

# REAL ESTATE WEEKLY

## BROKERS WEEKLY

### Total eclipse of the sun

Reports show Brooklyn and Queens are closing Manhattan price gap

By CHRISTIAN BAUTISTA

In a market where bidding wars are less common and owners are quick to embrace price cuts, Brooklyn and Queens are defying gravity.

The two boroughs, which have long served as escape hatches for high prices in Manhattan, may soon be less loved by bargain hunters.

"Brooklyn has become the new Manhattan, while Queens has become the new Brooklyn," said Steven James, the CEO of the New York City office of Douglas Elliman. "As prices rose in Manhattan, buyers moved to Brooklyn and now we're seeing this flow of buyers consider Queens."

According to Douglas Elliman's second quarter sales report, the median and average sales price in Brooklyn and Queens reached all-time highs. During the period, the median sales price in Brooklyn grew by 20 percent year-on-year to \$795,000. The average sales price, meanwhile, rose by 22 percent to \$997,654. The median sales price record represents the fourth consecutive quarter that the borough has posted an all-time high in the category. Meanwhile, the average sales price record was the third in four quarters.

Brooklyn's strong performance was driven by the luxury segment. During the quarter, the median sales price of luxury homes rose by 32.6 percent to \$2,520,168. The number of sales in the borough also rose 50.7 percent to 2,845. The figure represents the highest for a second quarter in a decade.

In spite of record pricing, Brooklyn homes spent more days on the market, going from 76 days to 93 days on a year-on-year basis. Listing discounts also grew from 1.1 percent to 2.9 percent.

In Queens, meanwhile, the median sales price grew by 9.7 percent to \$510,000. The borough's average sales price also rose 12.4 percent to \$592,245. The price of luxury homes in borough also rose 9.1 percent to \$1.2 million. The median sales price record was the second in four quarters. Meanwhile, the average sales price record was the fourth in fifth quarters. According to the report, prices in the borough were elevated due to a "Brooklyn spillover."

During the quarter, homes in Queens spent more days on the market, going from 80 days to 111 days. Meanwhile, listing discounts dropped from 1.9 percent to 0.4 percent.

"What we are seeing in Brooklyn, Queens and Manhattan is that a lot of people are looking to move, but they have a lot of choices and are seeking more product before making a decision," said Hal Givzic, the executive manager of leasing at Douglas Elliman.

As the sales market in Brooklyn and Queens breached all-time highs, the rental market in the boroughs were closer to the floor.

For the period, the median and average rent in Brooklyn posted modest declines. The median rent in the borough dropped one percent to \$2,850. The average rent decreased by 0.6 percent to \$3,158.

The price declines, along with new supply and tenant pushback at renewals, led to a surge in new leases. During the quarter, the number of new leases in the borough grew by 61.5 percent to 1,717.

Queens, on the other hand, registered gains in rental rates. During the quarter, the median rent in the borough rose by 4.2 percent to \$2,503 while the average rent grew by 0.6 percent to \$2,975. The price increases were due to the higher share of new development in the rental market. The segment accounted for one-third of rental activity during the period.

"While sales are flourishing in Brooklyn and Queens, rents remain high, but prices are sliding as concessions have stabilized," said Jonathan Miller of appraisal firm Miller Samuel.

"Concessions are three-to-four times higher than they have been a few years ago, but they are staying consistent because they are working and vacancy has stabilized. I don't expect concessions to rise much higher than they are now."

Both Brooklyn and Queens posted large increases in concessions. The share of leases with concessions nearly tripled in Brooklyn over the past year, going from 6.2 percent to 17.1 percent. The figure represents the second highest on record. Queens, meanwhile, saw the share of new rental transactions with concessions grow more than four times



Weeks after Manhattan's so-called Solstice, reports show the boroughs' housing prices are aligning with those in the city center.

compared to the same time last year. The segment rose from 9.4 percent to 38.3 percent.

Cercon corroborated Douglas Elliman's findings. According to the firm's second quarter report, Brooklyn registered significant increases in prices. The median sales price in the borough grew by 27 percent year-on-year to \$760,000. Meanwhile, the average sales price rose by 24 percent to \$937,000.

"Brooklyn's second quarter maintained the pace set at the start of 2017 and improved on the sales activity recorded in

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— STEVEN JAMES, DOUGLAS ELLIMAN

the second quarter of 2016," the report read.

"While price metrics in many Brooklyn neighborhoods backed off from the highs seen during first quarter, there were still strong year-over-year increases in all market segments. Driven by new development sales, the market-wide average price of \$937,000 was the second-highest seen since 2008; median price climbed 27 percent year-over-year to \$760,000, topping last quarter's high by 9 percent."

Sales in the borough were robust, with 1,459 closings registered during the quarter. The figure, which represents a 17 percent increase year-on-year, is the second highest for a second quarter since 2010. It is also 25 percent higher than the seven-year average.

"Challenged by limited resale inventory, buyers turned to new development properties in numbers significant enough to boost market-wide sales and prices overall. But more aggressive pricing and the lack of low-priced inventory also generated some buyer resistance," the report read.

When it comes to Brownstone Brooklyn and North Brooklyn, median residential sales prices increased to \$1.25 million in the second quarter of 2017, according to the Brownstone Brooklyn and Beyond market report released by Ideal Properties Group.

This represents an increase of 9.6 percent from the same time period in 2016 and a 0.6 percent increase from the previous quarter.

Average sales price for Brownstone Brooklyn and North Brooklyn's residential properties was \$1.687 million. This is an increase of 21.4 percent from the same time period in 2016 and up 9.2 percent increase from the previous quarter. Average prices per square foot grew by .9 percent to \$1,109 since Q32016, while median prices per square foot rose from \$1,108 per square foot to \$1,090, increasing by 1.6 percent.

"Both median and average sales prices in Brownstone and North Brooklyn continue their upward traction and we have again surpassed the price of any previous time period," stated Aleksandra Scepanovic, Managing Director of Ideal.

"We believe that it will not be too long before we reach the \$2 million average milestone, as Brooklyn continues to attract buyers for its beloved townhouses, condos and co-ops."

Townhouse sales price averaged \$2,494 million. This is a decrease of 6.9 percent from the previous year and down 3.8 percent from the previous quarter. Median prices decreased by 7.2 percent from the same time period in 2016 to \$2,185 million, which represents a decrease of 5.1 from 1Q2017.

Record pricing was not limited to the borough. The median and average price per square foot in Manhattan were at all-time highs during the second quarter, according to a report from Stribling & Associates. However, the gains were attributed to new developments sales from years ago.



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