

CRAIN'S

NEW YORK BUSINESS®

HEALTH CARE

Leading hospitals spending billions on biomedical research; top hospitals list

PAGE 21

VOL. XXIV, NO. 12 WWW.CRAINSNYORK.COM

MARCH 24-30, 2008 PRICE: \$3.00

WALL STREET WOES

For sale for less, longer

Layoffs threaten to put more pressure on real estate market

BY THERESA AGOVINO

RECESSION FEARS and the credit crunch were already testing the resilience of Manhattan's residential real estate market when J.P. Morgan Chase & Co. agreed to buy Bear Stearns Cos. in a fire sale last week.

That deal puts further pressure on the residential market because it heralds even more

Wall Street layoffs than predicted, which would result in fewer high-paying positions that have pushed up apartment prices and insulated Manhattan from the national housing downturn. Even before Bear Stearns' collapse—which by itself could create 8,000 pink slips—the industry expected 20,000 job losses on Wall Street during this down cycle.

Prices to decline

"WHAT HAPPENED at Bear Stearns is a real 'wow,'" says Ronald Kremnitzer, co-chair of the real estate practice at Pryor Cashman. "I think there is a whole segment of buyers waiting for the other shoe to drop." Mr. Kremnitzer believes Manhattan apartment prices could fall up to 10% this year.

And that might only be the beginning.

Jonathan Miller, chief executive of real estate appraisal and consulting firm Miller Samuel, believes the fallout will be more obvious in early 2009, when Wall Street executives receive bonuses for this year's work.

The industry's crummy performance so far doesn't bode well for the size of those bonuses, which are often used for down payments and purchases. Wall Street employees

account for about 23% of units purchased in Manhattan, Mr. Miller estimates.

Manhattan residential sale prices fell nearly 7% in the first year of the recession of 2001-03—the last period of mass layoffs, Mr. Miller notes.

Signs of a slowdown have already emerged. The number of sales transactions completed through February fell 6.4%. Open houses are no longer crammed. Bidding wars, once common, have become rare. Sellers are offering buyers unsolicited discounts.

Lower bids

LOUISE PHILLIPS FORBES, executive vice president at Halstead Property,

has a listing for a four-bedroom apartment on East 50th Street for \$2.4 million. The sellers are now considering a \$2 million bid.

"Four months ago, I wouldn't have really responded [to that bid]," Ms. Forbes says.

Additionally, the tighter credit market is reducing the pool of eligible buyers.

Banks are demanding higher credit scores to write mortgages and are reluctant to give interest-only loans or make ones connected to small down payments.

Some portions of the market are considered more vulnerable than others. For example, sellers asking \$900,000 to \$2 million might need to trim prices, as that's the range popular with young investment bankers, who could be wary of buying or unable to get financing.

Condos challenged

NEW CONDO DEVELOPMENTS, another favorite of investment bankers, also face challenges. Banks are skittish about making loans in condo buildings with significant portions of unsold units.

According to StreetEasy.com, 20% of asking-price reductions so far this year were for new condos, versus 13% a year ago.

Still, there are many factors—including low mortgage rates, limited inventory and foreign buyers—that could soften a downturn in Manhattan. And prices are still ris-

ing, just more slowly: Though median apartment prices were up 5.4% at the end February compared with a year earlier, they had been up 6.4% in the fourth quarter year-over-year.

COMMENTS? TAgovino@crain.com



10%

ESTIMATED decline in prices for apartments this year