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Desperate Sellers, Nervous Buyers: Real Estate Sales in a Pandemic

The sales market in New York City has slowed to a crawl, but bold buyers are forging ahead, sometimes buying sight unseen.



About 60 real estate agents gathered in a virtual conference room late last month to network and gain exposure for listings. Brokers and their clients are devising new methods to push deals through against long odds.

By Stefanos Chen

Late last month, about 60 agents from some of New York's top brokerages gathered in a virtual conference room for what was billed as the first open house of its kind for real estate agents. One by one, presenters shared pictures and videos of eight listings in Chelsea, with varying degrees of candor.

"It does look onto a brick wall," said one agent.

"We just reduced the price," said another.

The gallery of muted agents looked on. One chewed a sandwich and yelled at someone offscreen; another sat stone-faced in front of a virtual jungle background. One wore a suit and tie, while another splayed out on a couch in sweats.

“I feel like I’m inside an acid trip,” an agent wrote in a private text.

Six weeks after New York State issued its stay-at-home order to combat the coronavirus, agents, consumers and developers are finding their way through an unrecognizable home-buying market, devising new and unfamiliar methods to push deals along against long odds. Some are proving more successful than others.

It was already going to be a challenging spring in Manhattan, where prices are down about 20 percent from the peak in 2016 amid a glut of luxury condos. But as sellers pitch million-dollar apartments over FaceTime and buyers grapple with purchasing a home they’ve never set foot in, sales and listings are evaporating during what is supposed to be the peak of spring buying season.

From March 22, when the stay-at-home order took effect, to April 29, there were 643 contracts signed in Manhattan, fewer than half signed during the same period last year, according to GS Data Services, a real estate data firm. The median sale price of \$1.025 million marked a 6 percent drop from the same time last spring. In Brooklyn, where the median sale price was \$900,000 from March 22 to April 29, signings were down 65 percent from the same period last year.

Now agents are bracing for deeper cuts. There were just 59 new listings posted in Manhattan in the week ending April 26, including resales and new development, a stunning 88 percent decline from the 519 listings added during the same week last year, according to UrbanDigs, a real estate data site.

“The drop in deal volume is staggering and unprecedented for the industry,” said Garrett Derderian, the chief executive of GS Data Services, adding that most of the recent buyers still had a chance to visit in person, before the lockdown.



This Upper East Side studio started at \$745,000 last year and was cut to the last asking price of \$695,000. The buyer negotiated an additional 9 percent discount, with furnishings included. Douglas Elliman

“I don’t see deals going fully virtual,” he said, adding that sales will decline further because so much of the buying process is normally tactile and emotional.

The organizer of the virtual open house, Gerald Germany, an agent with Douglas Elliman, said his remote event was the best way for agents to gain exposure for their listings while in-person showings remain prohibited. So far, though, he has had just one signed contract since the lockdown began: a one-bedroom apartment listed for \$995,000, which the buyer visited just before the restrictions began.

“We’re going to have to wait until these people can get in and see the units,” he said. In early May, Gov. Andrew M. Cuomo announced that the second phase of reopening the city would include real estate services, though the timeline is unclear.

Still, as frantic sellers hunt for buyers, deals are still happening — from first-timers hoping to take advantage of near record-low mortgage rates and soft prices, to all-cash investors buying units in bulk. To lure sheepish buyers, agents and developers are trying everything from millennial-friendly Instagram tours to deeper discounts and even “satisfaction guarantees.”

It’s unclear where prices will settle, but the first batch of new buyers could set the tone for months to come. In a small survey of 43 offers entered after the stay-at-home order in Manhattan, Queens and Brooklyn, the average offer was 14.5 percent below asking price, according to Fritz Frigan with Halstead Real Estate. Among accepted offers, the discount was about 8 percent. (Discounts are likely to be smaller at the lower end of the market, where supply remains tight, agents said.)



To sell her Upper West Side co-op, Lara Sullivan drove to New York from her current home in Boston to open all the doors, then waited in the car as a prospective buyer toured the space. Compass

Kathy Murray, a Douglas Elliman agent, is still getting deals done, but from the confines of her home. If there is an upside to having to show apartments virtually, it’s that habitual open-house tourists rarely bother, leaving only determined buyers to contend with.

