

The New York Times

JULY 8, 2013

REAL ESTATE

Words to Start a Stampede: New York Apartment for Sale

By ELIZABETH A. HARRIS



Even by New York City standards, Annette Suarez's Manhattan apartment has a few drawbacks. It is a 408-square-foot one-bedroom and a fifth-floor walk-up. While it is nicely renovated, the miniature stainless steel refrigerator accommodated by its kitchen area is only hip-high.

No matter. When the apartment was listed two months ago for \$595,000, 55 people hoofed it up the stairs for the first and only open house. Seven offers and 10 days later, a contract was signed, above the asking price. Because, despite its flaws, Ms. Suarez's apartment had something very powerful going for it, said one of her brokers, Christopher Kromer of Halstead Property: at the time, it was the only condominium for sale in the West Village for under \$600,000.

The number of homes for sale in and around New York City has

fallen far behind demand, with inventory of apartments in Manhattan reaching the lowest levels in at least 13 years. With so few properties on the market, and so many buyers eager to lock in historically low interest rates before they climb any further, many "for sale" signs planted in a window or on the Web are greeted by a tidal wave of desperate buyers and frantic offers. And almost as quickly as they appear, those listings are gone.

"In the last several decades of housing, the lack of supply hasn't been seen on this scale," said Jonathan Miller, president of the Miller Samuel appraisal firm. "No supply means frenzy, and it means prices rise."

The average price for a Manhattan apartment this spring was a stratospheric \$1.425 million.

Anthony Francavilla and his girlfriend had hoped to buy a two-family home in Bedford-Stuyvesant, Brooklyn, but gave up on that plan after encountering an open house crammed with perhaps 100 people, he said, and another with nearly two dozen offers already on the table. Another would-be buyer, John Clark, a corporate lawyer with a healthy down payment, lost out on at least two apartments because his bids were not all cash.

And Michael Munn, a math professor looking to buy a studio in Brooklyn or downtown Manhattan, recently rushed back to the city in the middle of a Fire Island beach vacation to see a newly listed apartment, because he worried it would be gone by the time he got back just a few days later.

“Everybody was warning me how emotional it can become,” Professor Munn said of the buying process. “It’s a huge purchase, it’s exciting and nerve-racking. But this is a whole different emotion.

“It felt very manic,” Professor Munn said.

He was outbid.

When the economy crashed in 2008, financing for new residential projects all but evaporated, and for the next several years there were few new apartments to buy. But several other factors contributed to this scarcity as well.

Tight lending standards and low amounts of equity in some homes meant that many people could not afford to buy a new apartment, even if they sold the one they had. And powerful jitters about the economy in recent years — and last year, concerns about the so-called fiscal cliff — have persuaded many sellers to keep their homes off the market until calmer times.

At the end of 2012, Manhattan apartment inventory dropped to only 4,749 listings for sale, the lowest level seen since at least 2000, according to Miller Samuel, which prepares reports for Douglas Elliman, the real estate brokerage firm. In the second quarter of this year, that figure was only nominally higher, at 4,795 listings.

Traditionally, the spring is the busiest real estate season of the year, with a big bump in inventory and an influx of buyers who have waited through the winter for those homes to appear on the market. This year, however, that balancing of supply and demand did not happen, and what new listings there were became overwhelmed by a rush of buyers hoping to escape high rents and to catch low interest rates.

“We just put up a banner at 7 Harrison, and we have 120 people who have called already,” said Leonard Steinberg, a broker at Douglas Elliman, of a sign that went up about three weeks ago on an unfinished condominium in TriBeCa. The building is still surrounded by scaffolding and Dumpsters, and from the street it appears to still be without windows and ceilings.

The lack of inventory is helping to push prices higher in Manhattan, though the rise is modest overall. The median price for an existing apartment in Manhattan in the second quarter of the year was \$837,500, which is 14 percent off the peak in 2008. But four years ago, not long after Lehman Brothers collapsed, the median was \$675,000, according to Miller Samuel. (Median prices are generally lower than averages because they are less influenced by very high-end sales.) Today, tight credit and memories of the economic collapse are keeping buyers from drastically bidding up listings, real estate professionals said, and overpriced apartments tend to sit on the market.

Just shy of 36 percent of Manhattan sales that closed in the second quarter of this year sold at or above the asking price. Among sales that closed in the third quarter of 2008 — deals that were struck in the first half of that year, during the height of New York City’s housing boom — 51.6 percent of listings in Manhattan sold at

a sum at least as high as the asking price.

It is not just Manhattan that is experiencing a scarcity of inventory. This phenomenon extends throughout much of New York City, especially in Brooklyn, where inventory fell 45.6 percent from the first quarter of 2012 to the first quarter of 2013, according to Miller Samuel. Across the country, the National Association of Realtors found that the inventory of existing single-family homes for sale fell by 9.2 percent from May 2012 to May 2013.

In many places, one step toward a solution would be to build new homes. But not in Manhattan.

“We are starting to see new projects that will come to market over the next couple of years, but the fact is that most of it will be very high-end,” said Pamela Liebman, president of the Corcoran Group. Because of the high cost of land, she continued, “it’s the only way developers can finance these projects.”

Mr. Miller estimates that most residential development in Manhattan is now targeted at the top 10 percent of the market, which has started at around \$3 million for the last four years.

The scarcity creates an extraordinary climate for sellers. They are besieged by accommodating offers and all-cash bids, meaning the buyer does not apply for a mortgage, which takes time and sometimes falls through, especially if the appraised value is lower than the sale price. But sellers must also become buyers or renters themselves, so the very lack of inventory their listing would ease also helps to pin them in their homes.

“Sellers who would like to move, they can’t find anything either,” said Hall F. Willkie, president of the real estate firm Brown Harris Stevens.

In the face of so much frenetic competition, many would-be buyers have decided to go another route; they are giving up. Like Jenna Weiss-Berman, for example, who spent nine months trying to buy an apartment in Brooklyn for a maximum of \$475,000. “It was horrible,” she said. “It feels like buying real estate in New York is something rich people can do, and I was naïve to think it was something I could do, too.”

So a few weeks ago, she started looking for a rental apartment instead. She and her girlfriend signed a lease for a place in Bedford-Stuyvesant, and they will move in this weekend.

Ms. Weiss-Berman said that she had not felt so calm in months.
