

Residential Real Estate in the World's Capital

An Interview with Dottie Herman,
President and Chief Executive Officer, Prudential Douglas Elliman Real Estate

EDITORS' NOTE Dottie Herman began her more than 20-year real estate career as a salesperson on Long Island, subsequently buying Prudential Long Island Realty in 1989. She bought Douglas Elliman in 2003 along with her partner Howard Lorber. Herman is involved with the Katz Institute for Women's Health and the Katz Women's Hospital of the North Shore-LIJ Health System, as well as the American Heart Association.



Dottie Herman

COMPANY BRIEF Prudential Douglas Elliman Real Estate (www.elliman.com) is New York's largest residential brokerage with in excess of 60 offices in New York City, Long Island, the Hamptons, and Westchester/Putnam; more than 3,800 real estate agents; and a network of national and international affiliates. They are exclusive strategic partners with London-based Knight Frank LLP for residential business in all of their New York markets. Prudential Douglas Elliman ranked in the top four of all real estate companies in the nation in each of the last four years. The company also controls a portfolio of real estate services, including Manhattan's largest residential property manager, Douglas Elliman Property Management, as well as PDE Title and DE Capital Mortgage.

Where does the New York residential real estate market stand today?

The New York City market got bruised; however, it fared much better than the rest of the country. New York is a world capital and people – whether from New York, across the United States, or from around the globe – continue to want to live here.

Right now, there is a great opportunity to purchase New York City property. Interest rates are the lowest they have been in over 40 years and prices are down from the peak of the market. Savvy real estate people are absolutely buying now because they believe in the strength of New York City.

Do people need to forget what pricing used to be?

The market fell apart a few years ago. Buyers are now looking for a steal, while sellers are resistant to lowering prices because they are still remembering the sales of an “up” market. Every market changes and eventually reason takes over, people forget or accept the new market, and the

prices are adjusted accordingly. If a seller is motivated and wants to sell a property, it will be sold. I don't think we're going to see the 20 percent annual appreciation again for a long time, but it was not realistic to expect that kind of appreciation to continue, as that real estate boom was not normal. We're in a better real estate market now because it's more balanced.

The issue we are faced with now is the difficulty people encounter when they try to get financing.

You are now able to provide that financing, correct?

Yes, we did a joint venture with Wells Fargo, and our company, DE Capital, serves as the financing component of Prudential Douglas Elliman's core services. I've always had a mortgage brokerage company, but in listening to the needs of my customers, I felt strongly that we had to provide them with the banking services they require. We've achieved that by partnering with the biggest and best in the business, Wells Fargo.

Financing, however, is still tough. A few years ago, banks were overly lenient when providing financing; now we're at the other extreme where everything is checked and double-checked. It is very important for consumers to have their credit scores monitored and checked before entering into the search for a home. There are a lot of tips that we, as real estate agents, can provide to better help our customers understand what they need to do. For example, two weeks before closing, a lender will check credit again and something as small as saving 10 percent by opening a charge card at a store will affect a credit score and automatically decrease one's mortgage rate and ability for financing. Financing has become much harder to get and it is so important for people to stay informed. Currently, lenders are looking to do away with any loans where you would be able to put anything less than 20 percent down. People who purchase all cash are not affected by this change. However, middle America, first-time buyers, or young people with a solid and stable income will suffer in trying to get financing as a result of the high prices in New York City and the surrounding suburbs.

Recently, guidelines were changed in exclusive, high-priced residential areas. In the past, a Fannie Mae and Freddie Mac loan was readily available up to \$725,000 and now that number

has been reduced to \$619,000 – anything over that amount is considered a jumbo mortgage, which will cost the home buyer more money.

A few years ago, there were no-income check programs for people with their own businesses – credit scores were based on whether a business-owner had good credit and with a down payment of 25 to 30 percent, mortgages were given. This type of financing is virtually impossible to get today.

I believe that credit should not go back to what it was, but we should meet somewhere in the middle from where we are today and where we were in the recent past.

There is almost no part of New York City that hasn't been, or is not being, developed. Does that surprise you?

I have to give accolades to New York City's Mayor, Michael Bloomberg. Areas like downtown, with the rebuilding of the World Trade Center, are as busy as midtown and the West Side along the Hudson River has been transformed, as well. Planning and vision are required to reshape neighborhoods and both public and private sectors, including developers, have been very successful in achieving successful new developments and places to live.

What skills do you need today to be successful in this industry?

Working in residential real estate is very different today than it was in the past. Just a few years ago, there was no information about listings available – it was not published. So people turned to realtors to get information. These days, everything is transparent and accessible. So the broker's role now is to help the client navigate through all of that information.

Also, the brokers have to be able to reach their clients in the way their clients need to be reached. Since we're dealing with many different age groups, you have to speak on the phone as well as deal with the Internet, use social media and social networking and, of course, be helpful, charming, and resourceful in personal meetings.

Agents now have to be on call 24/7 because clients today want information when they want it. Most clients also want to have somebody they are able to trust.

A good broker also knows that current news, Wall Street, and market trends all affect residential real estate in New York City. So it's important for an agent to know what's going on – not just with real estate but with everything. ●