

## Brooklyn's empty shelves



Bidding wars. All-cash offers. Foreign buyers. Off-market sales. The telltale signs of New York City's housing crunch have dominated headlines in recent years, as pent-up demand from the financial crisis gave way to a seller's market — one in which prices have soared.

But in Brooklyn, the steep inventory decline of the past four years is easing slightly, as new developments hit the market and some homeowners cash out.

This month, *The Real Deal*, using data culled together by the listings website StreetEasy, did a neighborhood-by-neighborhood breakdown of the for-sale inventory in Brooklyn.

The StreetEasy numbers showed that there were 4,202 properties for sale in Brooklyn during the month of June — up 15.9 percent from the same time last year, when available housing stock plummeted to 3,702 properties on the market.

“I would characterize this increase as a slight return, a beginning of a return to normal,” said Alan Lightfeldt, a data scientist who leads StreetEasy's research efforts. “We still have a long way to go.” Overall, Brooklyn's housing inventory is still 25.2 percent lower than 2010, when the number of available properties swelled to 5,737, as the effects of the recession were being felt full force. In fact, that buyer's market has given way to an inventory shortage in Brooklyn that's rivaled that of Manhattan.

Properties in both boroughs spent a median of just 49 days on the market in June, according to Lightfeldt. But while Brooklyn's inventory shortage is partly the result of development projects stalling in 2009 and 2010, it also stems from an influx of new buyers who are priced out of Manhattan — of course, Brownstone Brooklyn would be an exception — as well as buyers who are just attracted to Brooklyn's up-and-coming neighborhoods in their own right. Nonetheless, the buyers and renters venturing into Brooklyn for deals get a rude awakening.

While Brooklyn prices are lower than they are across the river, the inventory squeeze has pushed prices to new highs.

In June, the median sale price in the borough for all sales rose 12 percent to \$521,000, compared with the prior year period, according to StreetEasy.

“When someone owns a smaller home and wants to buy a bigger home, yes, they know they can sell their current home quickly in this market and for a great number,” said Sarah Burke, Douglas Elliman’s regional managing director for Brooklyn. “But they’re not necessarily finding or seeing the next apartment. They have nowhere to go.”

For that reason, said Lightfeld, buyers are starting to look with fresh eyes at more affordable neighborhoods — areas that they would not have considered five years ago. “There’s a lot of new buyer interest in outer borough neighborhoods,” he said.

Below is a roundup of some of the largest neighborhoods, showing which areas have been dogged by the inventory crunch — and where the tightness is starting to ease.

<b>The past year: Largest inventory declines by nabe</b>				
<b>NEIGHBORHOOD</b>		<b>NUMBER OF LISTINGS AS OF:</b>		
		<b>JUNE '14</b>	<b>JUNE '13</b>	<b>% DROP</b>
1	<b>Red Hook</b>	7	11	<b>36.4%</b>
2	<b>Prospect Lefferts Gardens</b>	38	47	<b>33.3%</b>
3	<b>Prospect Heights</b>	70	89	<b>21.3%</b>
4	<b>Park Slope</b>	223	268	<b>16.8%</b>
5	<b>Cobble Hill</b>	41	48	<b>14.6%</b>
6	<b>Dumbo</b>	46	53	<b>13.2%</b>
7	<b>Brooklyn Heights</b>	125	141	<b>11.3%</b>
8	<b>Gowanus</b>	17	19	<b>10.5%</b>
9	<b>Carroll Gardens</b>	46	51	<b>9.8%</b>
10	<b>Downtown Brooklyn</b>	104	111	<b>6.3%</b>

<b>Past five years: Largest inventory declines by nabe</b>				
	NEIGHBORHOOD	NUMBER OF LISTINGS AS OF:		
		JUNE '14	JUNE '09	% DROP
1	<b>Gowanus</b>	17	107	<b>84.1%</b>
2	<b>Prospect Heights</b>	70	187	<b>62.6%</b>
3	<b>Fort Greene</b>	62	165	<b>62.4%</b>
4	<b>Red Hook</b>	7	17	<b>58.8%</b>
5	<b>Williamsburg</b>	234	547	<b>57.2%</b>
6	<b>Greenpoint</b>	55	125	<b>56%</b>
7	<b>Carroll Gardens</b>	46	104	<b>55.8%</b>
8	<b>Downtown Brooklyn</b>	104	210	<b>50.5%</b>
9	<b>Dumbo</b>	46	90	<b>48.9%</b>
10	<b>Boerum Hill</b>	42	78	<b>46.2%</b>

*Source: StreetEasy review of sales listings for June 2014, June 2013 and June 2009. StreetEasy defines inventory as the number of listings available at any point during the month*

### **Park Slope**

*Inventory change from 2009: 43.7 percent drop*

*Inventory change from 2013: 16.8 percent drop*

Perennially high demand for Park Slope's classic brownstones has kept inventory levels in the neighborhood at a steady low in recent years.

