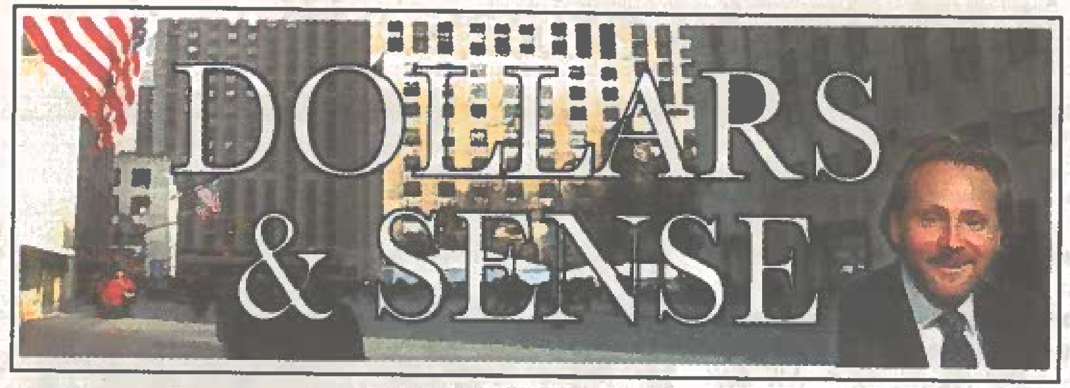

with Bob Knakal

Is there an app' for more deals?

Q: Giving new technological advances that have been introduced since you entered the business, have you seen more sale transactions closing as the speed with which things can get done has been positively impacted by these new tools?

A: When I first read your question, my immediate reaction was that, of course, things happen much quicker and, therefore, the number of sale transactions must certainly be higher today than it was in the mid-80s.

When I started in the business in 1984, we didn't have computers on our desks, didn't have cell phones and didn't even have fax machines. The first fax machine which was readily available to the public, could be accessed at a Federal Express office. They called their process "Zap Mail" which consisted of bringing a document to a FedEx office, having that office fax the document to another FedEx office and then having that document hand-delivered by FedEx to its intended recipient.

This service was available for $8 per page and same-day delivery was guaranteed if the document was delivered to the FedEx office before 2 p.m.

Then in the late 80s, cell phones started to become more popular, and by the early to mid-90s, it seemed everyone had one. In the early 90s, probably only half of the brokers in New York City had computers on their desks. It really wasn't until the mid-90s when you were considered a dinosaur if you didn't use a computer for day-to-day tasks. It was around the same time that voicemail became a must-have tool. A few years later, e-mail became an essential part of the business community and our way of life.

Several years ago, the Blackberry was introduced, and it seems as if we have all become addicted to constantly being accessible.

Considering the power that today's technological tools provide, the differences between doing business in the mid-to late 80s versus today are startling.

Back then, property setups were written by hand and handed to a secretary for typing. Corrections were made and the drafts were given back to the secretary for completion. These final drafts were then mailed to the client for approval. After the client made their changes they would typically mail the setup back to the broker who would then resubmit it to the secretary for final changes. Once approved, hundreds or thousands of copies were made on the copy machine and stuffed into envelopes by hand. Mailing labels then had to be printed and stuck on envelopes, one at a time. This process could take several weeks before the information was in the hands of a potential buyer.

Real estate attorneys would draft contracts of sale much in the way that setups were produced. These contracts would go back and forth between opposing attorneys through the mail, and it would often take several weeks to execute a contract even for the most straightforward of transactions.

Today, these same process can be accomplished within a matter of hours. Desktop publishing has eliminated the need for a typing pool and e-mail allows for the mass distribution of information and documents almost instantaneously.

Surely today's technology has made the speed of business much faster, therefore, so many more transactions must be happening these days, I thought to myself. An analysis of sales volume shows that this is absolutely not the case.

While many different processes have been streamlined using today's technology, sales transaction volume has remained within a fairly narrow band of deviation over the past 26 years.

And, in fact, using the Manhattan market as an example, we see that the average turnover of sales volume ratio (number of sales per year versus the total stock of building inventory) has declined decade over decade as these technological advances have been introduced. In the 1980s, average turnover was 3.02%, with a low of 2.5% and a high of 3.5%. In the 1990s, the average turnover was 2.42%, with a low of 1.6% and a high of 3.9%. In the 2000s, average turnover was 2.21%, with a low of 1.6% and a high of 3.4%.

So, what conclusion can be drawn from this data? Two schools of thought could be considered. On one hand, it would seem that technology would allow the new broker in the market to make progress far more quickly utilizing today's technology. On the other hand, however, it appears that the top firms are able to get more done at the expense of those further down the food chain.

In the New York City building sales market there is generally enough volume to go around for everyone. However, because individuals are able to accomplish more using today's available tools, it would appear that technology is allowing the strong to get stronger, making it much more difficult for others to compete

While this point can be argued, one thing is for certain: greater marketwide sales volume is not being achieved given today's modern technology.