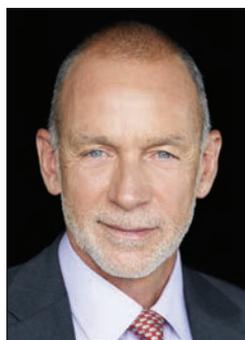


Dominating the High-End of the Market

An Interview with
Hall F. Willkie, President, Brown Harris Stevens

EDITORS' NOTE Hall Willkie oversees Brown Harris Stevens Residential Sales, LLC, managing more than 350 sales agents in New York City with sales in excess of \$4.2 billion. He is a governor of the Real Estate Board of New York (REBNY) and serves on its board of directors. In 1993, Willkie was honored with REBNY's prestigious Henry Forster Memorial Award.



Hall F. Willkie

COMPANY BRIEF Established in 1873, New York-based Brown Harris Stevens (www.brownharrisstevens.com)

is a premier provider of real estate services. One of the oldest and largest real estate firms in the country, the company operates offices in New York City, the Hamptons, North Fork, and Palm Beach. Its operating divisions include residential sales, residential management, new development marketing and sales, relocation, appraisal and consulting, commercial sales, leasing and management, health care real estate, and insurance services.

How strong is the real estate market today?

The market is extremely strong because there is a lot of demand and an incredible scarcity of supply, especially in resales. The current marketplace is very different from how it was before the crash. There is strong price-sensitivity on the part of buyers, which is understandable. With very few exceptions, no matter how scarce the inventory is, buyers are only willing to buy if they feel the prices being asked are justifiable – and this has nothing to do with their budgets. There are a lot of listings sitting on the market because they're overpriced.

Prior to the fall of Lehman Brothers, if people were asked to spend up to 20 percent higher than comparable sales and if they had the funds to do it, they were more willing to spend that money because they felt the property would appreciate at such a fast rate and, in many cases, they were right.

Today, the confidence that it will escalate in value in the near future is not there.

Does the market suffer when buyers have that mentality?

No, it's very healthy. Financing is also holding prices down a bit on appraisals. Before Lehman, if you walked and talked, banks would give you a loan and every appraisal was high; today, it's tough to get an appraisal for the real value. What would make it even healthier would be more inventory.

How challenging is that for your brokers?

It's challenging. We are a service and information business and you need even more information delivered more quickly today. We're doing well because a typical Brown Harris Stevens broker has a great deal of experience and it takes that to achieve sales today.

How much have you invested in technology and how much of the initial research is done by clients via the Web today?

Brokers used to be the guardians of information. Today, all of the information is out there. But clients need to utilize a good broker to distill that information because so much of it is incorrect.

Success in our industry is all about information.

How critical is market research as a component of the service you offer?

It's very important. We issue a variety of market reports and we have a full-time chief economist. Success in our industry is all about information: what is happening in the market and the financial world, and understanding those factors in hard terms. Our buyers require it.

Is being a broker an entrepreneurial venture?

Yes. Brokers are independent contractors and self-starters, but it's key to a broker's success to have the right platform on which to base his or her business. We deliver the information our brokers need. We provide more service to agents than our competitors because I have always felt that a broker should be out selling real estate – not at a desk preparing marketing materials. So we do that for them.

Will we reach a point where the majority of people are priced out of this market?

I'm afraid of that because the values in New York are so high. But it's important to remember that in Manhattan, 70 percent of the housing stock is rentals and 30 percent is ownership. So the housing stock is small.

As long as a major part of the market remains rentals, it helps. But even on rentals, people are being priced out of Manhattan.

How do you classify the agency?

We're proud to dominate the high end of the market, but we're a full-service organization: 40 percent of our sales are under \$900,000.

In 2012, of the top 25 sales in New York City, we did 4 of the top 5, 8 of the top 10, and 16 of the top 25. In the market over \$20 million, we conducted 62 percent of all co-op sales, 57 percent of all condo sales, and 33 percent of all townhouse sales. We have 352 full-time brokers. We're small but powerful.

What is the secret to the firm's success?

We have grown a lot but we are small in terms of number of agents. The biggest company in New York is four or five times larger than we are and we did almost 80 percent of their sales last year.

It's a matter of our focus – I have no interest in filling desks with warm bodies. Our focus is on quality. If you build that long enough, it's what you become.

What do you tell young people who are seeking a career in real estate?

It's a great field for young people and draws talent. But what narrows it down is that we are a 100 percent commission business. The down side is that there is no salary. To start in this business, you need a few years to see if you can make it.

Many refer to the financial sector as the foundation of New York City but isn't real estate truly its backbone?

Yes. New York City is a city of users – these are largely homes, not investment properties. This is even true in the condo market with the foreign buyers.

The percentage of non-U.S. citizens buying in New York always remains around 10 or 15 percent of the market. What has changed is that they're buying big apartments today. This is healthy. It's why we survived the recent financial crisis so well. Approximately 65 percent of the ownership market is co-ops and we have many co-ops in the city. As a result, there is a lot of equity in New York real estate. ●