There were 223 properties for sale in Park Slope in June — down 16.8 percent from 268 during the same month last year, according to StreetEasy's data.

At the same time, demand has continued to drive up prices in Park Slope, already one of the most expensive neighborhoods in Brooklyn. The neighborhood's median sale price in June was \$960,000, up 31 percent from last June.

"When a unit or a home or an apartment is priced appropriately, those are the units that have the frantic open houses with lines out the door," said Catherine Witherwax, director of Stribling & Associates' year-old Brooklyn office.

Aleksandra Scepanovic, managing director of the Brooklyn-based Ideal Properties Group, said that townhouses, which line the streets of Park Slope, are the most popular housing type.

"[But] obviously there's a limited supply of townhouses, even in Brooklyn," she said.

## **Brooklyn Heights**

*Inventory change from 2009: 38.7 percent drop*

*Inventory change from 2013: 11.3 percent drop*

With sweeping views of Manhattan, the waterfront neighborhood of Brooklyn Heights shares a problem with the rest of Brooklyn's prime areas: high demand and little inventory.

There were 125 properties for sale in Brooklyn Heights in June, down 11.3 percent from last June and down nearly 42 percent from June 2012, according to StreetEasy.

Like Park Slope, prices in Brooklyn Heights are among the borough's highest — and they're still climbing. The neighborhood's median sale price was \$862,000, up 7.8 percent year over year, according to StreetEasy.

Elliman's Burke said the expansion of Brooklyn Bridge Park has made the already-popular neighborhood even more desirable. Its condo and co-op stock has also been an alternative for those priced out of the townhouse market, she said. But inventory in the neighborhood hasn't seen a bounce, even with new projects like the Toll Brothers' 108-unit Pierhouse and the 438-unit One Brooklyn Bridge Park, as well as smaller projects like 20 Henry, with 39 condos, and 30 Henry, which has five condos. According to Burke, there were 142 co-ops on the market in the neighborhood during the first half of 2014, compared with 182 during the first half of 2013. She blames high demand for co-ops being snapped up at a faster pace. "People want to live in the neighborhood," she said.

## **Williamsburg**

*Inventory change from 2009: 57.2 percent drop*

*Inventory change from 2013: 11.4 percent increase*

New development in Williamsburg, which paved the way for the neighborhood's boom in the past decade, is picking up again — and it's easing the inventory crunch in the neighborhood ever so slightly. There were 234 properties for sale in Williamsburg in June, an 11.4 percent increase from 210 last June. Over the past decade, Williamsburg, of course, saw an influx of shiny, new development condos and rentals, driven by a large-scale rezoning of the waterfront in 2005 to mixed-use from industrial. But by June 2009, in the aftermath of the financial crisis, inventory ballooned to a massive 547 properties listed for sale, as a slew of buildings sat half-empty.

As the market recovered, those units were slowly absorbed. But after a construction hiatus — which was partly due to stalled boom-time projects and partly due to the lack of appetite for starting up new ones — residential development hasn't been able to keep pace with demand in recent years.

New projects like Vittorio Antonini's 260N9, a 20-unit condo at 260 North 9th Street, and projects in the pipeline, such as Xinyuan Real Estate's 216-unit luxury condo at 421 Kent, will relieve some pressure, but not enough, sources said.

Meanwhile, prices have continued to rise.

The median asking price in June rose 18.8 percent to \$899,000, and the median sale price rose 32.3 percent to \$849,500, according to StreetEasy data.

"We're seeing prices in Williamsburg increase by the hour," quipped Ben Tapper, a senior director at Eastern Consolidated.

## **Bushwick**

*Inventory change from 2009: 25 percent drop*

*Inventory change from 2013: 45.5 percent increase*

Sometimes called the “next Williamsburg,” Bushwick has seen inventory shrink over the past five years. But a recent uptick reflects developers’ growing interest in the neighborhood.

