

Apartments, With A Long View

BY **OLIVER HAYDOCK** | 2:50 PM JANUARY 20, 2009 | TAGS: REAL ESTATE CENTURY 21 NY METRO MARC LEWIS



James Hamilton

Marc Lewis, the 59-year-old president of Century 21 NY Metro, has been closing apartment—and apartment building—deals in the city since Barack Obama was 12.

Location: Have you ever seen a year quite like 2008?

Mr. Lewis: It's sort of getting out of a hospital after you've had surgery: It's horrible while you're having it and then you forget how bad it is. I went through something similar to 2008 in 1976, 1987, 1990 and 2001. They are all very similar, but each time when you experience a down market, when there are too many apartments in Manhattan and not enough tenants, you think it's the worst thing in the world and you look back and say, 'Maybe this time is the worst it has ever been.'

Can you compare 2008 to any of the other years you just mentioned? Do you think there will be a protracted downturn, or will it bounce back quickly?

Well, the problem with this past year is the loss of jobs. It seems to me that there is a much larger loss of jobs than I have ever seen, and that is probably impacting sales more than rentals. It's definitely changing [buyers'] consumer confidence, but also impacting their net worth. It's definitely affecting their ability to make any offers. Right now, it's like shoppers galore, with people making smaller offers on rentals and sales.

And with rentals they are moving from one apartment to another, looking for lower rents, and I don't remember seeing that as much then as I see that now. They are virtually getting the same

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apartment in the same kind of building, but the landlord is just a little more flexible in terms of price. It's almost like they are refinancing their rents.

In this time of austerity, are renters relocating to cheaper neighborhoods?

We are seeing a lot of people looking at different options to save money. I'm seeing people trying to get out of their leases, not because they lost their jobs, but because they hear that they can rent a similar apartment for less money down the street or almost anywhere else. They're asking, 'What can I do to save money?' Landlords *en masse* are getting calls from tenants looking to negotiate on leases they already have.

What about landlords, what are they doing now to counteract or adapt to market conditions?

Now, they are all in competition with each other, trying to figure out what their competitors are doing. One of my landlord clients was just saying to me that in addition to paying the broker's fee that they would give a month's free rent to tenants, so that's the new trend. At first, landlords tried paying brokers' fees, but now they're paying the broker's fee and offering a month's free rent.

Are any landlords or developers looking to expand?

Landlords are not buying; they're basically on pause. If they are looking to buy, they are going to be buying property in other parts of the country, if at all. There just isn't any financing.

Is there anyone out there buying up buildings? What about foreigners?

I have rental properties for sale now, and it's very hard to get anyone to even look at your setup because of the deflation in real estate. They are thinking that if they wait six months, they can get that same property for less. A lot of them, they have lots of money sitting on the sidelines waiting to buy, and they are waiting for the moment when they can get things for 11 or 12 times the rent, rather than 15 or 20, which is basically where the market is now. Landlords are just being ultra-careful right now, because they are having a hard time renting their apartments, so to buy a building and to have more trouble renting new apartments, they think that is risky.

What about your brokers here: Do you have to retrain them or are you paring down?

There are two different companies here: There is a sales company, and there is a rental company. Sales agents are different than rental agents in that they don't need to do as many transactions; but sales agents, even the good ones, are doing much less transactions.

Sales numbers are down 50 to 70 percent in this quarter. It's very hard for sales agents to get into the rental game, because it's a very different animal. As much as I talk to them about doing \$10,000 a month in rentals and take home \$5,000 a month, they are resistant to it, because they still think they are going to get that one big sales offer and get a \$50,000 to \$100,000 commission. It does happen, so a lot of them will wait for it.

It is better for me to just hire more rental agents and to just push down the sales agents that aren't doing any business and replace them with rental agents who are doing business. And sales companies out there are starting to come around to the fact they need to start doing rentals.

Are you seeing any change in the types of people who are getting into the broker business?

A few months ago, I saw a lot of former mortgage brokers. We do get people that you wouldn't expect. I had a guy that was a managing agent for 25 years for a famous landlord and started

working here recently. People need to make a living, so we are getting a lot of interest.

Do you think that the flood of condo buildings coming onto the market will screw up the absorption rate?

Well, it depends on what happens in the economy over the next six months. If things stay exactly as they are now, we are just going to exasperate the problem. There is something like 12,000 apartments coming online in Williamsburg. The problem is that, if people aren't buying apartments at the prices landlords need to make a profit, then some buildings are going to go rental. So there could be a lot of rental units coming onto the market in the next year.

What do you expect to happen in 2009? Do you think the new administration and TARP money can help the market?

Well, it's hard to say. It seems like the first part of the money went into keeping the banks from going under, rather than keeping the people's mortgages from going under. It seems like the second part of the money might go there, but that might not help the market here, because most people are in co-ops or have less dramatic circumstances. Places like Miami, Las Vegas and Tucson got into trouble because of the speculators, who were all flipping these properties, whereas in New York about 99 percent of the people are actually living in their apartments. Co-op boards are regulating what [buyers] can move in with, so it's a much more conservative market compared to some of these other places. So I don't know if TARP money is going to make much of a difference here; what will make a difference are the jobs.

What are your feelings on the job market?

It's going to be different kinds of jobs. If they rebuild a bridge, is that going to help someone who is going to buy or rent an apartment in Manhattan? These jobs are more middle-class jobs, and I don't know if they can help the market in Manhattan. But, of course, you have the confidence factor. Just having a president who smiles and who talks about his family makes a difference. People will be more willing to take a risk with that kind of genuine person running the world, someone who is highly intelligent and has the best cabinet behind him. It makes people want to spend money.

Has there ever been a presidential effect on the real estate market?

Yes. Jimmy Carter. Also, the Clintons had a big effect on New York. People made more money then, they saved more money then, and that is how it has to be. But it seems like people are going to have to learn to live without credit. That is the shift that is going on now, people learning to pay for things as they go and not building up bad debt.

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