THE REAL DEAL
ONLINE

January 1, 2011

Ending the year with contradictions

Most of the market ends year on sluggish note, but brokers hope this month's new listings will gain traction

January 01, 2011 07:00AM

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RESIDENTIAL MARKET REPORT

The Manhattan real estate market has been full of contradictions over the past few years, but perhaps never more so than right now.

Last month, much like November, ushered in a number of very high-end deals, like the sale of Brooke Astor's 778 Park Avenue duplex and the much-anticipated closing of William Zeckendorf's penthouse at 15 Central Park West (which still hadn't shown up in public records at press time).

"We're being barnstormed right now," said one high-end broker. "The last 10 days have been pretty wild."

The return of these very rich buyers to the marketplace is a phenomenon *The Real Deal* explored this month in a package of stories. Yet while these sky-high sales are going on, the rest of the market continues to limp along.

Overall Manhattan activity during the late summer and fall of 2010 was the lowest since the spring of 2009, when the market first began to rebound from the post-Lehman deep freeze. On Oct. 2, 2010 -- the height of the normally busy fall market -- there were only 1,718 signed contracts (or pending sales) in Manhattan, according to the real estate data website UrbanDigs.com. That's down from 2,243 on the same day of the previous year.

"Surprisingly, [this] has been one of my slowest few months in recent years," said Sandy Edry, a vice president at Citi Habitats. "There has been a significant dip in the number of offers. ... We are considering price cuts across the board for at least the next couple of months."

Activity actually began improving in late fall. And by Dec. 22, the number of pending sales in Manhattan had grown to around 1,920, according to UrbanDigs. One reason for the slight uptick is that many sellers -- especially those who've had their properties on the market for a long time -- want to get out of the market before the New Year.

"The month of December is a good opportunity to buy an apartment that has perhaps languished on the market for too long, and the seller wants to cash out before the holidays," said John Gomes, an executive vice president of Prudential Douglas Elliman who recently left the brokerage Core with business partner Fredrik Eklund. "The next good opportunity will likely come in the spring … and oftentimes, buyers can't afford to wait that long."

A good example of this phenomenon may be the Astor apartment. The 14-room duplex, located in a coveted Rosario Candela-designed co-op, hit the market in the spring of 2008 for $46 million. Brokers say that price was far too high -- even then -- for an apartment in need of an extensive amount of work, in a building with strict rules about renovations. After a broker switch and several price cuts, it reportedly went into contract last month for around $20 million, but with concessions that will bring the actual price even lower.

UrbanDigs founder Noah Rosenblatt said he's optimistic about the recent pickup in activity, noting that "it should help to fuel a higher pace of sales volume as we get into Q1."

But activity is still slower than it was at this time in 2009, when there were around 2,210 deals in contract, according to UrbanDigs. Pending sales activity is down 25 percent from where it was six months ago, Rosenblatt said.

The slowdown is largely an aftereffect of the first-time homebuyer tax credit expiration, and a subsequent return to the market's normal seasonal patterns, said Jonathan Miller, the CEO of Miller Samuel. "Last year was an unusual amount of tax-credit fueled activity," he said.

Real estate professionals noticed that things seem particularly tepid. "The fourth quarter typically sees a slowdown in activity, but [last] year it slowed down more than usual," said Mitchell Hochberg, a principal at Madden Real Estate Ventures. "The only part of the market that is fairly strong is the high end of the market -- $10 million and above."

That leaves the question of what will happen in 2011. Many brokers are hopeful that the market will improve, citing an apparent shortage of inventory as evidence.

"I really think 2011 will be a turning point," said Doron Zwickel, an executive vice president at Core. "It seems like the vast inventory that was available was mostly absorbed, and the dynamic will start shifting toward the sellers again."

But others noted that January always brings a plethora of new listings. Brown Harris Stevens Senior Vice President Julia Hoagland, for example, said her team has four new listings planned for this month, while Gomes said he and Eklund will be bringing two new development projects to market.

And with some experts still warning of a "double dip" recession, other real estate pros worried that 2011 may be the same or even worse than 2010. First of all, unemployment is expected to remain high for some time, and getting a mortgage is still a tedious process.

"Financial institutions ... are taking longer to scrutinize and approve loans," said Harold Kobner, an associate broker at Argo Residential. "What used to take 60 days now takes 90, and what was 90 days now is 120. I am also finding that the requirements of the banks and those of [Fannie Mae and Freddie Mac] are [still] constantly changing."

Meanwhile, 2011 may lack much of the urgency that 2010 saw, and not just among first-time homebuyers. After the Lehman collapse, many would-be home-seekers delayed buying or selling while waiting to see what the market would do. Then, once prices had dropped and appeared to stabilize, they rushed into the market to take advantage of the newly discounted properties. Now that the initial wave of pent-up demand has been unleashed, the remaining buyers are in no hurry.

"The sense of urgency that buyers have lacked continues ... while sellers' needs are climbing up the urgency ladder," said Kathryn Swift, a vice president at Barak Realty. Her colleague, Robert Kravath, added, "The buzz among buyers is that prices will go down in 2011, and they are mostly just looking."

Miller said a major factor for real estate is that 2011 "is going to be another year with very high unemployment."

"The market hasn't addressed any of the macro stuff," he added. "There isn't a single thing you can point to and say, 'It's going to be a banner year.' 2011 is probably not going to be much different than [2010], and arguably weaker."