There were 48 properties for sale in Bushwick in June, a 45.5 percent increase from the 33 listed at the same time last year, according to StreetEasy. The median sale price was only \$349,000, but the bar is getting higher. The median asking price in June rose 41.7 percent to \$849,000, as demand from buyers and new development drives prices higher.

While there are still relative bargains to be found, developers are “land bagging in Bushwick to build the next Williamsburg,” said Doug Bowen, an executive vice president at the brokerage CORE.

The neighborhood east of Williamsburg is located on the L and M subway lines. Sources noted that it has benefited from its quick train access to Manhattan — and on a more superficial level, from the popularity of local pizza joint Roberta’s and the good PR received when actress Zosia Mamet from the HBO show “Girls,” paid \$1 million for a three-story home in Bushwick.

The neighborhood’s housing stock is comprised of three- and four-story buildings, as well as warehouse and industrial conversions. Brookland Capital is currently building a seven-story apartment building at 1255 Bushwick Avenue, the site of the former Holy Tabernacle Church, and Slate Property Group is building a four-story, 20-unit development at 83 Bushwick Place.

“You also have a lot of industrial product and loft space, much of which has been converted, or is being converted, to loft apartments,” said Eastern Consolidated’s Tapper, who recently put a 17,500-square-foot loft under contract in the heart of Bushwick.

## **Bedford-Stuyvesant**

*Inventory change from 2009: 17.6 percent increase*

*Inventory change from 2013: 41.5 percent increase*

Buyers priced out of Brooklyn’s prime neighborhoods have found plenty to like about Bedford-Stuyvesant’s townhomes, and inventory is on the upswing as more longtime residents cash out, neighborhood brokers say.

There were 174 properties for sale in Bed-Stuy in June, up 41.5 percent from 123 in June of last year. While buyers can still find a relative bargain in Bed-Stuy, demand is pushing prices up at an aggressive clip, according to StreetEasy’s data. The neighborhood’s median sales price in June rose 57.3 percent year over year to \$507,336, while the median asking price rose 50.4 percent to \$895,000.

In addition to new development — at buildings like 1192 Bedford Avenue, a six-unit condo, and the Verve Condominium, a three-unit building where prices started at nearly \$1 million — brokers said resales are up, as owners see how much their property can fetch in this market. A townhouse at 116 Macdonough Street recently hit the market with an asking price of \$1.9 million.

“People have finally started understanding that yes, it’s true, their property could potentially fetch \$1 million more than it did last year,” said Ideal Properties’ Scepanovic. “They’ve seen neighbor after neighbor achieve those prices.”

New developments are also in the works, including Brookland Capital’s 41-unit building at 689-691 Marcy Avenue and Tomer Development’s 20-unit building at 376 Franklin Avenue.

## **Prospect Heights**

*Inventory change from 2009: 62.6 percent drop*

*Inventory change from 2013: 21.3 percent drop*

Prospect Heights, once thought of as the stepchild of Park Slope, has come into its own over the past couple of years — and the crop of homes for sale shows it.

There were 70 properties, mostly townhomes, for sale in June, down 21.3 percent from 89 properties for sale in June 2013, and down 62.6 from 187 properties for sale in June 2009, according to StreetEasy data.

Meanwhile, as in the rest of Brooklyn, demand has nudged prices up.

The median sales price in June rose 22 percent to \$667,000, and the median asking price rose 6.3 percent to \$849,000.

Stribling's Witherwax said individual homes in Prospect Heights are selling for far more than they did just two years ago, as prices have "skyrocketed" overall.

"A house you could once get for just over \$1 million is now easily worth close to \$3 million," she said. In addition to transit options and cultural institutions, Prospect Heights' lots are 30 feet deeper than many other Brooklyn neighborhoods, giving homes "fantastic, deep backyards," Witherwax said. "It's a very, very small neighborhood but it has some wonderful, unique features."

## **Downtown Brooklyn**

*Inventory change from 2009: 50.5 percent drop*

*Inventory change from 2013: 6.3 percent drop*

Although a batch of new rental buildings has opened in Downtown Brooklyn, developers haven't caught up with buyers' appetite for condos, prompting the area's inventory level to flatline over the past 12 months.

There were 104 properties for sale in Downtown Brooklyn in June — a 6.3 percent drop from 111 properties during the same time last year.

Meanwhile, the median sales price was \$405,000, down 29 percent from \$572,000 one year earlier, which StreetEasy's Lightfeldt attributed to new developments that came online in 2013.

