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NEW YORK REAL ESTATE NEWS

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JANUARY 1, 2016 - **FOX RESIDENTIAL GROUP** IN THE NEWS -By E.B. Solomont

The interest rate upshot

Brokers take sides on how the Fed's much-anticipated rate hike will impact the NYC market


Janet Yellen

New York City homebuyers have been hearing about a possible interest rate hike for several years now, but just how much different will the post-hike landscape be for the market here?

After seven years of holding the line, the Fed raised its benchmark interest rate by 0.25 percent on Dec. 16 and said it would increase rates by about 1 percentage point a year over the next three years.

Those projections would result in the fed funds rate, an overnight lending rate, hitting 3.25 percent in three years — a fact that Fed Chairwoman Janet Yellin said reflects "our confidence in the U.S. economy." The hike is expected to put gradual pressure on longer-term interest rates, including 30-year mortgage rates which as of November averaged 3.94 percent.

Some New York City brokers predict that buyers will get more aggressive now as they attempt to get into the market before rates go up again, while others say the higher rates won't pack much of a punch in this cash-dominated marketplace.

Either way, there seems to be a consensus among agents that it's too soon to gauge the true impact of the increase.

"Buyers have been hearing about the possibility of interest rate hikes for so long that they aren't really reacting — not yet, anyway," said Stacey Max, a sales manager at BOND New York's Chelsea office.

Margo Mohr, an agent at **Fox Residential Group**, said the small jump "shouldn't really make a difference." She added: "Those people who want to finance a purchase have not lowered their purchase price limit, but it is somewhat early."

Of course, in recent years cash buyers have had the upper hand when it comes to buying real estate in Manhattan and Brooklyn, thanks to extremely limited inventory and high demand. Those buyers are simply "unaffected" by the rate hike, pointed out Karla Saladino, managing partner at Mirador Real Estate, a boutique firm that works closely with developers and building owners.

In fact, more than half of Manhattan residential sales during the third quarter of 2015 were cash deals, up from 43 percent during 2014's third quarter, according to real estate appraisal firm Miller Samuel. A whopping 61 percent of condos were bought with cash, compared with 42 percent of co-op sales.

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