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MANHATTAN RESIDENTIAL REAL ESTATE OVERVIEW

The New York City residential real estate market had been slowly weakening since its peak in 2014 – 2015. The downward trend increased dramatically following the tax reform bill, which went into effect in January. The slowdown hit high-end properties first, followed by the middle-market and then the lower end of the market. The current prices are lower than in the peak of 2014-2015; in some cases, prices are down by as much as 20-25%. In addition, the inventory of available listings is currently at the highest point in six years. Since 2016, the economy has been improving with the financial markets hitting a record high in the past 18 months. However, it has been hard for sellers to reconcile with the weakness of the real estate market and the strong economics. As a result, most transactions are being negotiated below the original asking price – in some cases substantially.

WHAT FACTORS CONTRIBUTED TO THE WEAK REAL ESTATE MARKET?

State and Local Tax Deduction Loss (SALT)

The tax overhaul caps the deduction for state and local taxes at \$10,000 per year. This part of the tax reform hits NYC hard, as the city's taxes, in addition to NYS taxes, are among the highest in the country. The \$10,000 deduction limit also pertains to real estate taxes, which, we all know, are very high in Manhattan. This is a big blow for those who justified living and working in the city because of the ability to deduct all state and local taxes from income reported on Federal taxes.

Lower Mortgage Interest Deduction

The lowering of the mortgage interest deduction from \$1.1M to \$750K disincentivized some buyers, as the reduction in mortgage rates does not make up for the loss of SALT as above.

NEWSLETTER

DEANNA KORY

Rising Interest Rates

Although overall the increase in mortgage interest rates has not been significant (only 1%), this certainly contributes to lower purchasing power for those who are financing a home or apartment purchase. The fact, however, that interest rates are likely to continue to increase worries some buyers, who believe that prices may further drop because it increases the monthly payment for an owner and leads to further decline in value.

Geo-Political Uncertainty

Political events both domestically and internationally have certainly impacted consumer confidence in Manhattan real estate, as the buyers' concerns about future instability prevents many of them from making any major purchase.

Media and Reporting

The media coverage of the market slowdown has been extensive. Some buyers have become fearful of the market uncertainty, believing that prices will go further down. Unfortunately, current real estate data reports support this argument, because for the most part reports do not reflect the current market, as the data is based on closed sales where the contract was signed 3-4 months earlier. We always say that when the media gets hold of a story it's already old news.

How People In Finance Are Paid

A few years back in the financial services sector (pre-2008) employees were paid generously with very high cash bonuses at the end of each year. Since then, companies have tightened their belts and either reduced the employees' bonuses, or issued them in the form of deferred compensation. It is meant to retain the employee and payout less in cash each year. Individuals are not accumulating wealth at the same rate as pre-2008, leaving a significant segment of the buying public with fewer dollars and liquid assets with which to purchase a home.

Based on the above factors, consumers' confidence in the market have generally been lacking, which has resulted in properties remaining on the market a higher number of days, lower sales volume, and a lower absorption rate. There are some positive signs, however, as activity in some sub-markets has recently picked up.

WHY IT'S AN IDEAL TIME TO BUY

It is an ideal time for buyers to buy now for many reasons. Inventory is higher than it has been since 2012 and prices have come down significantly, especially in the higher end. Interest rates are still low, even with recent increases. In addition, the buyer pool is smaller so competition for great apartments has lessened as well. And savvy buyers know that when the media picks up the story (as has been the case in the past few months), the market likely has hit or is near the bottom.



Just closed: 930 Fifth Avenue, Apt. 12A

It's important to understand the advantages of a down cycle and to act on a purchase when prices are relatively low, and the demand is down. Buying real estate in Manhattan has always proven to be a good investment, especially if you are planning to own a property for at least 5 - 7 years.

There has been a recent increase in contracts signed in certain segments of the market, and

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it's likely that the fall market could pick up due to pent-up demand. Realistic sellers are pricing their properties consistent with market conditions and have become open to negotiating accordingly.



On the Market: 101 West 78th Street, Apt. 6C \$8.995M

REMAINING COMPETITIVE AS A SELLER

For those sellers who have been on the market for a long time and want to list in the fall, there are some very important elements to take into consideration:

Proper Pricing

In every market proper pricing is key; however, in the current market, it is even more difficult to ascertain the right price, so brokers and sellers need to take different factors into account in determining pricing:

1) Look at what is in contract right now.

Ask your broker to seek out contract prices within the brokerage community. Only those comparable properties that are going into contract right now truly reflect the market. Look at the last asking price and note the number of days any given property has been on the market. Usually it is under 45 days.

2) Look at your direct active competition.

