

New York Quarterly Real Estate Newsletter

Manhattan Q1 2016

The key takeaways from the [Manhattan Q1 2016 Corcoran sales report](#):

- **Sales Volume down:** 3,165 properties closed this quarter, bringing sales down 5% y-o-y and down 13% from 4Q15. The number of contracts signed is following the same trend with 3,005 contracts executed this quarter, a 11% drop from same time last year and 7% from last quarter. While **New Developments** closings were up 42% from 1Q15, their overall contribution (649) was not strong enough to impact more positively the overall sales number.
- **Price Levels are reaching new heights...again:** The average price broke the \$2M mark (\$2.089M) and the Median Price is also continuing its upward trend to reach \$1.160M. Higher price levels are the results of the increasing contribution of New development market share in the sales mix. When segregated, New Development average and median prices are \$2.724M and \$4.027M respectively, nearly doubled the resale condo's (\$1.340M and \$2.073M).
- **Inventory and Months of Supply on the rise, but Average Days on the Market dropping again:** After hitting their second lowest level during 3Q15, market wide inventories are on the second consecutive quarter-to-quarter increase with 8% y-o-y and 6% from 4Q15. Despite this increase, the Months of Supply metric still shows a market below the equilibrium goals (5.1 months vs 6-9 for equilibrium) but on the rise. Average Days On the Market have dropped to 86 days or 15% y-o-y, which could be explained by the increases in price adjustments to sales.

Brooklyn Q1 2016

The key takeaways from the [Brooklyn Q1 2016 Corcoran sales report](#):

- **Sales Volume leveled:** with 1,236 sales recorded this Quarter, sales volume equals numbers of a year ago, and is slightly down from 4Q15, which was the strongest fourth quarter since 2008 with 1,282 units sold. However, the number of contract signed has progressed 6% y-o-y with the largest progression attributed to **New Development** (+19% y-o-y)
- **Price Levels are maintaining their progression:** The median price (\$606k) and average price (\$699k) have increased 15% and 7% y-o-y respectively. This is the first time since 4Q09 that the median price exceeds the \$600K threshold. The median and average price per square foot both experienced growth y-o-y 11% and 5% respectively.
- **Inventory up, Days On the Market and Months of Supply down:** Market wide inventory grew 10% y-o-y. Condo owners willing to cash in on their home/investment have been the largest contributor to the increase with a progression of 23% within the resale condo segment. **New Development** 50% increase in inventory represents a mere 109 units, only 14% of the total inventory. Finally, with 4.9 months of supply, Brooklyn is still considered an undersupply market and with an average day on the market of 63, properties keep flying off the shelves.

Where to look for values in Manhattan

As mentioned above, the Manhattan real estate market has entered a new phase characterized with a slow down in velocity especially in the top end of the market. The demand is becoming much more product specific in a market that is getting more New Developments. Some of them will feel like a commodity product with too much of déjà vu finishing and style and a lack of “je ne sais quoi” that makes certain New Developments glitter more than others and sell no matter what’s happening in the world (i.e. 15 Central Park West). That said, the market for \$1-\$4 million properties is where the action is and now that the competition between resale and new products is narrowing, there are opportunities for a buyer to enter the mid-luxury (\$2-2.5K/sf) market with more bargaining power.

For buyers who want to stay away from prime neighborhoods and go further with their money on the Island with the hopes of upside in future values, the following ideas could be suggested.

The upcoming 2nd Avenue subway line from 63rd to 96th street will certainly drive the value of homes around this stretch once operational (December 2016 according to MTA). There, two full service and amenities new developments: [Citizen 360](#) on 89th and 1st Avenue as well as [Carnegie Park](#) on 3rd Avenue and 94th Street. The area already benefits from a residential feel and dynamic which also attracted Brooklynites relocating in this part of Manhattan because of rent affordability and easy access to convenience stores and restaurants.

While the Financial District (FiDi) does not carry on the “Prime” factor those other neighborhoods such as borderline Tribeca, Chelsea or Flatiron do, it has all its characteristics. It has been experiencing an unprecedented residential shift over the past 10 years bringing more residential than commercial space on Wall Street with a momentum that just keeps going. The residential plans for the conversion of the former BNY Mellon building at 1 Wall Street also calls for a Whole Food to be the retail tenant – a would-be nice addition to the near by Eatery at 4 World Trade Center. The area has welcomed the world’s best brands on Broadway, Brookfield Place Mall (World Financial Center) and the Westfield shops at the World Trade Center. Finally, this location offers an easy access to both the East and West Hudson River Parkway and about 10 subway lines via Fulton Transit Center. New Developments to check out include [101 Wall Street](#) and [One Seaport](#).

How DUMBO set up an example for Brooklyn

With a median price about 1/3 of Manhattan but a population 50% higher and growing and major cultural and business hubs taking place, Brooklyn’s real estate offer a multiplicity of opportunities which vary based on how far you are willing to go into the borough. After focusing on Downtown Brooklyn last quarter, I will make a stop in Dumbo, one of Brooklyn’s hottest neighborhoods, which also happens to be my place of residence.

Dumbo’s transformation started few years ago with the redevelopment of century old waterfront warehouses into lofty offices, which ultimately attracted creative tenants. Following this trend, 2 million sf of offices are currently being redeveloped and marketed among two main projects set to open this year: 1. Tech campus Dumbo Heights developed by Kushner companies, which will house companies like Etsy, WeWork, design firm Frog and food retails Dig Inn and Del Toro. 2. Empire Stores which has already signed ad firm 70andSunny and West Elm offices, will complement the retail landscape with restaurants Soho House and luxury goods maker Shinola.

In terms of residential life, DUMBO offers prime waterfront access with 2 piers offering sports’ playgrounds and entertainment, and an upcoming marina for boats to park. In addition, Equinox gym is set to open this summer which always bring a cool factor to a neighborhood. The nightlife is tempered with few quality venues such as the Atrium, Superfine and a wine bar on Jay street.

DUMBO’s real estate is one of the most expensive Brooklyn has to offer. A Penthouse selling for over \$8M at [One John Street](#) recently broke the record of the most expensive single family property sold in Brooklyn. With resale products in the \$1,300-1,500/sf and above, New Developments such as [51 Jay](#) and [200 Water street](#) present a great alternative with properties starting at \$1,400/sf. Similar quality products in Tribeca (2 subway stops away) would be 20-30% more expensive.

Now that Dumbo has done it, other neighborhoods such as Sunset Park, Navy Yards and the Domino Sugar Factory are going over the same strategy to grow and change.