

THE REAL DEAL

NEW YORK REAL ESTATE NEWS

Staying on top of their game in a slower market

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It's not easy being a residential real estate broker during a slowdown in New York City. Deals can fall apart at a moment's notice. Mortgages are harder to obtain. Entitled buyers are making lowball offers. Sellers are reluctant to drop their asking prices. The bottom line: There's a new minefield for brokers to duck and weave their way through.

This month, for *The Real Deal's* Q & A, brokers shared their concerns about the changing market and their strategies for dealing with everything from the slowdown in sales activity to the doom-and-gloom media reports they said are creating a false impression that the market is crashing.

The brokers interviewed said overpricing a property just to get a listing is a setup for failure in today's market and that many in the business are more willing to co-broker when they get an exclusive.

Meanwhile, with properties staying on the market longer, there's more pressure to close every potential deal that surfaces. And with buyers more savvy about things like per-square-footage costs, air rights and the overall market, brokers say they need to be more prepared and on their game than ever before.

While brokers are still closing deals and are not experiencing the same market conditions their counterparts are seeing in other parts of the country (one said he has broker friends in Florida and California who have gotten second jobs because business is so bad), they said being versatile is key to success today. They also said networking with past buyers and sellers and being blunt with clients about prices is the best way to get a leg up.

For more on their coping strategies and the deals they are doing, here's what our experts had to say.

Jeff Wolk president, Fenwick Keats Goodstein

What is sales activity like compared to six months, a year or two years ago?

It's down between 10 to 20 percent.

Are the broker ranks thinning, staying the same or growing?

They are staying the same. There are lots of people going and lots of people coming. People are coming because other businesses are having trouble, so for them it's still a new opportunity. It certainly hasn't lost its allure.

Is it better to be a sales broker or a rental broker in today's market?

I think rental brokers still have to fight the resistance of the landlords in lowering their rents, so it takes a little longer to rent properties, and a rental broker has to do a lot of transactions to keep pace, whereas sales brokers, if they sell, get a large commission. The pressure is still a little high on a rental broker in a tough market.

What is the least successful way brokers are adapting to the changing market?

By overpricing their properties. That's the recipe for disaster. What has worked before in overpricing properties in this market is the kiss of death for the seller and for the agent trying to make a deal.

Any notable statistics or deals that indicate what it's like to be a broker in today's market?

It's much more challenging to hold deals together. Deals can seem to slip through at a moment's notice, someone changes their mind, the slightest piece of news seems to derail a transaction. To deal with that reality is more difficult for the younger sales people. I am not pessimistic; there are deals and vitality in the market, but it doesn't take much to deep-six a deal. The co-op board may be more stringent; the mortgage guy needs a much higher level of comfort. Whether it's the loan officer or the bank, the hurdles, which are always enormous in real estate, are even harder.

What is the most positive trend when it comes to working as a Manhattan broker in today's market?

The change in the market creates caution, caution creates somewhat of a slowdown and the slowdown creates somewhat pent-up demand. That is positive in my judgment.

Douglas Wagner president, Benjamin James

What is the most negative trend for brokers today?

Consumer entitlement. It seems the customers smell a change in the wind and want to recoup years of having to put up with an intransigent marketplace. On the rental side, I'm seeing consumers push for lower rents, fees and moving costs because they smell a little change in the market. Prices are a little bit less than they were last year at this time, so the more seasoned New Yorker who is buying makes an aggressive bid below ask.

Do they get it at that price?

Almost never. It puts brokers in an awkward position because we want consumers to expect that it's a little better, but when they bid 20 percent below asking, we are not in that kind of market. We are seeing landlords and brokers making accommodations that they weren't making a year ago, but it is in small increments.

Is it better to be a sales broker or a rental broker in today's market?

I think you have to be a hybrid. With customer demand inconsistent in both rentals and sales, brokers who understand the idiosyncrasies of each market will be most successful.

What is the most successful way brokers are adapting to the changing market?

The listing brokers who get exclusives and list properties are being a little more reasonable with their pricing, and they are being more cooperative with co-brokerage and the RLS. In the past, an exclusive

broker worked the property to their own benefit by having direct purchasers.

What is the least successful way?

To overprice a property.

What is the most surprising trend when it comes to working as a Manhattan broker in today's market?

