



Find opportunities in today's residential market by adapting and focusing on the bright spots

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Rather than dwell on tough economic times and the downturn in the real estate sector, I'd like to focus on some bright spots and some of the opportunities for those who are prepared to adapt to the market's cyclical nature.

True, residential real estate is facing the most daunting economic environment in many years, and the Manhattan residential market presents its own unique challenges. For example, the first-time homebuyer tax credit has little relevance for the borough since most of our buyers' adjusted gross income exceeds the limits required for eligibility. Unemployment, while lower than initially projected in New York City, was over 9% in December 2009, and reports keep coming in of companies shedding jobs locally. Another round of large bonuses recently paid to associates of major investment banks may buoy the market slightly. However, most lenders, while boasting excellent loan origination figures, have been tightening mortgage requirements consistently.

In the face of such adversity, I and my brokerage team at Argo Residential still believe that the market today presents a great opportunity for those who are interested in buying. Mortgage interest rates are at a low point and prices for apartments, whether new or re-sales, are now showing signs of stability. So, savvy buyers understand that the time to buy is now, rather than later. As other sectors of the economy improve, pressure will begin to mount on short-term interest rates, forcing interest rates higher across the board. Mortgage rates will likely rise. If one does the math, any future sale price declines will be eroded by the higher mortgage rates.

As for our sellers, pricing is "the key." Those who out-price the market, pay their own price with properties lingering on the market and remaining unsold over long periods of time. Brokers who are very creative when it comes to offering a bargain (the mere mention of a "price drop" in an online ad can make for lively open houses) can maximize their sales volume despite the economic downturn. Apartments that are priced appropriately often close within six weeks or less.

Cultivating relationships among major mortgage lenders and mortgage brokers is essential in this market. While many banks are tightening home loan criteria, Wells Fargo, one of Argo's lending associates, continues to originate mortgages with very favorable terms. Therefore, some firms like mine have been able to curb the number of banks that are walking away from closings or backing away from loan commitments.

As for rental properties, the spike in unemployment in Manhattan has led generally to a vacancy increase. Many landlords have managed to mitigate vacancy increases by offering incentives to tenants, such as owner paid brokerage commissions. In addition, some owners offer benefits like a credit card payment program or accept tenants who are insured by a third party lease guaranty program. These are just some of the many ways Argo's rental owner clients have been able to keep vacancies under control and to maintain a focus on the needs of clients who may be faced with

some of the daunting personal challenges imposed on them by the current state of the economy. Lastly, many firms are shedding brokers or pressuring junior brokers with reduced commission splits which makes now a great time to add new, talented associates. Those who can expand number of brokers in their firm can increase the coverage of neighborhoods throughout Manhattan, which can lead directly to an increased volume and nominal value of sales and rentals over the last year. As proof that one can thrive even during an economic downturn, Argo Residential's boutique brokerage firm experienced increased volume and dollar value of sales in 2009, as compared with 2008.

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