If another comparable property is priced less than yours, it will sell first. Buyers are looking for value, and for obvious reasons, will not pay more if they can get a similar property at a lower price. It may sound simplistic but it is not always the case in a strong market. Buyers are very discerning right now and it depends on whether a seller wants to sell quickly, or wait for 6 months or more and risk newer competitive listings coming on the market. New fall inventory pricing could be adjusted accordingly, which will only make older listings appear stale if the prices have not been reduced.

3) It is better to be more realistic in pricing when first coming on the market and be less negotiable. The first weeks on the market are the most critical. Showings will naturally drop off over time and with an already reduced buyer pool, that can hurt your chances of a sale for market price in a reasonable time frame. Do not overprice, otherwise you risk chasing the market down.

4) It's important to consider the negative aspects of the apartment when pricing. Again, buyers are discerning and will look at everything. In a down market, the flaws of an apartment that cannot be corrected will hurt a seller more than in a stronger market. Be practical if you hope to sell within your desired timetable.

5) Make sure you also disclose any potential deal killers up front. For example, your building may allow dogs but not certain breeds. Also, have your broker find out what is allowed in the building and put that into the listing. For example, if you have window A/C, find out if the building allows through-wall or central A/C. Sellers should not reach an agreement and end up renegotiating the price or have the buyer walk away because there are issues with the building that were not disclosed at the onset.

There Are Good Guides To Gauge If You Are Priced Correctly

- If you are getting no traffic to your property and no offers, your property is likely overpriced.
- If you are getting some traffic and no offers, your price is still too high.
- If you are getting traffic and second showings and low offers, your price is still relatively high.
- You are priced right when you have traffic and reasonable offers are being made.

Selling your home is extremely personal and, in most cases, it is impossible to see your property objectively. Buyers will look at other listings that are on the market and/or are sold, compare properties, and analyze value very carefully before they purchase.

Preparing Your Property To Sell

Prior to listing, make sure your property 'shows' the best it can. With increasing inventory and a sluggish market, buyers have many options. Therefore, you want to make sure your property competes and stands out among its direct

competition. Get recommendations from an experienced broker about decluttering, staging, painting, and even making minor upgrades if necessary. We recently closed on a property that was on the market for many months with another broker. It was a beautiful apartment with exceptional views, however the decorative style did not convey luxury. The seller agreed to spend money on high end staging and the apartment was sold quickly at a higher price.

Positive Market Indicators For Sellers

Contract activity is in line with last year. In many sub-markets (i.e. neighborhoods or price ranges), the number of transactions is close to, or even higher, than last year. The biggest differences now are how long properties are on the market and at what price they are selling. The buyer pool is smaller and there are fewer showings. That said, there seems to be pent-up demand and a good chance that some of those buyers will finally jump in and buy.

TRENDS DRIVING THE MARKET

- In the luxury market – over \$4M – the highest percentage of sales are in downtown condominiums. But, don't be fooled, that market is slowing as well and seeing downward pricing pressure.
- The New Development market makes up nearly half of all sales over \$4M.
- Wall Street and the financial sector has always driven the real estate market in New York, but many are noting that the tech/creative sector is making a bigger impact and could change the dynamics of real estate; for example, once less-popular locations are becoming new "hot" neighborhoods.
- Amenities reign. A lot of the appeal of new condo buildings are the vast amenity packages, great attentive staff, and beautiful common areas.
- Boutique buildings are also in higher demand because they tend to be predominately owner-occupied and have different floor plans (not cookie cutter layouts).

We are happy to provide you a confidential evaluation of your home if you are interested to learn its value in the current market. We can also advise on preparing your home for sale based on your timeline to sell.

Please contact me directly at dek@corcoran.com or (212) 937-7011.

A WINDOW OF OPPORTUNITY FOR SAVVY BUYERS

NYC Real Estate Current Data-Based Snapshot

By Noah Rosenblatt
CEO/Founder of UrbanDigs.com

Today feels very different when looking back to the NYC real estate market from 2013 to 2015 when there was a continued progressive reflation following a severe housing crash in 2008. Those three years were 'peak times' for sellers, where market dynamics included super low inventory, bidding wars, and ever rising price trends. Buyers across all price points had to deal with a lack of supply options, intense competition and concessions in order to beat out competition and seal deals.

Today sellers no longer have the leverage they enjoyed during the peak years. The market dynamics are working in the buyers favor while sellers scramble to adapt. The two critical questions should be: how long will buyers enjoy this combination of favorable market forces and will there be another cycle down?

The 2nd question is a bit easier to answer. Nobody can predict what the markets will do in 6, 12 or even 24 months from now. There are too many external factors that can potentially impact NYC markets.

A necessary way to evaluate the market right now is to only analyze the very recent and current real-time market data. We are now seeing signs of life in the sub-market that started it all, the higher-end price points could be the moment for buyers to act as prices in the very high-end are significantly down from their peak.

