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BROKERING AFTER SANDY

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Hurricane Sandy — the worst storm to hit the Northeast U.S. in decades — sent Manhattan's residential real estate brokers into a tailspin.

In addition to lost power, water and heat at home, brokers were inundated with calls and texts from clients seeking to be relocated in the wake of the storm.

The disruption in Manhattan pales in comparison, of course, to the devastation in parts of Brooklyn, Queens and Staten Island, where tens of thousands of homes were destroyed or damaged.

But the storm's effect on the Manhattan real estate market was dramatic nonetheless. While closings effectively ground to a halt across the borough — even on the Upper East and Upper West sides, which saw little impact from the storm — rental activity shot through the roof, particularly for short-term leases.

By press time, just 43 closings citywide had been recorded for the week immediately after the storm, down from 662 the previous week, according to data provided to The Real Deal by listings website StreetEasy. In Manhattan, just 17 closings from that week have been recorded, compared with 238 the week prior.

Scheduled closings were canceled or postponed "largely due to challenges in power and transit," said Corcoran Sunshine sales director Gordon Hoppe, who estimated that his firm saw nearly 80 percent fewer closings than usual in the week following Sandy.

Due to power outages and flooding Downtown, "anyone that had an office below 39th Street didn't have an office," explained Rolan Shnyder, director of new development lending at the mortgage bank H.O.M.E, whose office is just north of Union Square at 215 Park Avenue South.

As a result, "If you had a closing that was scheduled for that week, you were not closing," he said.

"There are so many people involved in a transaction, including the title company, the mortgage company, the buyer, the seller, both lawyers and both brokers," Shnyder said. "Somebody in that equation was bound to be out of commission."

Many of those closings were rescheduled for the weeks after the storm, however. Most Manhattan sales brokers said they expect to feel a slight pull on their wallets in the next few weeks due to the temporary lull in business, but should begin to recover now that transactions have resumed.

"Closing activity picked up dramatically as the city began to recover," Hoppe said. "In the two weeks after Sandy, we actually saw an average increase of over 60 percent as compared to the eight weeks leading to the storm."

But some in the industry saw significant financial repercussions from the slowdown in sales immediately after the storm.

Shnyder said he lost three deals with clients who called him to start a transaction during the aftermath of the storm. Without power or a working phone line, he explained, he simply could not take on the work. A refinancing deal he had lined up in Montauk also stalled after his client's basement flooded.

Short-term deals

For some Manhattan brokers, however, the uptick in leasing activity after the storm was something of an economic boon.

In the immediate aftermath of the storm, quick rental finds were in high demand and short supply. Brokers told TRD they were busy identifying short-term housing for clients who were displaced from Downtown homes.

Any broker who was able to do Manhattan rental deals in the wake of the storm likely made "a ton of money," said Julia Bryzgalina, director of sales and leasing at the Wall Street branch of Platinum Properties, which was temporarily closed after the storm.

In the two weeks after Sandy hit, Bryzgalina estimated, Platinum Properties saw a 250 percent spike in inquiries about short-term rentals and almost a five-fold increase in phone calls about long-term Financial District apartments, prompted by area residents who needed to relocate immediately but still wanted to stay in the neighborhood.

For six days after Sandy, Town Residential's Danny Davis had no heat, water or electricity. Still, he was kept busy "relocating anyone displaced," he said.

To do that, Davis said he approached former clients and business contacts to see if they could provide short-term housing.

"I reached out to many customers to whom I'd sold pieds-à-terre to see if they would be open to allowing short-term rentals," he said. "I also went to different landlords I know to see if they would consider a short-term lease instead of the one-year minimum."

Using those strategies, he found at least one displaced client a \$45,000-per-month temporary rental at 42 Wooster Street, the building where "Homeland" actress Claire Danes once lived.

To get in touch with residents lacking an Internet connection, many brokers posted flyers with their names and phone numbers on lampposts in the Financial District, especially in and around hard-hit rental buildings such as 2 Gold Street.

While trying to pick up new customers during a natural disaster might initially appear "scavenger-like," many storm victims were grateful to be pointed in the direction of someone who might help them find a home, Bryzgalina said.

"We were getting parents [of the residents in 2 Gold] saying, 'My daughter was moved out and I saw your listing. I was wondering if she could see it today,'" said Bryzgalina. (Residents of the TF Cornerstone building were released from their leases following the storm after the building was deemed uninhabitable.)

Of course, completing rental deals after the storm wasn't easy.

