

THE REAL DEAL

February 2005

Where Brooklyn Beats Manhattan

02/01/2005

A history of the rivalry between shining, moneyed Manhattan and scrappy, working-class Brooklyn is peppered with one-sided results through the last century: Manhattan got skyscrapers, high finance and nightlife Brooklyn got low-rises, factories and grit.

The comparison no longer holds up, particularly in real estate. In a 2004 year-end report released by The Corcoran Group, the only brokerage in Manhattan and Brooklyn that keeps sales and rental statistics for both boroughs, it appears prices in a handful of Brooklyn locations are surging ahead of comparable Manhattan neighborhoods.

Brooklyn Heights, Park Slope and Dumbo are among the areas outpacing Manhattan neighborhoods, notably the far East Side, Murray Hill, parts of the Financial District and Midtown West.

"Brooklyn no longer takes a backseat to Manhattan when it comes to hip, well-serviced, desirable neighborhoods people want to live in," said Pamela Liebman, Corcoran chief executive officer. "Priced per square foot, parts of Brooklyn are starting to rival Manhattan more and more."

A quick glance at average sales price in the latest Corcoran data shows that marketwide, prices in Brooklyn don't come close to Manhattan, though Brooklyn condominium prices grew by 33 percent from 2003 while Manhattan prices grew by only 9 percent.

Part of that huge increase might have to do with the average sales price of a condo in Dumbo, which at \$968,000 crowned Brooklyn prices for condo sales and surpassed average prices in Downtown Manhattan, at \$924,000, as well as Midtown West at \$802,000. It also rivals Midtown East at \$970,000.

Taking second in Brooklyn for average sales price of a condo was Williamsburg, but at \$746,000, it didn't come close to Dumbo or the lowest priced Manhattan neighborhood, Midtown West. Corcoran didn't have 2003 data from either Brooklyn neighborhood to help gauge how quickly prices are rising.

Brokers with Douglas Elliman, which has a handful of agents who work in both Manhattan and Brooklyn, said their anecdotal experiences back up these numbers.

"Williamsburg and Dumbo certainly are competing price point to price point with the new

developments down on the Lower East Side, which I think represents an area of great opportunity in Manhattan," said Tribeca-based broker Doug Bowen, who lives in a Brooklyn townhouse and also invests in them. "We're talking Chinatown, the Lower East Side from Houston down to Delancey that's a very happening neighborhood."

Bowen also targeted Clinton/Midtown West, also known as Hell's Kitchen, as a Manhattan neighborhood that is outpriced by these Brooklyn neighborhoods.

"There is no doubt about that," he said. "At \$805 to \$900 a square foot, with the chic of Williamsburg and the chic of Dumbo, there are a lot of people who are gravitating to that take-it-down-a-notch Brooklyn lifestyle in lieu of being in Hell's Kitchen."

In another independent analysis, Jonathan Miller, president of real estate appraisal company Miller Samuel, used Corcoran's Brooklyn numbers to show that the average sales price for a Dumbo condo is surging past Midtown West and Battery Park City, at \$859,000 and \$720,000; and Williamsburg is surpassing Battery Park City.

Bowen was so rosy on Dumbo and Williamsburg that he predicted they are only slightly more than a year from catching Tribeca.

When it comes to co-ops, other Brooklyn neighborhoods steal the spotlight. According to Corcoran data, Cobble Hill, with an average co-op sales price of \$520,000 pulled ahead of Manhattan's Midtown West at \$480,000 and may soon overtake Downtown at \$557,000.

Cobble Hill also saw a greater price hike since 2003 at 27 percent than those two competing Manhattan neighborhoods, which both saw an increase of about 20 percent.

At \$290,000, the average price for a studio co-op in Cobble Hill topped every Manhattan neighborhood except Downtown at \$299,000. In Brooklyn Heights, the \$1.3 million average price for a three-bedroom-plus co-op outpaced Midtown West's \$1.1 million average.

Miller's independent analysis concluded that the average price of a co-op in Cobble Hill outprices Union Square, Gramercy Park, Kips Bay and Murray Hill, which averaged \$503,000, as well as the Yorkville average of \$485,000.

Brooklyn townhouses may be a few years from achieving parity with Manhattan, say townhouse specialists, whose analysis is supported by the Corcoran data.

While the gap between Manhattan and Brooklyn in the average sales price of condos and co-ops has narrowed significantly in the last year-and-a-half, "in the townhouse market, the gap is still much wider, so I would say the townhouse market in Brooklyn represents a great opportunity, because there's a lot of it," Bowen said.

David Grossman, director of Brooklyn sales for townhouse broker Leslie J. Garfield & Co. and a Brooklyn resident, agreed.

"In Brooklyn, if you are maybe picking a prime property on the best street in Brooklyn Heights,

that may be the one comparison you can make to Manhattan, or maybe snapshot comparisons here and there," he said. "But in general, it's not there yet."

Grossman said the only Manhattan neighborhoods where townhouses might be eclipsed by Brooklyn Heights and Park Slope would be Harlem and the Lower East Side.

"I think if things keep moving along as they are now, we could be talking a three- to five-year period that the better neighborhoods in Brooklyn will start matching up with the good neighborhoods in Manhattan," he said.

Brooklyn apartment rentals in places like Brooklyn Heights, Cobble Hill and Boerum Hill are beginning to exceed rental prices in some Manhattan neighborhoods, such as the Upper West and Upper East sides.

Though the Corcoran data does not bear this out, a comparison of Corcoran's Brooklyn rental prices with the Manhattan prices of Citi Habitats, a branch of Corcoran, shows that Brooklyn areas are becoming competitive in certain apartment sizes, such as Boerum Hill for studios and Brooklyn Heights and Cobble Hill for two- and three-bedroom apartments.

"Neighborhoods like Brooklyn Heights and Park Slope and parts of Williamsburg and Dumbo can fetch higher rents than areas in Manhattan proper, like the high 90s on the East Side, and Peter Cooper Village, and the lower, lower East Side," said Andrew Heiberger, president of Citi Habitats.