THE REAL DEAL
ONLINE

September 1, 2010

Slow start to summer, but brokers see uptick

Activity may herald busy autumn **By Candace Taylor**

The National Association of Realtors reported last month that home sales nationwide dropped by 27 percent between June and July -- a phenomenon largely attributed to the expiration of federal housing tax credits.

The bleak news sent the stock market into a nosedive and gave more credence to the national conversation about a possible "double-dip" recession. Yet Manhattan real estate brokers said they're seeing an increase in activity as the summer draws to a close, suggesting a strong fall market may be in the works.

"Business has been building," said Frances Katzen, an executive vice president at Prudential Douglas Elliman. "People are buying through the summer months and property is moving. This is a far cry from last summer."

Ryan Fitzpatrick, sales associate at the brokerage CORE, said that in light of the strength of demand this summer, he "expects the market will be robust through the fall.

"The buzz that I hear is a combination of surprise and satisfaction that the market has remained as strong as it has, tempered by the understanding of how quickly this could change due to factors outside our control," he said.

Closing deals is still no easy feat, with banks and co-op boards still cautious (and many of them on vacation last month). Brokers attributed some of last month's activity to the fact that a number of buyers wanted to take advantage of the last few dog days of summer to scoop up deals before the busy fall season hits. That's in contrast to a slower market in June and July.

"At the beginning of the summer people were saying, 'I am going to wait and see what happens with the market," said James Strain, associate broker at DJK Residential. "However … the real estate market is starting to get back up to its traditional competitiveness. Deals and incentives are becoming sparse, so people want to act quickly now that we are moving closer to the fall."

Or, as Leslie French of East Egg Realty put it, "Buyers are beginning to realize that the market is stabilizing and are stepping from the sidelines before the window of opportunity closes on them."

The low interest rates, which have been spurring the market for some time, are also continuing to help.

"Rates will not be near 4 percent forever, and buyers realize this," said Seth Hirschhorn, a managing director at Citi Habitats.

This activity even appears to include new development condos, which have struggled since the credit crunch and recession hit Manhattan in 2008.

"We have been surprisingly busy," said Edward Azria, a manager of sales at Rose Associates, which is handling sales at the Oro Condominium in Downtown Brooklyn, which recently passed the 50 percent sold mark. "This summer is definitely stronger than anticipated."

With few brand-new condos coming online, much of the new development activity this fall will revolve around projects that have been foreclosed on and have new owners, or have recently revamped their pricing and incentives.

Last month, *The Real Deal* got an exclusive sneak peak at the new model units at the Sheffield, a once-troubled condo conversion. The building now has a new owner, new pricing, a new marketing campaign and even a new color scheme -- orange and white -- to replace the previous brown and green of the former owners. After a significant price cut, apartments in the building now cost from $700,000 to $7.4 million for units ranging from 571 to 3,417 square feet. Prices at the project were previously in the neighborhood of $2,000 per square foot. But, as *The Real Deal* has reported, they are now going for $1,200 to $1,500 per square foot.

Rental agents, too, report healthy activity.

"Many rental agents have had their best month of the past two years [in August], and the month isn't even over yet," said Jeffrey Schleider, managing director at Miron Properties. "Our agents are showing an average of over 10 apartments and two to three customers a day."

Agents said they expect to see a bevy of rental activity this fall in Downtown Brooklyn, where new projects like the Brooklyner and Brooklyn Gold are looking for renters. Clifford Finn, managing director of new development marketing at Citi Habitats, said Forest City Ratner's 365-unit rental 80 DeKalb, which his firm is marketing, now has only about 10 apartments left. He added: "The building got very healthy rents for Downtown Brooklyn."

Studios in the building rented for about $1,700 to $2,000 per month, one-bedrooms went for $2,400 to $3,000, and two-bedrooms averaged $4,000 to $4,500, he said.

Citi Habitats will start leasing at the Addison, a 270-unit project on Schermerhorn Street, also in Downtown Brooklyn, next month, he said.

The Hudson Yards area is also very active for rentals, with new projects like TF Cornerstone's 505 West 37th Street, Douglaston Development's Ohm on 11th Avenue and 30th Street, and a slew of others.

"The big buzz is the West 30s," said Bond New York agent Nelson Cabassa.

Thanks in part to the uptick in activity, the inventory of desirable properties on the market is on the wane, and brokers say they are eagerly anticipating the slew of new sales listings slated to hit the market after Labor Day, when sellers perceive the market to be busier.

"I will list several unique properties after Labor Day and suspect there are many other sellers who are also waiting to sell in the typically busy fall season," said Fitzpatrick. "At this point, we need the new inventory."