

# Residential Comps are Becoming a Waste of Time

*With NYC sales activity in flux, pricing new listings is like throwing darts*

By E.B Solomont | February 1<sup>st</sup>, 2016



Pricing residential real estate has always been part art and part science. But amid uncertainty over the state of the market, agents say coming up with accurate comps is increasingly difficult — and in some cases, futile.

For properties priced at \$3 million and under, tight inventory has boosted the pace of sales. But in the upper end of the market, the pent-up demand from the financial crisis that resulted in a buying frenzy in 2013 and 2014 largely faded late last year. While those two sectors of the market are behaving differently from each other, the new dynamics have created pricing challenges in both.

“In today’s market, sale prices are more than ever a moving target,” said Eydie Saleh, an agent with Mirador Real Estate, a boutique firm that works closely with developers and building owners.

Not helping matters is that data for closings is, of course, old news, since sales can take weeks or months to be finalized after a contract is signed.

But the gap between what the data is showing and what's happening on the ground is particularly wide these days, since six months ago the market was, by many analysts' accounts, at a peak. "The reality is that Manhattan dislocated [itself] in the fall of last year," said Noah Rosenblatt, founder of analytics firm UrbanDigs.

In Manhattan, the average number of days on the market for properties was 83 as of Jan. 26, nearly 11 percent higher than a year earlier, numbers from UrbanDigs found. "What does that show? That buyers are not signing contracts as fast as they did before," Rosenblatt said.

That's causing some broker anguish, he said.

"They're looking for comps and the comps are representing the peak of the market," he said. "It's hard to tell a seller, 'Yeah, the market is 5 to 10 percent lower than that point and you just have to trust me.' There's no comp to justify the shift down."

noah-rosenblatt-quoteJonathan Miller, founder of real estate appraisal firm Miller Samuel, echoed that sentiment. "There's this uncertainty of whether the market is continuing in its current path or downshifting. Much of what you're looking at is in the rearview mirror," Miller said. "For example, if there was a sale in the building last year in the same line, and the seller wants it to be [priced] higher than last year, the agent [may] feel there's been some edge taken off the market," said Miller.

Many sellers also view new development as a proxy for the overall market, which is simply not the case, Miller said.

Danny Hedaya, president of Platinum Properties, described the comps conundrum in more severe terms. "The use of comps are completely outdated in today's market," he said. In previous years, according to Hedaya, agents would pull up "sold" and "in-contract" comparable units. Now, agents are pricing units based on what else is on the market. "At the end of the day, people always say the value of something is dictated by what someone is willing to pay," he said.

For example, Platinum recently represented the seller of a 625-square-foot studio at 280 Rector Place in Battery Park City, which had an asking price of \$525,000 based on a closed-sale comp of \$485,000 for a similar unit. But Platinum sold the unit for \$552,500 — 5 percent above the asking price. "We thought we were being realistic," said Hedaya, who noted that when pricing units he advises agents to pretend they're buying at that price point to really get inside a buyer's head.

Still, the fluid market is boosting the fortunes of companies like analytics firm Urban Digs, whose products are increasingly in demand. Last year, Compass introduced real-time market

reports that offer daily snapshots of the market — instead of the quarterly market reports published by most brokerages — to help agents price properties more accurately. The report contains up-to-the-minute price trends, and agents can use filters to drill down on that day's trends as they pertain to a certain size unit in a particular neighborhood or building.

“Before, people used to look at a trade from a year ago, two floors down. You don't do that anymore,” said Compass' Mark Jovanovic. He said just because market reports show that average sales prices jumped 13 percent year over year does not mean a particular unit's value will have increased by the same amount.

According to Jovanovic, buyers have more leverage than they did last year. As a result, sellers need to consider not just closed sales data but current inventory on the market.

“The strategy needs to be, what is the supply? What is the competition? It's always about how are you best positioned in that [price and size] category,” Jovanovic said.