More options. More negotiability. Discounts from peak. It's a recipe buyers should embrace, especially in prime global city markets like Manhattan.

It's enough to get this data geek bullish given where we have come from and where we are now.

Noah Rosenblatt
CEO/Founder of UrbanDigs UrbanDigs.com

Here are some key takeaways when looking at today's market vs the peak period in 2015.

1. More Supply Options



2. More Negotiability



3. Discount from Peak*



*We must note that sales price trends lag the market by about 6-8 months. When discussing the peak period in mid-2015, those sales will show in the data approximately 6-8 months after contract execution due to delays in closing and public record filings.

Sub-Market Snapshot

Upper West Side 6 to 6.5 Rooms
62nd to 96th Streets, Central Park West to Riverside Drive

<p>Current Inventory</p> <p>43 ACTIVE LISTINGS</p> <p>\$3,044,070 AVERAGE ASKING PRICE</p> <p>Closings May - June 2018</p> <p>27 SALES</p> <p>\$2,581,131 AVERAGE CLOSING PRICE</p> <p>\$2,762,556 AVERAGE ORIGINAL ASKING PRICE</p> <p>117 AVERAGE DAYS ON MARKET</p>	<p>Current Contracts Signed</p> <p>15 CURRENT LISTINGS IN CONTRACT</p> <p>\$2,737,933 AVERAGE ASKING PRICE</p> <p>114 AVERAGE DAYS ON MARKET</p> <p>Closings May - June 2017</p> <p>23 SALES</p> <p>\$2,861,152 AVERAGE CLOSING PRICE</p> <p>\$2,985,130 AVERAGE ORIGINAL ASKING PRICE</p> <p>117 AVERAGE DAYS ON MARKET</p>
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INTRODUCING OUR NEW SUBMARKET SNAPSHOT SERIES

Our all-new series, 'Submarket Snapshot', profiles specific neighborhood markets, analyzing recent activity and comparing those numbers with the same time period last year. Manhattan markets don't tend to react the same across the board and where one area is not doing so well, another can be outperforming even last year! Most of the submarkets that are strong at present are below \$4M. We want to explore the engine of the market to uncover areas of strong activity.

If you would like to be on our e-newsletter to receive the submarket series in your inbox, contact us at DEK@corcoran.com

You can also follow us on Twitter, Facebook and Instagram.



Experience.

The Deanna Kory Team Advantage

When you choose the Deanna Kory Team, you are working with a highly skilled powerhouse team with vast experience and an expansive network and resources tailored to meet every aspect of buying and selling real estate in New York.

Our team is not only consistently ranked among the top teams in the city, we are regularly praised by customers and clients as well as by our colleagues as one of the most respected teams. We are proud of our enormous capacity to work hard and our intelligent approach to deal-making.

Led by Deanna Kory, whose 33 years of experience and exceptional track record evoke admiration throughout the industry, our team's spirit and cohesiveness enhances our collective skills and resourcefulness, which offers buyers and sellers an enormous advantage in the marketplace.

The Deanna Kory Team: A Recent Sales Sampling

Address	Price	Address	Price
930 Fifth Avenue, Apt 12A	\$8,450,000	327 Central Park West, Apt 9B	\$3,125,000
137 Riverside Drive, Apt 6BC	\$5,675,000	151 West 86th Street, Apt 10C	\$3,325,000
285 Central Park West, Apt PHW	\$5,995,000	40 East 88th Street, Apt 5B	\$3,895,000
50 Riverside Boulevard, Apt 18E	\$7,450,000	211 Central Park West, Apt 2G	\$6,750,000
182 West 82nd Street, Apt 4W	\$5,800,000	80 Riverside Boulevard, Apt. 22A*	\$3,500,000
130 East 75th Street, Apt 8E	\$2,940,000	180 Riverside Drive, Apt. 8C	\$3,800,000
50 Riverside Boulevard, PH1A*	\$15,520,000	110 Riverside Drive, Apt. 11B	\$4,200,000
12 East 88th Street, Apt. 3C*	\$6,250,000		

If you're interested in discussing your property's value, please contact Deanna Kory at (212) 937-7011 or DEK@corcoran.com.

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Featured Properties Currently on the Market

Please visit www.DeannaKory.com for a full list of all currently available properties



45 East 80th Street, Apt 15AB **\$8.5M**



20 West 77th Street, Apt 6A **\$4.295M**



43 West 13th Street, 4 FL **\$5.3M**



101 West 78th Street, Apt 8A **\$10.95M**



975 Park Avenue, Apt 7D **\$2.725M**



139 West 78th Street, Townhouse **\$8.695M**



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