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## New York housing market may feel Wall Street woes

By ALAN ZIBEL 09.15.08, 4:43 PM ET



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Finally, New Yorkers may get a real estate reality-check.

Home sellers, agents and brokers nervously tuned in Monday to news of Wall Street titans collapsing or teetering, as Lehman Brothers Holdings Inc. filed for bankruptcy, Merrill Lynch & Co. was sold to Bank of America Corp. and New York-based insurance giant American International Group Inc. struggled to stabilize its finances.

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Until now, the New York area's housing market has been relatively unscathed by the national housing bust. While home prices in cities like [Las Vegas](#), Los Angeles and Miami are down 25 percent or more over the past year, New York metro area prices declined about 7 percent, according to the Standard & Poor's/Case-Shiller index.

In Manhattan - where the median-priced home cost more than \$1 million - prices were actually up 14 percent in the

second quarter from a year ago. And prices in desirable suburbs are holding steady.

But Monday's cataclysm on Wall Street could be the event that finally pushes Manhattan property values downward, said Jonathan Miller, president and chief executive of real estate appraisal and consulting firm Miller Samuel Inc.

"There's an expectation that we're going to see a weakening in prices," said Miller, who declined to give a specific forecast, but did say that any [price declines](#) are likely to be moderate.

Potential homebuyers with Wall Street jobs have already been looking at smaller houses or putting off their real estate search, said Lina Panza, a real estate agent for Re/Max in Montclair N.J., who has several clients at Wall Street firms.

"It's a major, major purchase and people are nervous," she said. "They're less inclined to buy something big."

Wall Street firms have slashed the ranks of contractors and hacked at expenses like car service and business travel. Now, the roughly 25,000 workers at Lehman, as well as many of the 60,000 at Merrill, are likely to be hunting for new work.

"This can't be good, because people are losing jobs," said Ellen Bitton, chief executive of Park Avenue Mortgage Group. "Nobody would have ever thought that a Lehman would go out of business."

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However, any downturn in prices is likely to be met with an influx of foreign buyers, taking advantage of the weak [U.S. dollar](#), real estate agents say. Wealthy buyers from Italy, Russia and Great Britain in particular have snapped up properties in recent months, taking advantage of their strong currency compared with the U.S. dollar.

"Everybody wants a piece of the city," said [Debra Duneier](#), senior associate broker with Corcoran Group. "People with money will seize the opportunity to buy real estate."

Marcus Garstein, president of Warren Lewis Realty in Brooklyn's Park Slope neighborhood, said an influx of Wall Street money helped drive up prices in recent years, but doesn't believe that demand for the area's historic brownstones will be dampened.

"There's still a lot of money in the economy," he said. Sellers, he said, are "not putting them up at fire sale prices."

And in the [New Jersey](#), New York and Connecticut suburbs, sought-after school districts and relatively easy train commutes to Manhattan are likely to keep the housing market relatively stable.

Nevertheless, the local real estate market and the economy are both heavily dependent on the Street. While Wall Street jobs only make up 5 percent of all of New York City's workers, salaries there are so high, they represent almost a quarter of the city's total wages, according to a report last year by the New York state comptroller's office.

Such jobs, paying more than \$300,000 on average, were also responsible for more than half of all income growth in New York's five boroughs in recent years.

New York's economy reaped the benefits when Wall Street financial bonuses broke records in 2006 - estimated by the state comptroller at \$33.9 billion. But this year bonuses are expected to plunge by 30 percent, according to a forecast by the city comptroller.

"Certainly, it's going to affect the real estate market," said Sandra Lippman, a real estate agent in suburban Westchester County, N.Y. "We do depend on people in the financial markets who are buying homes here."

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