

THE REAL DEAL

February 2011

Market mood swings

Smaller apartments sit, while bigger apartments get play; weather adds to 'erratic' conditions affecting buyers

BY CANDACE TAYLOR

Snowstorms pummeled New York City last month, snarling traffic and covering sidewalks with shoe-soaking slush. With 36 inches and counting at

RESIDENTIAL MARKET REPORT

press time, it was the city's snowiest January on record.

Unlike other industries, real estate is strongly impacted by the weather — snow storms inspire hot chocolate and huddling under blankets, not tromping through open houses.

That's a sentiment expressed by top real estate team (and "Selling New York" stars) the Kleiers, who tweeted on Jan. 27: "Canceled our open house at our new listing at 565 Park — will reschedule in the spring when the snow stops!"

All kidding aside, real estate professionals said last month's inclement weather had a significant impact on activity.

"January has been slow in the sales area," said Sheryl Berger, an associate broker at Argo Residential. "My open houses have been quiet."

"The snow and cold have put a normally slow month into a deeper freeze," she added.

Brokers say, however, that new buyers — or buyers who have sat out for the past few years — have been entering the market since New Year's.

"I'm starting to get calls from some of my 2007 to 2008 buyers looking to come back into the process, asking about properties again and feeling more certain about buying," said David Feldman, a vice president and associate broker at Citi Habitats, who said he sold an apartment at One Brooklyn Bridge Park last month after just two open houses.

It's normal for buyers to start ramping up their home searches in January, explained Joseph Barbaccia, a director at Essential New York Real Estate.

But while many home-seekers over the past few years have been skittish about committing to a purchase, these new buyers seem focused on getting deals done be-

fore prices and interest rates rise.

"Overall, we are seeing more serious buyers enter the market," said Gary Posylin, a salesperson at Miron Properties, adding that purchasers now have "a confident expectation to see gains in [property values in] the mid- to long term."

Marketing Directors CEO Adrienne Albert said Wall Street bonuses and the improved stock market are contributing to the changed attitude. "I have found that many clients who have been pondering [whether] to buy are now really serious, making offers on things they would not have been comfortable with a year ago," she said.

But perhaps because of these competing forces — severe winter weather combined with the presence of new, serious buyers — the current market is "extremely erratic," said Leslie Lalehzar, a managing director and associate broker at Warburg Realty.

"January 2011 has been a disparate market," she said. One of her buyers recently bid against six other people on a two-bedroom West Village walk-up needing a new kitchen and bathrooms. But other apartments, even those with desirable locations and price cuts, are inexplicably sitting on the market. That might be related to the fact that much of the inventory on the market is somewhat stale because it's been on the block at some point in the past (see related story on page 26).

Brokers noticed a particular slowness at the low end of the market. "Studio buyers are almost nonexistent," Berger said.

Buyers are snapping up larger and more expensive apartments, however.

"There is a strong demand for higher-end properties," said Daniel Hedaya, an executive vice president at Platinum Properties, which is currently listing a four-bedroom at 114 Liberty Street for \$6.39 million. "Many of our clients have come on the market in the \$5 million [and up] range."

That trend is consistent with the quarterly Manhattan market reports released by the major firms early last month. According to Prudential Douglas Elliman's report, studios and one-bedrooms comprised 47 percent of the sales in the fourth quarter of 2010, down from 58 percent in the same period of 2009. Meanwhile, the average size

of an apartment sold in the fourth quarter was 1,401 square feet, up from 1,233 square feet in the prior-year quarter, according to Miller Samuel CEO Jonathan Miller, who prepared the Elliman report.

The sales of larger homes helped push the median Manhattan sale price up 4.3 percent to \$845,000 in the fourth quarter, from \$810,000 in the same period of 2009. The average sale price, meanwhile, was \$1.482 million, an increase of 14.4 percent from the prior-year quarter.

Sales activity, however, was down. According to Elliman's report, there were 2,295 sales in the fourth quarter, down from 2,473 in the same quarter of the previous year. That's because of a surge in activity in 2009 caused by pent-up demand from the recession and the first-time homebuyer tax credit, Miller said.

There are various explanations for why pricier homes are selling.

Julia Hoagland, a senior vice president and director at Brown Harris Stevens, said she's "seeing the average deal size increase substantially," with a particular uptick in sales over \$3 million.

She attributed the increase to easier access to mortgages for nonconforming loans. "The jumbo financing markets have really come back," she said.

There's also the growing trend of parents staying in the city rather than relocating to suburbia, and many families likely delayed their home purchases until the worst of the recession had faded.

"I can't get over the number of buyers looking for larger spaces because they have either just had a baby or one is on the way," said John Gomes, a vice president at Elliman. "It's a much higher number than usual. ... There is definitely more interest in larger apartments than smaller ones."

The most high-profile example of this trend is the First Couple of real estate, Ivanka Trump and Jared Kushner, who announced last month that they are expecting a child. (Congratulations from *The Real Deal*, J-Vanka.) In anticipation of the birth, the couple placed their two-bedroom Astor Place loft on the market and purchased a four-bedroom penthouse at Trump Park Avenue, an uptown condo developed by the baby's grandfather-to-be: The Donald.

As has been the case for some time, the market continues to throw off mixed signals.

"When you look at the big picture, it appears we are in a period of relative stability, but day-to-day, there are noticeable swings in mood," said Kenneth Scheff, executive vice president and managing director of Stribling's uptown office. "Yes, there are more buyers, but are they buying? Yes, interest rates are low, but is the bank going to lend? Yes, there is a lack of inventory and the worst is probably over, but when will there be a full-fledged recovery? All this can be confusing to buyers and sellers." **TRD**