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Next year to bring winds of residential RE change

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The year 2007 will likely be remembered as one of the most swiftly evolving residential markets in recent history. Beyond the sub-prime woes and the resulting credit tightening and housing slump in the rest of the nation, the New York market remained remarkably, if not entirely, unscathed.

A record-breaking bonus season kicked off 2007 with a bang. As an unprecedented \$23.9 billion in bonuses flooded the New York marketplace, leading Wall Streeters to invest their earnings in new sports cars, rare bottles of wine and valuable pieces of New York real estate. During this period, 38 single-family townhouses sold for \$10 million or more, and the Harkness Mansion on E. 75th Street sold for a record-breaking \$53 million. New York's immense wealth continued to buoy the



real estate sector at a time when other housing markets throughout the nation were suffering.

Following the rush of sales during bonus season, late spring saw a healthy rationalization. Sales slowed,

but remained strong, prompting many to begin looking past the much-feared bursting of the housing bubble. Many homebuyers who had been sitting on the sidelines failed to see prices fall as they had expected, and they finally jumped back into the market. Houses no longer sold themselves, as they had in previous years, and the role of brokers became even more influential in the home buying process. Nonetheless, demand was solid.

In June, New York State lawmakers passed their own set of changes to the

421-a tax abatement program, expanding on new restrictions passed by the city. The State expanded the neighborhoods in which, to receive tax benefits, 20 percent affordable units must be included within the building. Governor Spitzer ultimately signed a revised bill into law in October, using the State's revised exclusionary zone, but with some adjustments pertaining to the Atlantic Yards development.

As July closed, the nation was faced with a sub-prime market meltdown. Thousands of homeowners throughout the country had begun to default on payments for their adjustable mortgages as interest rates rose. In New York, many homebuyers found it difficult to secure mortgages, but this did not affect the market as it did throughout the country. Many experts attribute this to the fact that New Yorkers are already accustomed to high financial requirements implemented by co-op boards. In addition, many of the homes for sale in the

city require incomes usually associated with credit-worthy buyers.

Despite the credit crunch, New York saw a remarkably positive third quarter. Sales did drop slightly from the second quarter, but third-quarter reports from many brokerage firms showed the number of sales was up by 60 percent from 2006. It seems that sellers had been realistic in pricing, helping to spur more sales.

While there is no way to fully anticipate the extent to which the credit crunch will impact the New York residential market, the forecast for 2008 is generally positive. As the terrain continues to shift, it may well test seasoned versus inexperienced brokers and developers. Foreign buyers continue to fuel the market in unprecedented numbers, and new development is constantly transforming areas like far west Chelsea into flourishing neighborhoods. The city's economic engine may be powerful enough to advance for another year.