

PRESS ARCHIVES

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Grasping for some good news

As offices shutter, rental activity shines in grim market

Candace Taylor

Though the New Year ushered in more grim news for the residential real estate market, a few positive signs appeared as brokers reported a slight uptick in sales activity and saw more action in rental transactions.

Still, at the beginning of last month, news surfaced that a slew of real estate companies had shuttered offices in hopes of cutting costs in the economic downturn.

Bellmarc Realty closed its corporate headquarters at 352 Park Avenue South; Warburg Realty shuttered its office at 65 West 13th Street; Citi Habitats shed two branches, in the Financial District and on 57th Street; and Brooklyn Properties closed one of its Park Slope locations. Others closed entirely, including four-year-old boutique sales and rental brokerage firm Homestead New York and Upside Residential, the residential wing of commercial brokerage Upside Ventures (see Web roundup: NYC brokerage offices close up shop).

Some companies, however, are reacting to the downturn by expanding, hoping it will give them an advantage over the competition. Bond New York recently added 6,000 square feet of new space to accommodate new hires, said Bruno Ricciotti, a principal at the company. Core Group Marketing is planning to open a new retail storefront office in Chelsea, while Prudential Douglas Elliman recently announced it will lease 15,000 feet of additional space and recruit 50 to 75 new agents to specialize in rentals.

Much of the growth involves rentals. As in previous months, job losses in the wake of the financial crisis have caused both home prices and rents to drop, while rental vacancies continued to climb in December to 2.24 percent, according to Citi Habitats. But some brokers said they're seeing more rental transactions than previous years, as the credit crunch makes buying a home impossible for many prospective buyers.

"Rental prices have dropped significantly since September and therefore so has the average commission," said Ricciotti. "However, transaction volume has skyrocketed."

Adina Azarian, the CEO of the rental brokerage Adina Equities, said she too has more business than previous years. "More transactions are taking place, and there is more activity all around in residential rentals," she said.

Most of the activity is in lower-priced apartments as renters look to save money in the economic downturn. "The strongest part of the rental market is the \$2,000-and-under studio or one-bedroom," Azarian said. "I am finding the hardest-hit rental to be the luxury one-bedroom. There just aren't many \$3,600 one-bedroom renters out there right now."

The same is true on the sales front, brokers said.

Sales of homes between \$300,000 and \$700,000 are "strongest, but by no means booming," said Barak Dunayer, the president of Barak Realty. He said the market for homes asking more than \$1 million is "weak and virtually non-existent."

Smaller apartments are now in demand, said Colleen Dwinell, an agent at DJK Residential.

"A lot of people who could not afford one-bedrooms now can, because prices came down," she said. "Of course, you need excellent credit and 20 percent down."

Sales brokers also reported a slight increase in activity in January. "We are seeing an increase in showings and better turnouts at open houses," said David Cooper, a vice president at Prudential Douglas Elliman.

The activity seems to be spurred by buyers looking for a deal, said Richard Grossman, the executive director of sales at Halstead Property. "Lower prices and lower interest rates have made home ownership 30 percent less expensive this year than last," he said. "This is a huge motivating factor for buyers, and a great selling tool."

While more prospective buyers may be attending open houses, many are hesitant to sign on the dotted line.

"The talk around the water cooler is about buyers not able to commit and dragging their feet," said Karen Gastiaburo, a senior vice president at Warburg Realty.

That's not good news for sellers.

"Sellers are excited by open house traffic but some are frustrated by the indecision of people looking, or the low offers that some are receiving," said Mark Ripka, the COO of Core Group Marketing.

As a result, many homeowners have started renting their apartments temporarily while waiting for the market to improve.

"Sellers who do not have to sell are beginning to rent their apartments," said David Cooper, a vice president at Prudential Douglas Elliman, who has rented four of his sales listings in the past few months. "It's a way to generate revenue and sit out the market until it gets stronger, which is a smart tactic."

That's one reason why the inventory of available listings dipped 3 percent from 9,916 in November to 9,611 in December. That's 39 percent more listings than were on the market in December 2007, according to Jonathan Miller, the president of real estate appraisal firm Miller Samuel.

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"Given the low level of activity, I am somewhat surprised inventory isn't higher," Miller said. "That's because many 'casual' sellers are simply holding their properties from the market until they feel conditions turn better."

He added that it's normal for the number of listings to decrease over the holidays.

"It's seasonal," he said. "Inventory has fallen, no matter what the market conditions are, for the past seven years from November to December."

Market reports for the fourth quarter of 2008, released in January, also failed to provide an accurate snapshot of market conditions, experts said, since the data includes the closings of sales that took place months or even years ago.

According to Prudential Douglas Elliman's report, the median sales price of an apartment in Manhattan increased 5.9 percent from the prior-year quarter to \$900,000, while the average sales price grew 3.1 percent to \$1.48 million. The median sales price of a resale apartment, however, fell 3.6 percent to \$732,500, down from \$760,000 in the fourth quarter of 2007.

Current sales prices are much lower, said Miller, who prepared the report. He estimated that in the fourth quarter, contract prices showed an average decline of 20 percent since August 2008.

Other boroughs showed declines in the fourth quarter of 2008. In Brooklyn, median home prices slipped 7.5 percent to \$490,000 from \$530,000 in the same quarter of 2007, while average prices fell 5.2 percent to \$559,338 from \$590,000, according to Prudential Douglas Elliman.

In Queens, the median sales price declined 11.4 percent to \$400,001, down from \$451,250 during the same period of 2007, the report showed. The average sales price dropped 12.4 percent to \$419,153 from \$478,752 in the prior-year quarter.

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