BROKERS LOOK TO RECLAIM AUTUMN

Compared to last September, the outlook appears good

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RESIDENTIAL MARKET REPORT

Experts expect September 2009 to be an improvement from the same month last year. Unfortunately, that's not saying much.

Last September, of course, was the month Lehman Brothers filed for bankruptcy and Merrill Lynch agreed to sell itself to Bank of America for roughly $50 billion. These events, along with the credit crisis and recession unfolding around them, unleashed a year of pain in New York City's residential real estate market.

Now, as brokers head into autumn, things are looking decidedly rosier.

"I expect [this] September to be much better than last year," said Ric Swezey, a senior associate at the Corcoran Group. "We will be exactly one year past Lehman's bankruptcy, and a lot of the fear that resulted from the financial crisis has dissipated.

"It certainly will not be anything like 2007, when bidding wars were normal, but it will be a vast improvement over September 2008."

Granted, prices are still falling, layoffs abound and the recession continues to pound the economy. Agents have left the industry and firms have folded.

But Jonathan Miller, president of appraisal firm Miller Samuel, said brokers' instincts that activity is increasing are likely correct.

He said he expects the third-quarter market reports, which come out at the end of this month, to reflect more activity than the second quarter but to show lower prices than the same time last year.

"Certainly we're not seeing an uptick in prices in the contracts we're seeing," he said. However, he said, "I think that the results have the potential to be more positive than what we saw in the second quarter."

While most agents have come to terms with the fact that "the market is not doing well," said Jeffrey Krantz, vice president of sales and marketing at City Connections Realty, there is a more realistic attitude today. "I haven't heard a broker say, 'It can't happen in New York City,' since August of 2008," he said.

One thing that separates the current market from last fall's paralysis is that brokers, buyers and sellers have begun to accept the new conditions and figure out how to make deals happen in spite of them.

"There is more of a feeling of positive momentum and productivity than at this time last year," said Pamela Parrish, a vice president and director at Brown Harris Stevens.

It helped that this summer was busier than normal, a welcome shift after the glacially paced winter and spring. Brokers quickly realized that if they wanted to capitalize on the uptick, they weren't going to get much of a summer vacation.

"The summer quarter in 2009 is our late-blooming spring quarter," said Arthur Hung, an associate broker at the boutique residential brokerage Core. He said he "cancelled two summer vacations to capture the business."

One reason for the sudden activity appears to be the lower prices.

Marilyn Harra Kaye, the president of MLBKaye International Realty, estimated that prices have fallen 25 to 30 percent for walk-up buildings with no doorman, 20 percent for buildings in "off locations" and 5 to 15 percent for buildings in prime areas.

"Just when most of us were ready for vacation, sellers became more realistic with pricing expectations and apartments started moving at an unbelievable pace," added Lisa Chajet, a senior managing director at Warburg Realty, who said she has had five signed contracts since June — more than most summers and "significantly more than I've had all year."

That, in turn, provided more comps, which helps buyers and sellers get a handle on the market and feel more comfortable moving forward, she said.

Now that comps are available and conditions have stabilized somewhat, brokers are beginning to perfect their techniques for making deals happen. Takeshi Yamaguchi of DJK Residential said he has been convincing landlords and owners to sign exclusive rental agreements, sometimes splitting OPs with co-brokers or exclusive agents.

"Yes, we're not making a killing per deal, but the point in this market is to do what it takes to get the deal done," Yamaguchi said. "It's all about getting through these hard times with the owners and building the trust and dependence that you are credible enough to fight through the tough times."

Another strategy he's seen other agents employ is moving to firms with better commission splits.

"For those agents who are making numerous deals per month, this obviously makes better financial sense for them," Yamaguchi said.

Lisa Simonelli, a salesperson at Urban Sanctuary, shares this can-do attitude.

"I do without and trim the fat," she said. "If the business isn't going to come in strong, I work on compensating for it. I try not to waste time."

Financing is still an obstacle for buyers as banks continue to be stingy with lending.

"Banks are still skittish, and if you don't have a good credit rating, you can just forget about buying," said Kathryn Higgins, co-chair of the market trends committee at the Manhattan Association of Realtors.

But brokers are now getting a much better sense of which buyers are likely to qualify for a mortgage and how they can get one.

"I'd have to say that the general impression that 'nobody can get a mortgage' is unfounded," said Hung. "Qualified buyers who can show their income have no issues, though the down payment requirements are higher than before, and jumbo rates aren't nearly as good as conforming."

He said foreign buyers can expect to put down 40 to 50 percent up front.

Still, banks are constantly changing their lending requirements, and agents and lawyers must remain vigilant until the deal closes.

"Underwriters and loan processors are delivering marching orders, and we are marching," said Luigi Rosabianca, principal attorney and founder of real estate law firm Rosabianca & Associates.

COMMENTS