

What's happening in NYC real estate April 2020

Did this month fly by slowly for you? Don't worry, it's a symptom of the quarantine.

Real estate is on an unwanted vacation as we're waiting for the city to open up. Usually these spring days are the most active, but it's ok, there are bigger concerns in the world so the market is slow, even nationwide and globally.

Do New Yorkers enjoy staying inside all day? NO! At the first sign of safety NYC will be back open for business like never before!

New listings are down 87% from one year ago, however we still have a huge oversupply problem with years worth of inventory. 2020 kicked off with a spike in demand. Hopefully that demand returns with the market.

As listings come back on expect a huge disconnect between buyers and sellers, however deals will always get done (you just need a good agent!). There have even been a few large transactions reported. Perhaps this is sign of good times ahead.

This month the Spotlight is on Cap Rates. Cap Rates are metric used to value real estate deals. When prices go down the investors come out looking for deals! Let's get prepared with a quick review of Cap Rates.



Navigating Through Turbulence

This New York Times article titled, "Navigating a Path Through a Turbulent Housing Market" was written all the way back in September 2007. They say the best way to prepare for the future is to learn about the past. Although dated, this piece is a good look into how we proceeded with caution and survived the financial crisis just one decade ago.

Where's all the Inventory?

Unsurprisingly, many sellers decided to take their homes off of the market for now. Before there was an oversupply of inventory, but now there are no listings! Compared to last year, the first two weeks of April showed an 89% decline in new listings. During the same period contracts signed were down 77%. I read there was one co-op contract signed since March 12! It's a "wait and see mode". Be patient!





Today we hit another historic low for mortgage rates. If you're able to secure a rate right now you can feel confident that you have a lowest mortgage rate amongst your peers. Isn't that something to brag about?! Seeing a 30 year fixed rate mortgage at 3.23% (now 3.19%!) must garner some interest from homebuyers. It has never been cheaper to borrow money!



Jeff Bezos @ 212 Fifth

212 Fifth Avenue is a beautiful pre-war condo conversion where Jeff Bezos purchased 3 units last year. However, that did not stop him from adding apartment 16B to his collection. No problem for the Amazon founder who has added an additional \$24 billion to his net worth during the crisis.



Waterline Square

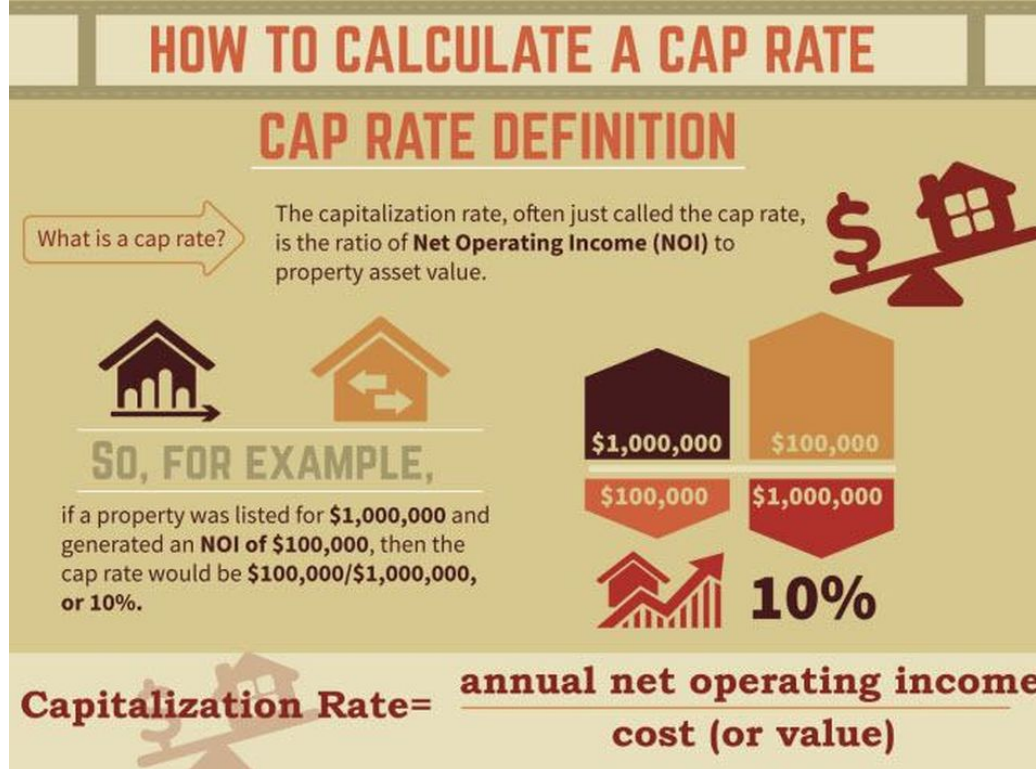
There are always investors looking to get a deal in NYC. This month an investor purchased 8 apartments at Waterline Square for \$27m. Proof that investors flock to safe haven real estate assets when global markets are in turmoil. Prices here are \$3k per foot. What recession?!



BK Waterfront Record

The contract was signed back in 2018, but the penthouse deal finally closed at the Quay Tower in Brooklyn Heights. This broke records in BK. The sellers must be happy about this one. Brooklyn Heights is one of the nicest neighborhoods, but has been hit very hard in the downturn.

SPOTLIGHT ON: Cap Rates



So besides the ugly color, this infographic does a great job explaining a cap rate. In short, your net income (revenues minus expenses), divided by the purchase price, gives you a percentage called a cap rate. Investors use cap rates to value real estate investments.

In the example above, this property has a cap rate of 10%. It is very difficult to find such a high cap rate in NYC because these are world class properties and safe assets. If you went outside the city you will find higher cap rates and gain a higher return. In fact, NYC ranked 98 out of 100 for the lowest cap rate.

New York City has always been considered a safe investment. Investors are comfortable with a low cap rate because they expect a real estate asset to appreciate over time. You can buy an apartment, rent it out earning a 2-3% cap rate, while anticipating the apartment will appreciate over time. From 2010-2015, many condos in Brooklyn doubled in value.

Where do you expect the real estate market to go from here? Do you believe apartments will appreciate in value over the next 5-10 years? By how much? What cap rate would you be satisfied with as you wait for market appreciation? Send me your thoughts!

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