Current spurt of activity may be deceptive

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Halstead's Richard Hamilton (left) and attorney John Serpico

Is the real estate downturn over already?

Some brokers are suggesting exactly that -- for New York City at least.

Brokers are reporting that contract signings and closings are picking up, in a decided change from this past winter's near total lack of activity. While that market is nowhere near the stratospheric highs of 2007 and 2008, some are predicting that the worst of the downturn has passed.

"I think we bottomed out a few months back, maybe January or February," said Richard Hamilton, a senior vice president at Halstead Property, who said he recently closed on a one-bedroom with a terrace for $515,000, as well as a 1,600-square-foot apartment in Prospect Heights -- with competing bids -- for $800,000.

"The owners have gotten realistic," Hamilton said, adding that prices now seem to be holding steady rather than falling.

John Serpico, a real estate attorney at Brooklyn law firm Serpico, Serpico & Siddiqui, said the number of transactions he works on has more than doubled since the winter, but he is still seeing about 20 percent fewer sales than this time last year.

Deal volume is now "almost normal," he said, attributing the uptick to buyers gaining more confidence in the market. "I get a sense some people are thinking the bottom's here. They feel they're getting a good deal."

Noah Rosenblatt, a real estate agent and publisher of the real estate blog UrbanDigs.com, agreed that activity has increased in the past seven weeks, thanks in part to recent growth in the stock market.

"Deals are happening at a much faster pace compared to the previous two quarters," he said.

The spurt in activity is surprising given that the country is still in the midst of its worst recession since the 1930s. Nationwide, unemployment rose to a 26-year high of 9.4 percent in May, according to U.S. Labor Department's monthly jobs report, and some economists are predicting it will hit 11 percent in the latter half of 2010. New York City has been hard-hit by layoffs on Wall Street.

"The burst of activity in April, May and June is higher than what we would have expected, given how slow it was in the last six months," said Jonathan Miller, president of real estate appraisal firm Miller

Samuel.

He said the available inventory of Manhattan co-ops and condos fell to 9,960 in May, dipping below 10,000 for the first time in three months. That's 13.9 percent higher than last year at this time.

But Miller and others say the current burst of activity is probably temporary, and that Manhattan may not yet have seen the worst of the market slump.

Miller pointed to the coming of spring, as well as the end of the initial shock of this fall's financial crisis, as the main reason for the current uptick.

"This is a combination of seasonal factors and the release of some pent-up demand from the dearth of activity in December, January and February," Miller said. "It's all good, but I don't see it as a sign that we've turned the corner."

Springtime is the busiest time of the year for real estate, when the bulk of price appreciation for the year occurs, so it's expected that there would be an increase in activity. "This is show time," Miller said.

The effect is heightened by the fact that some buyers are now starting to shake off the paralysis caused by the financial crisis last fall, thanks to a gain in the stock market and low interest rates.

"People who were ready to do something in December and January didn't move off the fence until the beginning of April," Miller said.

That doesn't mean New York City is immune to the forces of job loss, recession and the credit crunch, Miller said, noting that mortgage interest rates are trending up, while unemployment is expected to continue rising until the end of next year.

And prices are still significantly lower than they were before the Lehman Brothers failure last fall. An analysis of contract data by Streeteasy.com for May 2008 versus May 2009 shows that contract activity was down 8.4 percent, while median prices fell 18.5 percent and average prices dropped 26 percent.

UrbanDigs' Rosenblatt said banks are still in the process of ridding toxic assets from their books.

"I don't think the pickup is sustainable, and don't think we are out of the woods in regards to this crisis," Rosenblatt said. "At any time, stocks can fall and banks can realize more losses. We can have another wave of worry and if we do, this market will get slow again and we could see another wave down as sellers find buyers hard to come by."