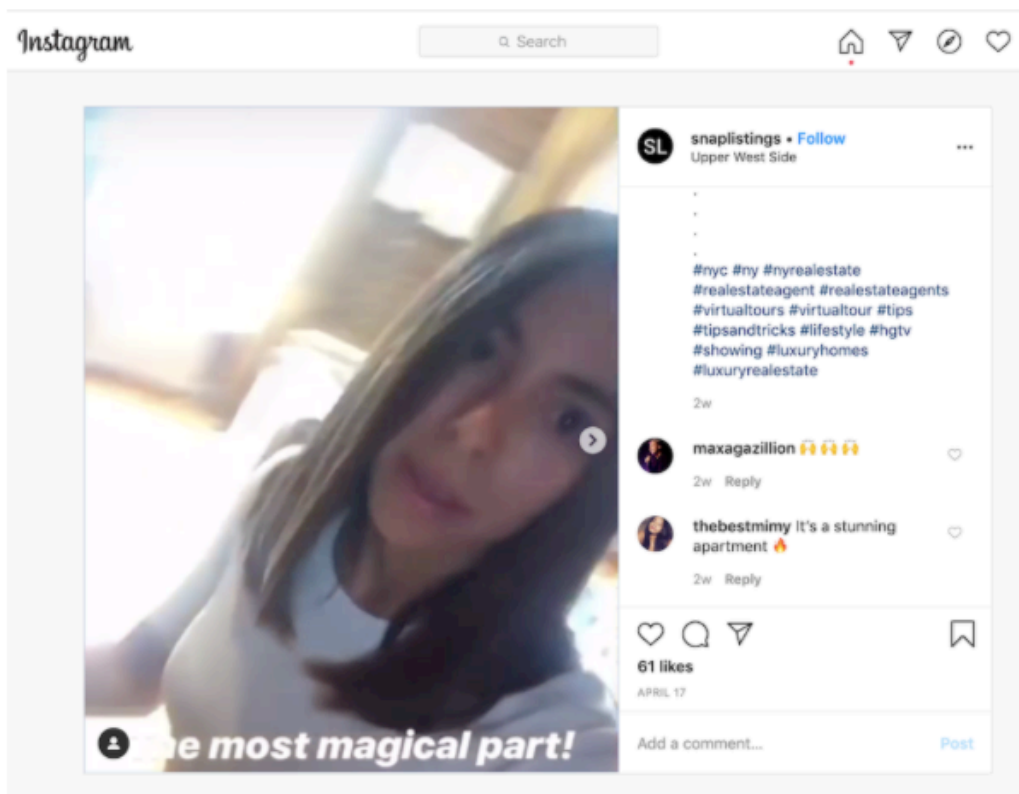
“Once they want a FaceTime tour, they tend to be more serious about making a deal,” said Ms. Murray, who has four deals in the works — three of which involve international buyers.

In late April she closed a deal on an Upper East Side studio listed a year ago. Before the pandemic, the price was cut twice, from \$745,000 to the last asking price of \$695,000, and she said the buyer, a Harvard student from Hong Kong, negotiated an additional 9 percent discount as the market grew more uncertain. Crucially, the buyer and his parents requested to include the seller’s furniture, so they wouldn’t face move-in challenges with the condo board.

Deals today require good timing and adaptability. Lara Sullivan, who rented out her Upper West Side co-op before moving to Boston for a job in the health industry, drove back to New York recently to retrieve the keys from her last tenant, not thinking she’d soon find another renter, let alone a buyer.

Her agent, Alyssa Brody with Compass, wasn’t expecting much interest when she listed the apartment for sale in late March, but she received a call from an interested broker within half an hour, she said.

With gloves and a mask in tow, Ms. Sullivan drove for three hours to open all the doors in the apartment, then waited in the car as the prospective buyer toured the space. Ms. Brody, who was two hours away in Sag Harbor, gave live updates over FaceTime, conveyed by the buyer’s agent.



Alyssa Brody, a Compass agent, credited a recent sale to this selfie-style apartment tour posted to Instagram. “It has to be authentic,” she said, or buyers become suspicious of the content. Alyssa Brody

It paid off: The buyer, who caught wind of the upcoming listing three weeks before it came to market, agreed to pay close to the asking price of \$1,968,300 for the three-bedroom duplex at the top of a prewar walk-up. Ms. Brody credits an amateur Instagram tour of the apartment she recorded in 2018 for catching the buyer’s eye.

