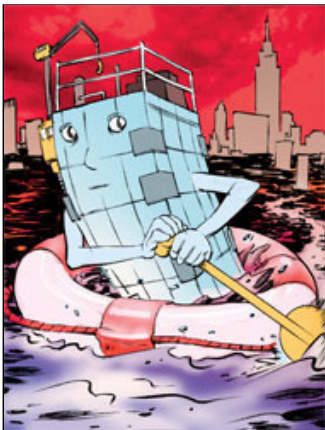


CHARTING A ROAD TO RECOVERY

While market is not in full recovery mode, it's being buoyed by tight inventory, bidding wars and more sales

April 01, 2010 07:00AM

By Candace Taylor



Is the Manhattan real estate market finally headed for recovery? Most experts agree that with tight lending and a large "shadow inventory" of unsold new condos, a full market recovery is a long way off. In fact, if interest rates begin to rise, prices may fall even more, though any further decreases are expected to be less severe than those that shook the post-Lehman Brothers market.

Still, it's obvious to brokers, buyers and sellers that there's been a vast improvement in the market even in the last few weeks.

This month, *The Real Deal* looked at the key factors that are helping the market to start the difficult process of a rebound.

For starters, prices, at least for the time being, are stable, inventory is tight, and buyers are encountering bidding wars almost everywhere they look.

"The last six months was all about flux," said Wayne Heicklen, cochair of the real estate group at Pryor Cashman. "Were the prices going to fall? What were the banks going to do? Then things were very much up in the air. Now, it's settling."

Thanks to months of healthy sales activity and hesitant sellers pulling their listings off the market, inventory is now very tight in some neighborhoods. Bidding wars, in fact, have become common in those areas. That, in turn, means apartments are selling for closer to or even above their asking prices.

Another hopeful sign is that after months of stagnation, a number of new condos have finally managed to reach or surpass the 51 percent-sold mark, a crucial tipping point that loosens up financing and lures new buyers. Meanwhile, the gridlock caused by disputes between condo developers and buyers -- prompted by hundreds of buyers backing out of their contracts when the market soured -- is finally starting to clear. That's because many developers are now more open to negotiation, preferring to give unhappy buyers back at least a portion of their deposits so that they can move on to the next deal.

Finally, brokers are noticing an intangible but unmistakable shift in homebuyers' attitudes. For the first time since before the Lehman Brothers crash, apartment hunters are allowing themselves to become emotionally attached to properties, brokers say. Instead of simply crunching the numbers, they're now willing to pay a little extra for a property they love.

All of these factors have led industry insiders to conclude that New York's residential real estate market is at least on the path to recovery, if not quite there yet.

"I believe the crashes and tumors plaguing the market have been removed, and the market is currently in remission," said Kristin Hitsous, associate attorney at real estate law firm Rosabianca & Associates. "As time goes on, we will fully recover."