscathed, propped up by demand from Wall Street bankers and the island's limited housing supply.

That could change as the housing crisis comes back to bite the banks that securitized sketchy mortgages, leading to layoffs on Wall Street and smaller bonuses for bankers who keep their jobs.

"The market today is showing a significant reduction in new deals," Hall F. Willkie, president of real estate firm Brown Harris Stevens in New York, said of residential real estate in Manhattan, New York City's richest borough.

Willkie said during the first quarter of 2008, Brown Harris Stevens saw the number of contracts signed in Manhattan fall by 21 percent when compared to the same quarter in 2007.

The firm specializes in high-end properties, which he said continues to garner demand, partly due to foreign interest, but properties outside of this realm are seeing sales drop even more sharply, he said.

"Any real estate market is based on confidence and that is what drives it, so with all the uncertainty on Wall Street that confidence has been shaken," Willkie said.

TIME RIPE TO RENT

Blake Yaralian, a 28 year old investment banker, wanted what most successful Wall Streeters desire: the perfect apartment in Manhattan.

That search, however, came to a screeching halt in early April, as he reacted to a flurry of financial firms announcing job cuts, including his own firm, UBS AG (UBSN.VX). Now, his hunt for a one-bedroom midtown Manhattan abode is on hold.

"When things started to get a bit shaky on Wall Street and I saw all the layoff announcements, it definitely made me think twice about spending the majority of the money that I have saved on an apartment," he said.

"While my job looks safe for now, something could always happen in six months where I might not be able to make those monthly mortgage payments," he said. Swiss-based UBS is one of the firms worst hit by the U.S. mortgage market meltdown.

Yaralian's real estate agent at Century 21 NYC, Mary Lou Currier, said she has several Wall Street clients who are in the same boat.

"They are all in a wait-and-see mode," she said. "Because they are worried about their jobs, they feel uncertain about taking the plunge right now, whether it be for buying or for selling."

Samuel Pierce, who recently graduated from the University of Pennsylvania's Wharton School of Business, is one of a select few who is about to join Wall Street. On June 30, he will start working for Citigroup (C.N), one of the many companies that have announced layoffs in recent months.

While comfortable with the security of his upcoming job, Pierce said overall uneasiness has him leaning towards renting.

"I also do not want to put money into an investment that might not retain its value," he said.

Few Wall Street banks have been immune. In addition to Citigroup and UBS, Morgan Stanley (MS.N) and Merrill Lynch (MER.N) have also cut jobs as their exposure to subprime mortgages -- those made to the borrowers with poor credit histories -- becomes apparent.

Some 7,000 analysts, bankers and traders from Bear Stearns lost their jobs when JPMorgan Chase & Co (JPM.N) rescued it from collapse.

And Lehman Brothers (LEH.N), which has already cut thousands of jobs, is still not out of the woods.

James Brown, a labor market analyst with New York state's labor department, said he expected 36,000 jobs to be lost on Wall Street in the current downturn.

For those who keep their jobs, bonuses -- the bulk of their compensation -- will probably be much lower.

"In good times you can count on good bonuses to help you out, but in times such as these, bonuses are somewhat of a question mark," Yaralian said.

PROBLEMS ONLY JUST BEGINNING

The full impact of Wall Street layoffs on the Manhattan real estate market could take a year or possibly longer to work through.

"The Manhattan real estate market is at a turning point," said Jonathan Miller, president and CEO of real estate appraisal firm Miller Samuel Inc. in New York.

"What happens from here will largely depend on Wall Street and the state of the overall economy," he said.

The number of homes on the market in Manhattan rose 4.6 percent to 6,194 in the first quarter from the same period last year, according to the Prudential Douglas Elliman Manhattan Market Overview quarterly report released early last month.

Miller, author of the Prudential report, said sales and inventory were the big stories last quarter.

Homes for sale remained on the market for 146 days, two weeks longer than a year earlier, the report said.

Miller, who has been tracking this measure for about a decade, said that was the longest amount of time since the fourth quarter of

2006, when it reached 149 days. In the fourth quarter of 2002 and third quarter of 2006 it reached a record high of 150 days.

Yaralian, however, said he has not ruled out buying an apartment, but his gut is telling him to renew his current rental agreement for another year or rent another place.

"For me, holding off for maybe another year seems to be a better idea," Yaralian said.

Others are already looking for a break in the clouds.

"They are cautious, but it is not doom and gloom, and as Wall Streeters are, they are opportunistic," said Mike Simon, president and CEO of Century 21 NYC in New York. "They will make the right decision for them in the short-term, whether it is to buy or to rent, but the opportunities to buy are significant right now."

(Reporting by Julie Haviv; Additional Reporting by Joan Gralla and Iaina Jonas; Editing by Eddie Evans)