

THE REAL DEAL

November 2009

Buyers Back to 'Rational' Behavior

Brokers say sales activity returns, but at moderate levels

By Candace Taylor

RESIDENTIAL MARKET REPORT

A year after the financial crisis, Manhattan real estate brokers report that the market is finally returning to normal.

But they don't mean the lightning-fast sales and skyrocketing prices of the recent real estate boom. They're talking about a more moderate, predictable real estate market, the likes of which hasn't been seen in Manhattan for years.

"The last three years have been very interesting," said Jill Bane, an associate at Leslie J. Garfield & Co. Before the market cratered as a result of the subprime crisis, "prices were very high and there always seemed to be several competing bids," she said.

Now, however, "a sense of normalcy has returned to the market," said Bane. Bane represented a townhouse at 17 Bank Street, on the market for \$10.5 million, that recently went into contract. "People are buying; they are just not as irrational as the prior two to three seasons."

In the wake of the financial crisis, the last few quarters have been characterized by unpredictable swings in activity. The fall of 2008 saw the market at a virtual standstill; spring began to thaw, and summer -- normally one of the slowest seasons of the year -- brought an unusual frenzy of sales.

By contrast, the level of activity this fall seems to be relatively normal, settling back into its predictable seasonal pattern.

"There seems to be the usual activity that comes with the fall," said Sylvia Pilar, a senior sales associate at DJK Residential.

"Last October, the markets were frozen," said Eddie Shapiro, president and CEO of Nest Seekers International. "Today, it's moving right along. Cautiously, but moving."

Barring any major economic surprises, brokers expect this comparatively brisk level of activity to last until Thanksgiving.

"We should continue to see activity at open houses, as well as continued offers and signed contracts, at least until the holidays, when the market traditionally slows down," said Gary Malin, the president of Citi Habitats, who said he expected a similar pattern for rentals.

Of course, there are still a few question marks in the aftermath of the financial meltdown. One is price. Third-quarter market reports released by the city's major brokerages last month showed that while prices have stabilized somewhat, they are still considerably lower than last year.

Quarterly reports from Prudential Douglas Elliman, the Corcoran Group, Brown Harris Stevens and Halstead Property showed that average apartment prices dropped between 10 and 16 percent from the third quarter of last year.

Elliman's report found that the average sales price of a Manhattan co-op or condo was \$1.32 million, slipping 10.6 percent from \$1.48 million in the third quarter of 2008, but just above last quarter's average of \$1.31 million. The median price was \$850,000, down 8.4 percent from the prior year quarter but up 1.7 percent from the second quarter.

It's unclear what will happen to prices as the market slows down over the holidays.

Brokers, upbeat as always, say prices are at or close to their lowest point (see "[New York could see a double dip in residential market](#)").

"There is a sense in the brokerage community that either the market has bottomed out, or we may experience another small decline before hitting the real bottom," said Corcoran's Ric Swezey. "Either way, there is more cautious optimism than there was several months ago."

But buyers aren't necessarily convinced.

"Many potential buyers believe that prices will continue to steadily decline," said Kristin Hitsous, an associate attorney at law firm Rosabianca & Associates.

Indeed, experts appear to be aligned with buyers and expect that prices will continue to slide, albeit at a slower pace. Some market analysts are predicting another round of price dips in New York, of between 5 and 10 percent.

"It's more a rounding-the-corner scenario, with things getting less bad, as opposed to [being at] at the bottom," said Jonathan Miller, president of appraiser Miller Samuel. "A bottom infers that shortly thereafter we'll see prices jump. That appears unlikely."

Even if prices continue to slide gradually for some time, the sentiment throughout the industry is that the darkest days have passed.

"Deal volume is up markedly and many agents believe the worst is behind us," said Mark Ripka, chief operating officer at the brokerage Core.

Or, as Victoria Shtainer, a Prudential Douglas Elliman senior vice president, put it: "It does not feel like the world is coming to an end."