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Tales from the front lines

Six key NYC residential players offer their unvarnished, first-person accounts of life in a sector that's getting squeezed by everything from proposed commissions caps to rent reforms

It's been a difficult few years for the New York City residential brokerage world. Tech pressures have risen, venture capital-backed competitors have stormed the market, and profit margins have been paper-thin. But that already hard environment has grown even more difficult in the last few months.

In June, Albany passed the most sweeping package of rent-regulation reforms in recent memory — a move that was billed as a way to ease the affordable housing crisis for tenants. Those measures, will be a financial hit, however, not only to building owners, but also to the brokers who rent out the units.

The changes came on the heels of the state's new mansion and transfer taxes, announced in April, which pushed total tax bills to roughly 3.6 percent on sales between $2 million and $3 million, and nearly 6 percent for sales above $25 million. The taxes went into effect on July 1.

Meanwhile, the City Council is considering a proposal that would cap rental brokers' commissions (in cases where the broker was hired by the landlord) to one month's rent, or around 8 percent of annual rent. That's down from the 15 percent they typically earn now.

Taken with the increased fees imposed by StreetEasy on posting rental listings, the additional resources needed to stay competitive and other new pressures, the residential space is being squeezed from all sides.

This month, The Real Deal talked to six players in the residential space about some of these new financial pain points. Below are their first-person accounts of this hard-to-navigate landscape. Their stories have been edited and condensed for clarity.

Barbara Fox
Fox Residential

It's been 30 years since ***Barbara Fox*** *founded her brokerage, Fox Residential. One of the city's last remaining independent firms, the company developed a niche in Upper East and Upper West Side co-ops but later expanded throughout Manhattan and, about five years ago, to Brooklyn. The firm claims to have closed $97.1 million in sales in 2018. As larger brokerages continue to gobble up the smaller players, Fox talked to* TRD*'s Mary Diduch about what's it like to run her 40-agent firm.*

I was 21 years old when I moved to New York from North Carolina, by way of Boston. I got a job working for Doubleday Publishing with one of the big editors.

But I realized I needed to do something where nobody limited how much money I could make.

My brother-in-law Joseph Hilton, of MHP Real Estate Services, was in commercial real estate in New York. He introduced me to Alice Mason, the grande dame of residential real estate at the time, and later to the president of Cross & Brown [whose residential division was later sold to Elliman].

I was 30 or 31 years old at the time, and he hired me to run the firm. My mother was very sick. I ended up leaving and taking off a couple of months that summer until my mother passed away.

My husband said to me, "Why don't you take off a year and reacquaint with your own life and your friends and have some fun?" A month later, I started my company.

I started it in the worst market, in January of 1989. When I first started, I had two brokers who were my good friends. One of them was very pregnant. One day during a snowstorm we went out canvassing for listings. Everything was done on cards, and you had to really go out and find listings. We were tromping around in a snowstorm talking to doormen. They felt so sorry for us that they kept giving us great listings, and that's how we thrived for a while.

Technology changed everything. The big firms had the edge because of their expensive websites. But the playing field has leveled; people don't go to the big firms anymore to find their listings. They go to the big aggregators.

[As a smaller player,] whatever we need to do, we do. When we needed to do a new website, we did a new website. I can do anything I want to do for a client. Very often, if an estate is selling an apartment and a lot of work needs to be done and the estate doesn't have the cash, I can pay for it in advance. Then they pay me back once it closes.

I've been approached by everybody that's acquiring. If I had a financial issue, I would probably have done something. But I don't, knock on wood.

We had the best June I think we've ever had. Any of the changes that come from the government — like the changes in the mansion tax — take a while to [become] the new normal. I remember when the first mansion tax was instituted and everybody was up in arms: "I'm not buying." Two months later, they were buying.

This is a more difficult market to navigate. I think in a difficult market, it's easier for a small boutique firm. We make money the same as everybody else does, maybe a little less, but it doesn't cost us as much. When you have one of these huge mega-firms, it has umpteen offices — it's a fortune.

I haven't considered opening other offices. So much of our business today is done virtually. And about three or four years ago, I looked around and I saw that I had 38 desks and they were always empty. So I decided to scale down the office and do hotel desks. It works brilliantly.

I've been very prudent in terms of putting away money for a rainy day. So I haven't needed massive influxes of money from investors. I don't worry about downturns because I have a cushion. When you have a huge firm, there's no such thing as a cushion for downturns; there's not enough money. Maybe Compass has it, but their investors aren't going to be happy if they're not making money.

People always say to me, 'What's your five-year plan like?' I don't know. I function on a day-to-day basis. I believe in rolling with whatever needs to get done at the time that it needs to be done. I've never been a planner. My husband is ready to kill me half the time because of that. I really plan to go out feet first from my office.

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