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The living room of an apartment on East 57th Street, where the asking price was cut by \$300,000 to \$5.5 million because of stock-market woes.

Wall Street Chills Real Estate

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With falling stock indexes flashing on television screens across the country, broker Frances Katzen of Prudential Douglas Elliman and the owners of a three-bedroom duplex apartment near the top of a 36-story tower on East 57th Street decided to drop the asking price by \$300,000 to \$5.5 million.

The stock-market rout and gloomy economic outlook have caused a pause in the real-estate market for some buyers as well, brokers say, as they pull back on offers because of financial worries.

Some buyers are continuing to visit open houses and do deals, brokers said. But others have postponed signing contracts as they look for further signs about the economic outlook. Some are trying to press sellers for additional concessions, brokers said. "There are people who want to see what happens with their stock portfolio," said Pam Liebman, president of Corcoran Group. "They are worried about the down payment and they want to assess the damage to portfolio."

Still, she said it was too soon to say whether the uncertainty in the markets and weakness in the economy will push down prices in the fall—one of the peak seasons for residential real-estate sales. But a surge of higher prices wasn't likely, she said.

The uncertainty comes after several years of strengthening real-estate sales in the Manhat-

tan market while home sales stumbled across the country.

But brokers say that the link between the stock market and the real-estate market is particularly strong in the luxury market in New York, where many buyers and sellers work on Wall Street, or have their wealth invested in it.

Ms. Katzen said that even before the latest Wall Street downturn, she started to see evidence of a weakening Manhattan real-estate market. She cited a Prudential Douglas Elliman statistic that shows the average discount on Manhattan apartments between the listing price and contract price was 11%. That com-

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pares with an average 3.5% discount on closed sales in the previous three months.

Ms. Katzen said the owners of the duplex at Place 57 had already cut their asking price this spring from \$7 million to \$5.8 million. They decided with Ms. Katzen over the weekend to cut it again, in part because of concerns about the economy.

She said local buyers were "much more traumatized" than foreign buyers, and one client from Virginia looking for a pied-à-terre decided to hang back. "With all of the financial uncer-

tainty we do not want to make a major commitment right now. We need to wait for a little while," the client said in an email, according to Ms. Katzen. "Most people buy when other people buy," she said. "It takes a lot of courage to buy against that grain."

During the financial crisis, the Manhattan real-estate market stalled almost immediately, as the property market also did after the attack on the World Trade Center a decade ago. But John Burger, a broker at Brown Harris Stevens, said that usually real-estate lags the developments in the financial markets for about six months.

He said if conditions worsen it could put a chill on sales by discretionary sellers who aren't in a rush to act.

But most buyers in areas like Manhattan are looking for primary residences and will still need to buy or sell, "whether it is a \$2 million home or a \$20 million home," he said.

Any impact that the latest Wall Street and economic worries have on real estate come after the local property market has significantly bounced back from the financial crisis.

Pent-up demand for Manhattan apartments surged last year, and work has resumed on many new developments that had stalled during the financial crisis. So far this year, the number of sales and prices in Manhattan have remained close to last year's levels.

Many new developments in Manhattan saw unusually strong

sales so far during 2011. At the Laurel, a 30-story glass tower far on the East Side on First Avenue and East 67th, the sale of a penthouse closed last month for \$11.2 million, the highest price paid on First Avenue since 2007, according to Kelly Mack, president of Corcoran Sunshine Marketing Group.

The four-bedroom apartment, with a large roof deck and a terrace was listed for \$13 million in 2008.

Dottie Herman, president of Prudential Douglas Elliman, said that "everything is now wait and see." But on the positive side, mortgage rates are now likely to remain low for several years, and the turmoil in the financial markets, New Yorker may conclude it is safer to put their money in real estate, she said.

If conditions worsen, brokers said, some sellers who plan to list apartments after Labor Day will hold off. Others are likely to go forward but may adjust their price expectations.

Samantha Fennell, a 43-year-old marketing executive, plans to put her prewar co-op at 161 W. 16th St. in Chelsea on the market shortly after Labor Day.

She once thought of listing the one-bedroom apartment, which has a newly renovated kitchen and a building doorman, for as much as \$1 million. Now she is listing it at under \$850,000—a price she hopes will be attractive in a hot market.

"Especially with what's going on with the economy and the markets, this property needs to be well priced," she said.