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Open houses on “crack”

A once-sleepy ritual takes on new significance as buyers get desperate

By Hayley Kaplan

Open houses have always been an important part of residential sales in New York City, but they've recently taken on a new significance due to the severe shortage of inventory in the city, brokers said.

Often, desperate buyers are now packing into open houses, making on-the-spot offers and replacing a once staid experience with an atmosphere of frenzied competition. That means listing brokers often have only one shot to get the highest possible price for their listing. Buyers' brokers, meanwhile, must navigate this ultra-competitive environment, with buyers eyeing each other suspiciously and even trying to prevent each other from making bids.

“It's like open houses on crack,” said Betsy Hoffman, a broker at Brooklyn-based Brennan Real Estate. “It's non-stop people, in and out.”

Frenzied Sundays

In the past, open houses were sleepy, unhurried Sunday afternoon affairs, offering brokers and their clients plenty of time to explore for-sale apartments. Often, they'd have the place to themselves. During the course of the sales process, it was not uncommon for the listing broker to host three or four separate open houses.

But that's changed dramatically in the face of the city's inventory shortage. There were 4,795 available Manhattan homes on the market in the second quarter, according to a report by Miller Samuel Real Estate Appraisers, down 31.3 percent from 6,981 in the same quarter of last year. During the same time period, the number of sales jumped 18.8 percent to 3,144, the most second-quarter sales in the past six years, the report said.

With listings moving so quickly, brokers said, open houses are often packed with potential buyers, many of whom have been looking for months and have been outbid on other homes.

Although open houses are generally calmer during the summer than in the spring and fall, they now regularly attract up to 40 potential buyers, said Jonathan Tager, an agent at the brokerage MNS. Before the inventory shortage, by contrast, Tager said he typically saw about five to 10 potential buyers per open house.

And listing brokers need to be prepared for these potential purchasers to make offers on the spot. In fact, if a property is priced right, “you should have three or four offers” during an open house, said Tager, who recently

sold a unit at Troutman Lofts, a condo at 241 Troutman Street in Bushwick, after an agent walked up to him at an open house with an offer over the asking price.

These situations can frequently turn into bidding wars, although negotiations usually start after the open house has ended, brokers said.

As a result of all this competition, the environment at open houses is now sometimes less than collegial.

Javier Lattanzio, the director of sales at the real estate firm Time Equities, said would-be purchasers are now much more guarded around other buyers.

“People will talk to their brokers in one corner, very quietly, not saying whether they like [the property] or not,” he said. “I used to have people walk in and say, ‘Oh, this is a great room.’ Now, people are not saying anything. They try to keep it to themselves — and then you receive an offer from them.”

Sometimes the competition gets downright nasty. Hoffman said at a crowded open house at 2022 Beverly Road, a co-op building in Ditmas Park, she noticed another potential buyer trying to prevent her client from walking into certain rooms in the apartment.

“They didn’t want any competition,” Hoffman said.

In fact, many buyers don’t even want to wait for the open house to see a property — many bombard the listing broker with requests to get in earlier.

“In this market, you want to get in there before these open houses,” said Lisa Strobing, a broker at Coldwell Banker Bellmarc. “The buyer is so nervous about getting [the property], they don’t want to wait three days.”

But many sellers’ brokers have become strict about private showings. Tager said he strategically avoids showing his listings before the first open house, which helps build demand and can drive up prices.

“I’ll get calls all week [before the first open house] saying, ‘Oh, I can’t make it Sunday’ or ‘I want to see it before,’” he said. “I’ll say no, because I want the mystique.”

That tactic can rub some brokers the wrong way, however. Lattanzio said that he once asked a listing broker if his client could see a property just 15 minutes before an open house was scheduled to begin, and the agent refused.

“I was really surprised,” Lattanzio recalled. “I don’t think that’s good customer service.”

Maximizing exposure

In the face of these new circumstances, brokers said they have to be more strategic about planning and scheduling open houses.

Tager said his strategy is to list a property on Monday and schedule the first open house for Sunday, which helps guarantee a good turnout. Getting the biggest possible crowd at the first open house is important, he said, because it maximizes the property’s exposure and helps generate the highest possible offers. And in today’s fast-moving market, there might not be another open house before the property goes into contract.

In fact, if a listing broker schedules a second open house, it can raise questions about the listing’s price and desirability.

“Sometimes people associate open houses with [a listing] hanging on the vine,” said Frances Katzen, a broker at Douglas Elliman. She said she now makes sure not to do more than two open houses per month at each of her listings “so it doesn’t look like a desperate sale.”

And with buyers making decisions so quickly, it’s more important than ever that an apartment look impeccable before the open house starts, said Katzen.

“A buyer makes a selection in 30 seconds,” she said. “It’s like dating.”

But listing brokers have it easier in some ways. Now that open houses are so crowded, many brokers have shortened the length of the standard two-hour open house down to just an hour and a half. And when it comes to prepping for open houses, spreading the word is easy.

“I used to send out email blasts and really pump it,” Tager said. “Now I just throw it up on the website.”