"I had to say that the majority of the apartments in my ads were not available temporarily," Bryzgalina said. "We'd even get calls asking about 2 Gold Street, since it took us a few days to remove our listings."

Finding available apartments was more difficult than normal, because many landlords in hard-hit areas did not update their rental databases in the wake of the storm, said Cecil Weeks of Miron Properties. As of late last month, he said he still could not fully trust databases and search results.

"We're having to take extra steps to be sure we're not showing apartments that have already rented or have pending applications," Weeks said, noting that one solution was to focus on landlords located in neighborhoods not severely impacted by Sandy.

But Sandy-related disruptions were not limited to Downton.

The day after the storm, AC Lawrence agent Holden Sherman awoke in his Upper West Side apartment to find that a car windshield outside his building had been shattered by falling debris.

And Miron Properties' Sandra Falus actually moved a client — referred to her through a family friend — into her own Upper East Side apartment.

The client's ground-floor rental at 555 East 78th Street had been flooded in the storm.

"FEMA was overwhelmed and took their time to process everything," Falus said. "In the meantime, this poor woman needed a place to live."

After housing the client in her apartment for a week, Falus eventually found her another rental on a higher floor at 555 East 78th Street.

Hard-hit areas

Despite this temporary rental uptick, the real estate markets in hard-hit neighborhoods face daunting challenges ahead.

Sales listings in Manhattan's Zone A — areas evacuated before Sandy hit — have dropped dramatically since the hurricane, New York Magazine reported last month.

In the two weeks following the storm, just 22 apartments were sold in Zone A — less than half the number for the same two weeks in 2011, according to StreetEasy data cited by New York Magazine. A total of 69 apartments in Zone A were pulled from the market as a temporary measure following the storm.

Bond New York's Larry Dusseau was forced to stop showing listings at the Citylights cond-op on 48th Avenue in Long Island City, where he also lives, when the lobby was flooded with water during the storm. He couldn't start showing again until the water receded, and the building's elevators had started working again.

The Corcoran Group's Richard Nassimi, director of sales at the W Downton, said he joined workers in the week after the storm pumping water out of the building's lobby and basement. The staff could not show apartments in the building for at least a week, "because no one could access the building," he said.

Nassimi said it took two to three weeks to fix the damage to the lobby and the building's systems.

As a result of the storm, a number of Manhattan buildings are "completely shut down or condemned," Weeks said.

Some buildings, like 88 Greenwich Street, were deemed unsafe and uninhabitable by the Department of Buildings, prompting Kleier Residential and Douglas Elliman to pull listings there from the market in early November. Residents of the Greenwich Street building, who will be unable to return to their homes until March at the earliest, filed a \$35 million lawsuit

against the property's condo board and management company last month, citing a lack of precautions against flooding. Those displaced from 2 Gold Street also filed suit against TF Cornerstone.

Young Moon, an agent at New York Residence with a \$599,000 deal in contract at 88 Greenwich, said the sale is now "up in the air," with the buyer on the fence about whether to proceed.

"[The buyer] is waiting to see how fast [the situation] can be corrected," said Moon. "They cannot indefinitely wait around.

"Everybody is having a difficult time — the seller, buyer, brokers and attorneys," he added. "We don't know exactly what the time frame is."

Even once these damaged buildings come back online, it may take some time for sales to recommence. Sandy reportedly left many mortgage lenders nervous about storm-related damage to properties currently listed for sale or under contract.

In response, a number of lenders are requiring that all properties be reinspected prior to closing. This could delay transactions, causing buyers to pull out of their contracts, brokers said.

Potential buyers are also worried about the solidity of their investment and are putting their offers on hold, said Bryzgalina, who lost some rental deals at 2 Gold Street.

And buildings Downtown will likely have to lower their rents and grapple with heightened vacancies as they recover from the damage incurred during the storm, meaning slightly lower commissions for brokers. When buildings such as 2 Gold Street come online, landlords will be faced with large amounts of vacancy following the departure of clients who broke their leases. Weeks said.

"The effect of the storm will still mean a major increase in vacancies within affected neighborhoods," he said. "The influx of inventory will create very stiff competition for the surrounding buildings and landlords in the form of lower rents and incentives."

Still, buyers don't seem to be shying away from Lower Manhattan because of the possibility of future storms, said Nassimi, who said showings at the W have surged in recent weeks.

"Buyers know that [Sandy] was something called an act of God," he said. "It's not like New York is in a seismic area where they're going to have an earthquake every two weeks. They're realistic about the situation."

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