“It has to be authentic,” she said of the selfie-style video, with captions like “the most magical part!” and the hashtag #mondaymotivation. Overproduced videos, she said, can make buyers question the content.

As Ms. Sullivan discovered, motivated buyers are out there. At Manhattan House, the well-regarded midcentury condo on the Upper East Side, Shelly Bleier, an agent with Douglas Elliman, sold a one-bedroom apartment, sight unseen, to another resident of the building in an off-market deal. It is in contract for \$70,000 more than the \$2.01 million the seller paid for it in 2016, at the peak of the market. Ms. Bleier said she would have listed the unit for about \$1.65 million, based on recent comparable sales.

“I think it’s the pandemic deal of the century,” said Ms. Bleier, whose client, an investor in India, was preparing to rent rather than sell because she feared she wouldn’t be able to turn a profit.

The buyer had heard the apartment was going to list for rent, and jumped at the chance to buy it for a family member. “I told the woman, ‘I can’t show it to you,’ and she said, ‘I don’t care,’” apparently because she had seen the apartment before.



A rendering of the Waterline Square complex on the West Side of Manhattan, where a group of South American buyers bought eight units in April for close to \$27 million. The buyers visited prior to New York’s stay-at-home order. Noe & Associates with The Boundary

In the luxury condo market, where prices have been lagging for years, there were just 11 new development contracts signed in the week ending April 26, marking the lowest weekly tally in several years, according to the brokerage CORE. Now developers, some of whom were under pressure to move units long before the pandemic, are offering substantial concessions.

While few expect the wave of defaults seen after 2008, there will likely be some urgent sales in the coming months, said Elliot Bogod, president of Broadway Realty. He said he was trying to purchase about 20 units at a 20 percent discount from an Upper West Side condo he would not name, because of competition from other bidders. (In an unusual move, he said he was negotiating with the lender, not the developer, suggesting the property might be in financial distress.) The units start at around \$4 million, he said, and his clients plan to rent them.

At Waterline Square, a new luxury complex on the West Side, a group of South American buyers bought eight units in April for close to \$27 million in cash — an average discount of about 7 percent, according to people familiar with the deal. James Linsley, the president of GID Development Group, the developer, would not comment on the buyers, who visited the property before the lockdown, but said the sales team has signed six deals since the lockdown began, none of which were sight unseen.

Despite its current role as the epicenter of a global pandemic, investors “still look at New York City as a safe haven,” said Melissa Ziweslin, a senior managing director at Corcoran Sunshine, a large development marketing firm.

At One Manhattan Square, the 815-unit tower on the Lower East Side, the developer, Extell, has announced its deepest discounts yet: up to 20 percent off select units in a building where prices ranged from \$1.2 million to over \$13 million. Before the pandemic, the developer was already offering to cover up to 10 years of common charges on the most expensive units, at a cost of tens of millions of dollars to the project. About 33 percent of the units are now closed or in contract, according to an analysis by the data company MarketProof. A spokeswoman said the developer would not release new sales numbers.



A rendering of the Rowan, an under-construction condo project in Astoria, Queens. Buyers who signed after the stay-at-home order will be able to tour the project when the lockdown is eased, after which they will have five days to walk away from any deal. Redundant Pixel

Less expensive condo projects have taken other unusual steps. At the Rowan in Astoria, Queens, where prices range from \$540,000 to about \$2.5 million, the developer, RockFarmer Properties, is offering a “satisfaction guaranteed” clause. Buyers who signed after the stay-at-home order will be able to tour the under-construction

project when the lockdown is eased, after which they will have five days to walk away from any deal. Down payment requirements were also reduced to 5 percent from 10 percent.

Shan Chowdhury, of Halstead, signed a contract for a client, a first-time buyer in Miami who works in the medical field, to purchase a one-bedroom apartment, sight unseen, at the Vernon 123 complex in Long Island City, Queens.

The buyer watched a virtual tour and looked at an aerial view from Google Street View, Mr. Chowdhury said. That was enough to seal the deal. The 650-square-foot apartment initially listed for \$895,000 in 2019, and was cut several times to the last asking price of \$799,000.

Mr. Chowdhury wouldn't reveal the final price, because the deal hadn't closed yet, but could confidently say: "We renegotiated, hard."