Choice. For the first time in several years, whether buying or renting, consumers have time to catch their breath, which makes it a great time to be a broker.

Joseph Ben-Zvi president, Metro Spire

What is the most surprising trend when it comes to working as a Manhattan broker in today's market?

My brokers and I have never seen so many prepared buyers actively study the market. Our clients analyze the market on a [price per square foot] basis. I am finding more clients with specific knowledge of value points such as air rights, mitigating taxes and avoiding taxable events. It's incredibly motivating and scary, too; you really have the one chance to demonstrate your own cognition and grasp.

What is the most negative trend?

I've seen cooperation amongst competing brokerage houses decrease. I think we'll see a lot more brokers in unethical circumstances as the market evolves and the amount of lawsuits in real estate transactions spikes.

What do you expect to see going forward when it comes to brokering in Manhattan?

Sales figures market-wide will remain relatively the same or shrink some in the next 12 to 24 months. I expect several quarters of decreasing [price per square foot] for resales, and continued growth [of price per square foot] for new developments. There may be fewer brokers in the industry, which depending on your disposition can either be good or bad. I prefer an emptier pool, so to speak. I think brokers will also see that larger firms may be helpful to your career in a bull market, but do very little, or in fact hurt you, in a slowing market. Large firms need to keep their elite brokers client-ready, and first to suffer will be the others non-affiliated in that group.

What's it like to be a Manhattan broker versus working as a broker in the rest of the city or country?

I think we're extremely lucky to be living and working where we are. I have friends in California and Florida who have had to take on second jobs because the markets there have been so barbarous.

Any notable statistics or stories that indicate what it's like to be a broker in today's market?

About two months ago, a good friend of mine who's an independent broker in the city borrowed \$10,000 from me; he was totally dry. He came to the conclusion he may need to sell his home and find another line of work. A week ago, he notified me that he's the procuring broker for a three-floor condo at 1 Madison. Being in real estate is as real a gamble as one can make right now, but I rather imagine it like winning the lotto every few months.

Lauren Muss senior vice president, the Corcoran Group

What is the most negative trend when it comes to working as a Manhattan broker today?

Buyers believing that the market is crashing. It causes a lull in the market where sellers are not ready to bottom out, and buyers are bottom feeders. At the end of the day, what everyone starts to realize is that supply is still low, which will keep the prices stable.

What is sales activity like compared to six months, a year or two years ago?

The total number of sales transactions is definitely down now compared to this time last year and remains basically stable from six months ago. The biggest difference is that it is taking longer to sell a property. The positive is that now, buyers can make an educated decision without having the pressure of three others vying for the same property, which caused many buyers to put in hasty offers, which they then took back after driving the price up.

Are the broker ranks thinning, staying the same or growing?

It's usually the same 15 percent of the industry that does most of the business. However, I am seeing the new generation of those top brokers step up and surpass some of the old-timers.

Is it better to be a sales broker or a rental broker in today's market?

It is far better in my opinion to be a sales broker. The listings, the information, the appointments and the transactions are handled in a much more professional manner. The best part is that the commission is already agreed upon, whereas in rentals everyone is always trying to negotiate your fee after you find them the apartment.

What is the least successful way brokers are adapting to the changing market?

Specializing in one market.

What is the greatest misconception about being a broker in today's market?

That there are hidden deals. Maybe there is a day or two lag time, but everything is co-brokered and shared. If it is not, the broker is doing the largest disservice to the seller.

Any notable statistics or deals?

In respect to trophy properties, they continue to be in demand and continue to break price records. I recently sold one resale at 15 CPW for slightly above the ask in two weeks. I had so many buyers left over that missed out that I sold the unit right above for \$750,000 more the following week.

Peggy Aguayo owner, Aguayo & Huebener

What is the most negative trend when it comes to working as a broker in Brooklyn in today's market?

Some people tend to think that they can cut deals that are ridiculous.

What type of sales broker is doing best — those who deal primarily with co-ops, condos or townhouses?

That is a very good question. Right now, people who are selling condos and reasonably priced townhouses

are doing well. There are not a lot of those townhouses around. Co-ops don't tend to be as popular.

What is sales activity like compared to six months, a year or two years ago?

It's slower, but not dead. It just takes longer to sell. People are not as ready to jump.

What is the greatest misconception (in the brokerage world or in the public) about being a broker in today's market?

