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Brownstone Brooklyn prices unscathed in fourth quarter

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Brownstones were the one bright spot in Prudential Douglas Elliman's dismal fourth-quarter Brooklyn market report.

The report, released today, bore a lot of grim news. The number of sales dropped 42.7 percent to 1,846 units sold in the fourth quarter, from 3,222 units in the last three months of 2007. Median home prices in the borough slipped 7.5 percent to \$490,000 from \$530,000 in the same quarter of 2007, while average prices fell 5.2 percent to \$559,338 from \$590,000.

The report marks the fifth consecutive quarter of declines in year-over-year median sales prices in Brooklyn, according to the report's preparer, Jonathan Miller, president of real estate appraisal firm Miller Samuel.

The upside to the report, Miller said, was a surprising amount of strength in the sale prices of houses in Northwest Brooklyn, an area known for its historic townhouses, and commonly called brownstone Brooklyn. The report found that median sales prices of one- to three-family homes in the area jumped 12 percent to \$1.287 million from \$1.115 million in the same quarter of 2007.

But brownstones constitute only a small market share so fluctuations are more dramatic.

"Currently, brownstones seem to be [a] relative anomaly in the market," Miller said, adding: "It's a form of housing stock that's limited in availability and, for the moment, has been relatively unscathed" by the housing slump afflicting the rest of the city.

Unlike new development closings, which can often skew the accuracy of market reports because they occur months or years after contract signing, brownstones generally take only 45 and 60 days to close, Miller said, sometimes taking even less time than co-ops because there's no board involved.

Still, brownstones are not immune to the economic downturn, he said, although they appear to be holding up well for the time being. There were only 60 townhouse sales in brownstone Brooklyn in the fourth quarter, a 36.2 percent drop in sales volume from the prior-year-quarter. Slowing sales mean prices will almost certainly fall in the coming quarters, Miller said.

Brownstone prices already are "more negotiable" than they were in recent months, said Christopher Thomas, an executive vice president at Brown Harris Stevens and the managing director of sales in the company's Brooklyn Heights office.

"New listings tend to be below where similar sales have been six months ago," he said. "You have to be realistic in your offering in order to generate traffic."

However, he said, the scarcity of historic brownstones helps their prices hold up well in comparison to other types of housing, even in down markets. In the early 1990s, for example, "you couldn't give away a studio apartment in this neighborhood," he said, but the sale prices of Brooklyn Heights townhouses were hitting new records. The brownstone market "tends to be stronger when the rest of the market is not."

Co-op prices in Brooklyn also seem to be holding up relatively well so far, with the median sale prices rising 2.9 percent from the same quarter last year, though the number of sales fell a significant 32.4 percent year-over-year, the report showed.

By contrast, the median sales price of a condo in Brooklyn fell 4.7 percent to \$514,216, from \$630,710 in fourth-quarter 2007.

One explanation for the discrepancy between co-op and condo sales is buyers' concerns that new development condo projects will not be finished, Thomas said.

"New development is not currently selling very well, but resales in buildings that are established tend to be holding up pretty well," he said.

In a year-end market report released yesterday, the Corcoran Group reported that the median home price in Brooklyn in 2008 was \$580,000, a 2 percent increase from 2007. The median price of condos fell 5 percent in 2008, the report said, while co-ops increased 7 percent.

By Candace Taylor

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