THE REAL DEAL
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On the front line of Wall Street's woes

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If there was a drip-drip-drip of negative stories about Wall Street in early 2008, by the end of the year, the bad news was coming in a torrent. Stock prices plummeted. Some banks shuttered, and others evaporated through mergers.

Thousands of workers were laid off. Year-end bonuses shrank or vanished. Portfolio values dove.

Brokers, admittedly, became nervous. After all, employees of the financial industry and their related businesses make up about 25 percent of many brokers' clientele. If Wall Street is down, the thinking goes, New York real estate suffers a body blow.

Of course, precisely how much of an effect Wall Street's misfortunes are having is tough to measure. For fear of perhaps jeopardizing their client relationships, many real estate brokers are silent on the topic; bankers, hedge fund managers and traders, too, are mostly refusing to talk.

Even some of those financial workers well-off enough to buy homes now are reticent, brokers say, because they've actually profited from the downturn and don't want to seem insensitive to others' plights.

But it's clear from anecdotal evidence that brokers are losing clients, seeing deals fall apart and witnessing unorthodox handlings of contracts.

"I'm getting a lot of 'We don't know what's going on, and until we do know, we won't be moving forward,'" says Rena Goldstein, a senior vice president at Halstead Property, who estimated that she lost eight Wall Street clients this past fall because of the financial crisis.

Some of her other clients are postponing their searches even if they are still employed. A couple that had been renting since 2007 while actively looking for a $2 million condo, for example, is "taking a breath" for now, Goldstein says.

Other Wall Streeters may not even be coming into the market at all.

Daniel Baum, COO of the Real Estate Group New York, which finds apartments for many Morgan Stanley employees relocating to New York, says he received about three calls a month from the investment bank from the beginning of 2008 through the middle of the year.

At the end of the year, though, there wasn't a single call, Baum says.

Also, in December, he typically receives a few calls from Morgan Stanley summer hires looking to line up housing, but they have so far stayed away, too.

"It's been awfully quiet," Baum says.

On the flip side, some Wall Streeters who are burdened by heavy carrying costs on their condos or co-ops — or are just looking to replenish recently depleted coffers — are trying to sell their apartments.

For example, a hedge fund employee who bought an Upper East Side condo a year ago, as prices were hitting their peak, just had a baby and may unload his unit to secure a cash infusion, says Jacky Teplitzky, a managing director at Prudential Douglas Elliman.

If that doesn't work, he may be forced to rent the apartment, because his fund is struggling and "he needs money for his personal cash flow," Teplitzky says.

Leonard Steinberg, also an Elliman broker, says he has two clients who work in finance who are also trying to sell their apartments because of heavy market losses.

Widespread panic selling, brokers say, is not happening so far.

However, buyers saddled with contracts for new homes, particularly ones signed before this past fall's market meltdowns, may be a different story. Desperate times may be prompting drastic action as those buyers decide that they can no longer afford their purchases.

When the closing dates are coming around, some of these buyers are suddenly demanding developers cover their common charges and closing costs for the deal to be completed, brokers say.

Also, in one case, a banker who was denied a mortgage at the last minute is now suing to get back $300,000 — the prospective buyer's 10 percent deposit on a $3 million condo.

Other buyers are failing to report on their mortgage applications that they've lost their jobs (a report which is required by law), while still other Wall Streeters, in what brokers call an ethical breach against sellers, are trying to renegotiate contacts at closings, even though they've signed contracts stating they will pay a certain amount for an apartment.

"People are definitely people trying to do tricks here, but that doesn't mean they're working," Teplitzky says.

Even some Wall Streeters who saw the writing on the wall months ago — and tried to take necessary steps to avoid getting burned — are encountering problems.

For instance, one business executive listed an Uptown townhouse in June, because "he knew the market would get softer," according to Nikki Field, a senior vice president at Sotheby's International Realty. But he became stuck in September when a bank refused a loan to the buyer for 50 percent of the property's value.

Eager to seal the deal, the seller ended up offering the buyer a mortgage himself, Field says.

"It is as dire as people have been anticipating," she says. "There are some real challenges out there for buyers and sellers."

Of course, Wall Street workers come in all shapes and sizes, and what's not totally understood is whom the layoffs are affecting the most.

The axing of young analysts might not send severe ripples through the home-buying market, because those types of workers tend to be renters, Teplitzky says.

Furthermore, most top executives tend to receive compensation that does not heavily rely on bonuses, which may insulate them against the downturn, Steinberg says. Those executives, too, weren't ever really buying in marginal neighborhoods, so they own homes that banks like, he adds.

One Wall Streeter, who purchased a Greenwich Village condo last May, actually managed to refinance his mortgage in mid-December to save himself $1,000 a month, Steinberg says.

"Banks thought it was an A-grade property and that he was secure," he says. "And now with that $12,000 extra a year, he's going to take a vacation."
By C. J. Hughes
