

THE REAL DEAL

NEW YORK CITY REAL ESTATE NEWS

2012 residential market predictions: As clear as eggnog

Lack of good product and pricing tensions are top of mind at year's end, as brokers look ahead toward unclear 2012

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As the year draws to a close, the future seems as opaque as a glass of eggnog. Some real estate professionals say pent-up demand in the residential market could foster a busy 2012, while others predict that a sluggish economy will keep prices and activity in check.

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Citi Habitats vice president Jay Molishever said the high rents, relatively low sales prices and increasing activity he is seeing in the current market are good signs for the New Year.

"At some point," he said, "the kindling is going to burst into flames again," bringing high prices and high volume.

Michael Signet, executive director of sales at Bond New York, anticipates a "very busy year," with rising prices bringing inventory to market buyers feeling "compelled to make a decision faster, as the competition for quality apartments increases."

But there are still a few significant X-factors that could keep the market from taking off in 2012, brokers said.

Chief among them is enduring unease about the economy. Without a strong recovery in the New Year, prices will likely remain flat, said Keith Scheff, managing director of Stribling & Associates.

Others agreed. "It is precisely the feeling of unease that slows our market down and anesthetizes any new activity," said Joseph Barbaccia, brokerage Essential New York Real Estate.

Then there's the lack of new product and the still-difficult mortgage market, which are "the two things holding back the market from being so hot," according to Doug Bowen, a senior vice president at Core. "The demand is definitely there."

Brokers said the continuing lack of high-quality, well-priced inventory has been a particular problem in the recent weeks, especially at the top of the market.

Simply put, there are more active buyers than there are good apartments, said Scheff, who described a recent eight-way bidding war for a prewar co-op on the Upper East Side.

Hearing about the lack of inventory, sellers are getting bolder with their asking prices, brokers said. But most of today's buyers are still looking to steal.

"Price is very important in making a sale in this market," said Paula Del Nunzio, a senior vice president at Brown Harris Stevens, adding that she wants to put a property on the market at a "vanity price," he or she will "sit on it."

(Del Nunzio is famously handling the most expensive listing in the city, the Upper East Side's Woolworth mansion, priced at \$90 million, as well as a nearby Stanford White mansion, priced at \$49 million.)

"Sellers, when pricing their apartments correctly, are selling quickly," said Barbara Fox, president of Fox Residential Group. "However, overpriced apartments are not selling well at all. ... Well-priced, renovated properties continue to sell more quickly than overpriced ones, or those that need massive renovation."

For example, a fully renovated townhouse at 87 Cambridge Place in Clinton Hill, Brooklyn, went into contract last month at \$2.16 million — a record for the neighborhood — a week after the owners listed it at \$2.05 million. The broker, Jerry Minsky of Elliman, said that he wanted to price it higher, but the sellers were adamant about pricing it lower.

As they wait to see how these factors shake out, sales brokers are sleeping off their post-Thanksgiving, tryptophan-induced hangovers, a common occurrence in what is, between the chilly weather and the string of holidays, typically the slowest season of the year.

"Once the weather cools down, only the real estate 'addicts' take advantage of what's on the market," said Todd Lewin, managing director of real estate services firm Good Property, which has offices in Miami and London, but recently opened its headquarters in New York City.

Meanwhile, on the rental side, buyers on the sidelines continue to power the market, which is evidence that people still have money to spend, according to Scheff.

In the rental market, “we haven’t seen the beginning of the usual slow season as we used to see [at] this time of the year in the last few years,” said Dmitry Daniel Kramp, a senior agent at City Connections Realty.

Jason Fien, director of leasing at the brokerage Platinum Properties, said he observed a drastic increase in demand for luxury rentals, as many buyers fail to find a “steal” and settle for renting. But he urged discouraged buyers to keep looking.

“If you can afford to buy, buy,” he said. “You are only flushing hard-earned money down the really flashy and expensive self-cleaning toilet if you pay \$20,000 rent affords you.”