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Madoff sale: sign of improvement?

Pending closing on Ponzi schemer's penthouse could be market barometer

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RESIDENTIAL MARKET REPORT

Nothing says progress like Madoff. Late last month, *The Real Deal* broke the story that the Ponzi schemer's Upper East Side penthouse finally appears close to a sale.

Listing brokers Anne Corey and Serena Boardman of Sotheby's International Realty have told interested agents that there is an accepted offer on the 133 East 64th Street duplex. At press time, the U.S. Marshals Service, which seized the property from the disgraced financier, said the listing had not yet entered contract.

The sale (if it does clear the many obstacles of today's market) may not be unqualified good news.

The penthouse's asking price is \$8.9 million, following a November price chop of \$1 million. It's also been sitting on the market since September, far longer than Madoff's equally buzzed-about Montauk beach house, which sold to Steven Roth of Vornado Realty Trust in October for 6 percent above its asking price.

Still, the pending Madoff sale, even

with its hefty price cut and months on the market, could indicate improvement on the high end of the market, a price range that's been hit hard by the instability of finance jobs and the scarcity of jumbo loan products.

"The high end has really taken off, and many of my apartments that are listed at \$5 million and more are having more showings," said Core's Kirk Rundhaug.

Jeff Wolk, the president and COO of Fenwick Keats Goodstein, said his company has several properties over \$3 million in contract.

"Buyers have turned a corner," said Wolk, who is also president of the Manhattan Association of Realtors. "Many feel that prices may have reached the low point of the cycle and want to secure a purchase before the escalation begins."

While many of these are all-cash deals, industry insiders say lending is also getting easier for pricey purchases.

Gerard Longo, the developer of Tribeca condos the Fairchild and the Pearline Soap Factory, said the private banking divisions of major banks -- JPMorgan Chase, Bank of America and Wells Fargo -- are

playing a major role in getting high-end deals moving.

"The private banking divisions have stepped in," Longo said. In exchange for doing some of their personal or business banking with these lenders, wealthy homebuyers are offered mortgages at more favorable terms than they might otherwise be able to find.

Chase recently gave one of Longo's buyers a commitment on a jumbo mortgage within two weeks, and was prepared to close regardless of how many units in the building had been sold -- a major issue recently in the face of strict Fannie Mae presale requirements.

"There are banks lending," Longo said. "But they are being specific -- they want good purchasers with good credit."

For less expensive purchases, lending also appears to be loosening somewhat, brokers say.

"Many banks seem to have reorganized and are running some new programs for

mortgages," said Eddie Shapiro, president and CEO of Nest Seekers International. "We now have a better selection for recommendation to our buyers than we had last year."

Still, down payments continue to be higher than they were in the past, and banks remain wary.

"Banks are still very careful [about] how much they lend to buyers, and qualifying the building as much as the buyer," Core's Rundhaug said. "Many of my condo buyers have had to put down 25 to 50 percent to get the mortgage they want at a good rate."

Of course, low mortgage rates are crucial in attracting buyers.

"The market has a heartbeat once again," said Gary Malin, president of Citi Habitats. "Prices are down, volume is up and everything seems to be much better than it was in the beginning of 2009. Many talk about the worst being over."

Still, he said he has "heard some discussion on the fear of interest rates spiking, causing the market to regress once again."

Another positive sign, brokers say, is that the much-feared post-New Year's inventory glut hasn't yet materialized. In fact, as activity increases, "inventory is shrinking," said Jacqueline Urgo, president of new development firm the Marketing Directors.

The lack of available apartments in some neighborhoods can even be a problem in a market full of bargain-hunters. "A new challenge in some areas is that there's no inventory to show," said Jeffrey Tanenbaum, a

senior vice president at Barak Realty.

According to the latest market report released by Prudential Douglas Elliman, there were 6,851 available Manhattan listings in the fourth quarter of 2009, some 24.6 percent less than 9,081 in the prior-year quarter. That doesn't include the so-called shadow inventory of some 6,000 stalled new development units that aren't actively listed, the report said.

The report also found that activity increased in the fourth quarter. There were 2,473 closed sales, Elliman found, up 8.4 percent from the prior-year quarter and 10.9 percent from the third quarter. The average sale price of a Manhattan apartment was \$1.296 million, down 12.7 percent from the prior-year quarter.

Those continued declines indicate that some of the grim market forces still exist.

"Although this winter is faring better than last, people are still being laid off," said Laurielle Noel, a sales and leasing specialist with brokerage firm Platinum Properties. "We won't see 2006 sales numbers for a long time."

And buyers are still extremely price-sensitive.

"The good values are flying off the market, which is reassuring," Noel said. "Everything else is just sitting there."

Lisa Lippman, a senior vice president at Brown Harris Stevens who had four new deals last month, said her clients are starting to

recognize that low prices are the way to get attention for a listing.

"For the first time in a while, I have noticed sellers willing to price their apartments on the low side, with the understanding that this is often the best way to get the most for your property," she said.



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