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Brokers Scramble In Wake Of Sandy

Real estate brokers in Manhattan are back to work this week—and harder than ever as they try to recuperate from time lost to Hurricane Sandy to complete deals that demand a year-end close. The pressure is on: property owners are running scared of the implications of looming capital gains taxes increases.

"This morning already I've had calls from 15 clients who now have added pressure to get contracts signed and closed by the year end. We knew it was likely to be an issue and it's now a tangible issue," said **Bob Knakal**, chairman of **Massey Knakal Realty Services** in Manhattan.

Sunset provisions on capital gains taxes at the end of 2012 would increase them from 15% to at least 20%. "But no one expects that to happen," said **Leo Leyva**, attorney at law firm **Cole Schotz**. "Clearly there will be an expiration of the majority of the **Bush** tax cuts but there will be, and I don't have a crystal ball, some compromise on the more important issues. But this administration will look to increase revenues—and clearly taxes on dividends and capital gains are in their crossbow. Sellers will be scrambling to get a year-end close if a sale of a property is part of their business plan," he said. The difference between the value of property sold in December and a property sold in January could be up to 5 to 10%, he added.

The lost weeks mean that some brokers are feeling the pressure. "A lot of people are set on year-end closings, but now December is going to be difficult because we've lost two weeks in November to get due diligence done," said a New York-based broker. "It's going to make the next three or four weeks very challenging for us. There will be millions of dollars in difference between closing between December and closing in January," he added.

Other brokers have a more robust attitude to the issue. "I think there's still plenty of time [to get contracts closed]," said a local broker. "There are two things that need to happen to close a deal. One: contract negotiation. Anyone who is alive can negotiate a contract so that shouldn't inhibit you. Two: due diligence. That can be impacted if physical inspections can't take place, but if power wasn't off in the building, this wouldn't pose a problem," he noted.

In a testament to New York's tenacity in times of trouble, some brokerage firms were back in the game by the Thursday of the storm. "We had some environmental inspections done notwithstanding the storm," said Knakal. "The disruption slowed down contract negotiations so those have picked up again this week. It didn't have a very tangible effect on the market."