More recently, CORE's Bowen said, "There's nothing on the market."

But things could be looking up in Downtown Brooklyn — literally and figuratively. With no height limitations for building in the neighborhood (Downtown was upzoned in 2004) it is one of the hottest areas for real estate speculation.

"This is where developers can go big," Bowen said. "You can't go big in Park Slope, except maybe on Fourth Avenue."

In addition to the upzoning, Downtown has transportation, retail, parks, and other prime neighborhoods nearby, said Roger Fortune, vice president of the Stahl Organization, which developed 388 Bridge, a 378-unit condo-and-rental tower in the neighborhood. There were contracts on 30 percent of the condos within two weeks of the sales launch in June.

## **Greenpoint**

*Inventory change from 2009: 56 percent drop*

*Inventory change from 2013: 10 percent increase*

Like its neighbor Williamsburg, Greenpoint's tight inventory reflects fallout from the financial crisis, as housing stock soared immediately after the crisis, only to plummet in subsequent years.

Like other post-industrial neighborhoods, Greenpoint's 2005 rezoning from industrial to mixed-use has attracted developers.

There were 55 properties for sale in the waterfront neighborhood in June, up 10 percent from the same time in 2013. By comparison, there were 125 properties for sale in 2009, or more than twice the number of listings there are now.

The median sale price of \$635,000 was down 14.7 percent year over year, but in a sign that sellers were shooting high, asking prices rose 25.2 percent to \$875,000 during that same time.

Brokers said the easing of Greenpoint's inventory crunch signals developer interest in the neighborhood. According to the real estate brokerage MNS, new development properties accounted for 21 percent of Greenpoint's sales during the second quarter, the highest percent in the borough.

"Greenpoint is really the next big 'it' neighborhood," said CORE's Bowen, citing new developments such as 77 Commercial, a joint venture between developers Joseph Chetrit and David Bistricher that includes two towers, one 30 stories and one 40 stories, with 720 units combined. Demolition permits for the existing two-story building on the site were filed in June.

## **Bay Ridge**

*Inventory change from 2009: 58.5 percent increase*

*Inventory change from 2013: 16.3 percent increase*

A neighborhood in transition, Bay Ridge is bucking the trend when it comes to both price (relatively low) and inventory (on the upswing). In addition, buyers who are priced out of prime neighborhoods are pushing further into Brooklyn and southwest into Bay Ridge, giving sellers a reason to list.

There were 306 properties for sale in June, up 16.3 percent from 263 units last June and up 58.5 percent from 2009.

For buyers, there's more good news: In June, the median sales price in Bay Ridge was \$303,000, below the median of \$521,000 for Brooklyn.

According to Lightfeldt, inventory is up thanks to resales and new developments, like the 24-unit condo building at 9917 Shore Road, hitting the market. "It's a mix of new development [and] owners looking at the market and saying, 'This is a good time to be selling,'" he noted.

Buyers squeezed out of prime Brooklyn neighborhoods by high prices and low inventory have been turning up at open houses in Bay Ridge in greater number, brokers said. "People are moving further south because they're priced out of Brooklyn Heights and Park Slope," said Diane Henning, a Corcoran broker who lives and works in Bay Ridge. She said she recently sold a townhouse in Bay Ridge for \$920,000, about \$100,000 over the listing price. There was a bidding war, she said, and more than 150 people came to the open house.

## **Gowanus**

*Inventory change from 2009: 84.1 percent drop*

*Inventory change from 2013: 10.5 percent drop*

Despite hosting a notorious Superfund site, Gowanus is another neighborhood in Brooklyn where inventory is down and interest, among both developers and homebuyers, is high.

There were 17 properties for sale in June, down 10.5 percent from a year earlier, and the current inventory level pales in comparison with 2009, when there were 107 properties for sale. That year, 156 condos at 500 Fourth Avenue also came online.

Even as the uncertain timing of a proposed rezoning continues to hang over the neighborhood, the median sale price rose 1.9 percent to \$735,000.

“You’re seeing people willing to move there because of the price,” said John Le Vine, a founding partner of a new Brooklyn brokerage, EXR Group.

Not surprisingly, developers have noticed.

The Lightstone Group is building a 700-unit rental at 363-365 Bond, and Jared Kushner’s Kushner Companies, along with LIVWRK, bought a block-long development site at 175-225 Third Avenue for more than \$70 million.