BUSY HOLIDAY SPARKS HOPE FOR NEW YEAR IN RESIDENTIAL MARKET

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RESIDENTIAL MARKET REPORT

Hope springs eternal in the New York City residential market, especially now that 2009 -- the worst year in recent memory -- is over.

"If you survived 2009, you can survive anything," said Yael Dunayer, an executive vice president at Barak Realty.

Like many other brokers, he pointed to strong activity in the second half of last year as an indicator of a possible 2010 recovery. "The last six months of 2009 have been very active and brokers should look forward to riding this trend well into 2010," Dunayer said.

One reason for this optimism is that December -- usually one of the slowest months of the year -- saw more activity than usual, brokers said.

As the holidays approach, New Yorkers -- and would-be New Yorkers -- usually take a break from real estate shopping, preferring to gift-shop instead. But this year, low prices continued to lure buyers into the marketplace and prompted them to sign on the dotted line much later than usual.

"Last year, the brokers didn't show around the holidays. It's different this year," said Marilyn Harra Kaye, president of MLBKaye International Realty. "We even canceled an [office] meeting this month because the brokers were very busy."

Of course, December 2008 was much slower than usual, since it arrived in the aftermath of the Lehman Brothers collapse. But brokers said last month was busier than most holiday seasons, thanks in part to the perception that there are deals in the marketplace.

"December has been a buying frenzy," said Emily Beare, an executive vice president at the brokerage CORE. "People are taking advantage of the highly discounted market. We're seeing a tremendous increase in the number of sales."

Robb Pair, president of Harlem Lofts and co-chair of the Market Trends Committee of the Manhattan Association of Realtors, said his company had closings scheduled for the last two weeks of last month, during the popular vacation week between Christmas and New Year's.

In addition to low prices, Pair said federal homebuyer tax credits are spurring activity for homes priced below the maximum eligible sale price of $800,000. Originally slated to expire at the end of November, the tax credit was extended to June and expanded to include repeat buyers in addition to first-time homebuyers.

All of this is leading to enthusiastic projections for 2010.

"I think the market will get busier," said Noah Freedman, a principal at Bond New York. "You may even see some price appreciation again. I know it's almost sacrilegious to say that, but whenever everyone becomes so unanimously convinced a market, any market, will only proceed in one direction, it usually is about to do the exact opposite."

Gea Elika, the founder and principal broker of Elika Associates, said he expects strong interest from foreign buyers to prop up the New York market this year.

"[We] will likely see an increase in activity locally and from foreign buyers," he said, noting that British buyers in particular seem keen on buying property in New York. "The market bears, who are calling for another leg down and a 'W' recovery, may be pleasantly surprised with just a stumble instead."

Despite fears of shrinking or stock-heavy Wall Street bonuses, most brokers believe the annual pay surge in the finance industry will jolt the real estate market.

"I anticipate an uptick in the first quarter on high-price properties, due to some liquidity provided by bonus money," said Frances Katzen, an executive vice president at Prudential Douglas Elliman. In fact, the mere prospect of the upcoming bonuses is already leading to more activity in the mid-range of the market, which suffered mightily last year.

"The least active price range has been $1 million to $4 million," Elika said. "However, inquiries have picked up due to anticipated Wall Street bonuses that could help the New Year start off on the right foot."

However, any pending recovery could be dampened by the surge in inventory expected to hit the market this month. Many sellers take their homes off the market during the usually slow holiday season, putting them back on when things pick up after the New Year.

That trend will be even more pronounced than normal this year as sellers perceive that the market is on the mend, brokers predicted.

"As sales volume starts to increase, we expect the inventory will, too, and at a greater rate than usual," said Leigh Zaph, a principal at Manhattan Homes. "This will be due to owners --who refrained from listing their properties during the worst period -- deciding to sell as the market shows signs of improvement."

Meanwhile, unsold new development condos are piling up as the credit crisis continues, making it difficult for buyers to purchase them.

"The mounting inventory of new development coming up in the New Year will put more downward pressure on both sales and rentals," said Takeshi Yamaguchi, a broker at DJK Residential.

The increased availability of homes for sale "may hamper the speed with which the market starts its comeback, but not the recovery itself," Zaph said.

Brokers are cognizant of the possibility that prices may slide again (some economists have predicted prices will fall by another 15 percent in the New York metro area). But most believe the tumble won't be as severe, and that it won't take place for a few months at least.

"The market may still go down, but most feel that things have leveled off and will stay this way for a while," Beare said. "Although things are not significantly better, we don't think the market will get much worse."