The public thinks brokers are not honest people. They are ethical, moral, intelligent, not intelligent — they are like everyone else, good, bad or indifferent.

Phyllis Pezenik vice president of sales, DJK Residential

What is the most negative trend when it comes to working as a Manhattan broker in today's market?

Probably because of all the negative media about real estate, people are low-balling prices in Manhattan, and they are losing a lot of apartments as a result. They offer bids based on what they think the trend is in the tri-state and rest of country, which just aren't accurate in this market.

What type of sales broker is doing best — those who deal with co-ops, condos or townhouses?

Because there is so much new construction, primarily condos, you could say sales have increased along those lines, but there is always demand for prewars and townhouses. About five years ago, I sold a double-wide townhouse for \$7.9 million. Now it's going for \$64 million.

Are the broker ranks thinning recently, or staying the same, or growing?

A few years ago, there were lines of people wanting to get in [to get their licenses]. It was a good market, and you didn't have to know or do much to do well. Now you have got to work at it. At the height, you had to book school for the test in advance. There are less people applying, so we are back to the way it was before, when it was easy to get an appointment for the test. The law changes in July, and a lot more sales agents are going back and applying for their broker's license. To get it, you have to be an agent for two years and have 1,750 points. Each sale or rental is worth a certain number of points. The public might see it as giving them more credibility that way. Some that have been successful agents for 10 to 15 years are looking at becoming brokers because it is 45 hours now instead of 70 hours of time after July, and a more difficult test.

What is the most successful way brokers are adapting to the changed market?

They are more realistic in listing prices. Overpricing the property just to get the listing wastes an agent's time.

What's the best piece of advice you've heard when it comes to dealing with markets like the one now?

You need to reach out to the clients you've had — be in their face, as they say. Their lives are busy, and you need to stay in front of them by giving them market information, sending newsletters, building them into your referrals. They remember you, and when they need to buy or sell, your name is in their head. I know one broker in New Jersey who would send smoke detector batteries every year to keep her name in their minds.

What do you expect to see going forward near-term when it comes to brokering in Manhattan?

I don't think there are buyers that think they can buy and flip today; that is an unreal expectation. If you buy right, you will make money someday, but you may have to hold onto the property for three to five years.

Any notable statistics or notable deals or stories that indicate what it's like to be a broker in today's market?

There are cases of higher-priced properties, especially new construction, where some individuals make offers below what is being asked and are able to obtain those properties.

Stephen Kotler director of sales, Prudential Douglas Elliman

What is the most negative trend when it comes to being a broker today?

The perception of the market by the press. I can go back to the last four years and find publications that were calling for the demise of the Manhattan real estate market.

What's the most challenging aspect of working as a broker in today's market?

The biggest change is financing. We have a mortgage company, so I speak with mortgage brokers everyday. Banks are looking at applications with more concern and more diligence. Buyers need to put more down than before, at least 10 to 20 percent, unless they are willing to pay more points. We are starting to see some buyers make offers contingent with financing rather than all cash as before. That is more for the resale market than new development. The price spread between asking and selling price needs to be within 5 percent of the final sale price. If it's 10 percent above the value of the apartment, it is overpriced ... buyers are more concerned about value, so they are taking their time, and it is the job of agents that they educate the seller so properties are not overpriced. There are still bidding wars on properties that are priced properly, and when they aren't, they sit for a while.

What is sales activity like compared to six months, a year or two years ago?

The first quarter of 2008 is down over the same period in 2007. But if you compare the first quarter of 2008 to the first quarter of 2006, we are up in volume and average price.

Are the broker ranks thinning, staying the same or growing?

Actually, I am interviewing more brokers than ever before. In a changing market, brokers tend to look for stability in a firm and a strong brand.

Charlie Attias vice president, the Corcoran Group

What is the most positive trend when it comes to working as a Manhattan broker in today's market?

I speak French, Hebrew and Arabic, and almost every week I have a foreign investor calling. This week I had clients from Europe, last week from the Middle East, three weeks ago, London. Overseas investors are currently pretty aggressive. I am very busy with phone calls from investors who I estimate to be about 80 percent of my clients roughly.

What is the most negative trend?

Local market buyers tend to take more time to decide. They think they can pressure the seller. Real sellers know what their property is worth and are willing to deal. The ones who don't have to sell or that are willing to wait for the price they want — it's pretty hard for them in this market.

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