THE REAL DEAL

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For brokers, an early spring

January felt more like March for busy agents, who expect the increased activity to carry through the normally slow winter

By Hayley Kaplan

So much for a winter slowdown. Even as the mercury dipped in January, demand for apartments was high. Driving the fast-moving market, experts said, were plunging inventory and low-interest financing.

"Limited inventory options and increased demand will definitely push prices higher this winter," said Lisa Strobing, an executive vice president at Bellmarc Realty, noting that January was as busy as springtime and saw "solid traffic."

The higher end of the market, which has been outpacing the rest of the market for some time, proved particularly strong in January, according to the Olshan Luxury Market Report.

During the week ending Jan. 20 alone, some 19 contracts over $4 million were signed, with the majority of those pricey properties situated on Manhattan's Upper East Side. By comparison, during the best week of January 2012, only seven deals over $4 million were signed, according to Olshan's data.

Last month followed a similarly busy December. As *TRD* has reported, in the fourth quarter of 2012, sales in Manhattan spiked a dramatic 29.2 percent year-over-year to 2,598 closed deals, according to Douglas Elliman's market report, which is prepared by appraisal firm Miller Samuel.

The early spring of sorts is, of course, good news for brokers.

Tom Stuart, a broker at Bond New York, said January kept him "really, really busy."

"[Starting the] second week of January, my phone has been ringing like crazy," said Stuart.

Andrew Barrocas, CEO of MNS, agreed, adding, "I'm surprised to see how quickly things are moving for January."

He predicted that an influx of new inventory — particularly new development — would flood the market by the end of the year, and continue to come online through 2015.

Roberta Axelrod, the director of residential sales and leasing for Time Equities, said she expects the strong market demand to continue through the generally faster-paced spring season. "I think the period of reduced prices is nearing the end," she said. "Interest rates are still attractive, [and] people are willing to come back into the market."

And that is good news for sellers, who "are sticking to their guns and asking aggressive prices as inventory is depleted," said Daniel Hedaya, the president of Platinum Properties.

But the tight market can be downright exasperating for apartment hunters. In 2012's fourth quarter, the number of for-sale Manhattan co-ops and condos dropped to 4,749 units — the lowest level since 2000, according to Miller Samuel's market report (see related story on page 30). Listings website StreetEasy's fourth-quarter market report similarly showed that the average number of new listings per week in Manhattan declined 13.9 percent year over year to just 231 from 268.

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"Frustrated buyers have few options to choose from when looking for a New York apartment this year," Strobing said. "They are surprised to find that they are being outbid on the well-priced properties."

Such bidding wars have become increasingly common, particularly for studio and one-bedroom units in the middle and lower ends of sales markets, sources told *TRD*.

Stuart recently sold a studio co-op at 140 East 40th Street between Lexington and Third avenues for $345,000 — $6,000 over the asking price. Within 24 hours of hitting the market, the unit saw two competing bidders, he said.

"When something good comes on the market, we're getting a huge rush of interest," Stuart said. "When [buyers] lose out on an apartment or two, they're willing to go up above the asking price to get what they want."

Much of the interest in smaller units is, unsurprisingly, coming from first-time homebuyers, said Miller Samuel's president, Jonathan Miller.

"[In] the rent-versus-buy decision, the

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majority of decisions have swung towards the purchase market," he said, pointing to falling mortgage rates and rent increases.

In the rental market, Citi Habitats' fourth-quarter market report noted that the average Manhattan renter paid 5 percent more for a rental in 2012 than at the same time the year before, with rents increasing to $3,412 from $3,248. However, despite the yearly increases, prices in the rental market softened slightly compared to the third quarter, as *TRD* previously reported. Indeed, average Manhattan rents were down 3 percent from the third quarter.

Meanwhile, Brooklyn rents rose, with median prices increasing 1.4 percent in December 2012 from December 2011 to $2,637 from $2,600, according to Miller Samuel's data.

Inventory also remains a problem on the rental side, the Citi Habitats report found.

"While there are several large rental developments in the planning stages, there is little new product in the pipeline for this coming year," the report said. "This is likely to further increase demand on an already tight marketplace." TRD