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Incentives To Fuel Spring Selling Season

by Jamie Heiberger-Jacobsen
Heiberger & Associates

As the national and New York economies continue to experience twists and turns, particularly in the financial sector, many would-be homebuyers continue to sit on the sidelines with a wait-and-see attitude. However, homebuyers who are prepared to commit to purchases may find themselves in a very good position. As prices continue to soften, homebuyers are discovering that properties are being priced more realistically and that they have room to negotiate.

Developers and sellers are more willing to make deals now than they have been in the past and are offering valuable incentives. One developer is offering the opportunity for buyers to put their down payment on their American Express cards, which may, in turn, gain the buyer a significant amount of Membership Rewards bonus points for vacations, shopping sprees, and the like. Other examples include developers covering closing costs or, like the Aura in Harlem, only requiring 5 percent down. Other buildings are offering a dedicated parking space to buyers or have on-site mortgage brokers who are able to trim a few points off interest rates.

This rationalized market is impacting buyers in many different ways. While some existing homeowners are hesitant to put their properties on the market, first-time homebuyers may face some of the best conditions in recent years, as long as their credit is good. Without the need to sell current residences, first-time buyers may now be able to afford homes that were out-of-reach one year ago. Now is also the time to find better deals on second homes and pieds-à-terre.

What's more, lower interest rates are also helping to prompt ideal conditions for buyers. In fact, The National Association of Realtors reported that, in February, sales of previously owned homes across the country rose nearly 3 percent, despite Wall Street's more negative expectations. In the Northeast alone, sales of previously owned homes increased 11.3 percent. While financing has become increasingly difficult over the past few months, a drop in fixed-rate mortgages in late March could be a good sign, though many have said it is still too early to tell. The Federal government's cap on conforming mortgages is also expected to rise significantly from \$419,000.

The rental industry has been another beneficiary of this wait-and-see market. New York has always been a 'rental city', but the years-long housing boom prompted the conversions of many rental

buildings to condominiums and also turned many renters into buyers. Today, as the sales market cools, some would-be buyers are reconsidering renting. Many people who might have considered a home purchase at this time last year, are holding off to re-evaluate the market.

This seems to be the case especially in the higher-end rental market. Some brokers have cited cases where they have rented luxury properties to people who had the financial wherewithal to make a \$4 million home purchase, but have decided to rent at \$15,000 per month for fear of having to sell down the road at a loss. Regardless of the current economic climate, there will always be a market for high-end rentals where the consumer is not ready to commit to one location.

Many rental developers are using similar tactics and marketing tools as condo developers to attract tenants. Today, many New York renters are as sophisticated as their buying counterparts and have come to expect the same quality, service, and concessions that are offered in condominium buildings.

The Ludlow, a rental property on the Lower East Side, is offering condo-like finishes and amenities such as Kohler fixtures, white-oak flooring, a rooftop garden, yoga studio, and washers and dryers. The building owner recently began offering incentives that include the elimination of the 15 percent broker's fee, which, for a unit that rents at \$6,230 per month, equals a savings of more than \$11,000. The Ludlow may also offer one-year of free storage at a Manhattan storage facility and could even cover a prospective tenant's moving expenses.

Today's market is a true test for brokers and other real estate professionals. Over the past few years, as the residential market heated up, many people with diverse professional backgrounds decided to try their hand in New York's most talked about business. Former actors, bankers, schoolteachers, medical doctors, and others from a wide range of industries were able to achieve success because the marketplace was so strong. However, current market conditions and an uncertain economic outlook will try the experience and expertise of even the most-seasoned real estate professional. Appropriate pricing, unique marketing strategy, the art of negotiation, and all the other elements that make up a successful New York broker will separate the pros from the novices over the next few months. ■

Jamie Heiberger-Jacobsen
Heiberger & Associates PC
205 Lexington Avenue, 19th Floor
New York, NY 10016
Tel: 212-532-0500 / Fax: 212-532-2040
Jamie@heibergerlaw.com
www.heibergerlaw.com