

# Finding a bottom in Brooklyn

*A look at price declines and bellwether projects in the borough's top neighborhoods*

By SARAH RILEY

Although sale prices and rents have already fallen in the double digits over the past year, most industry experts agree the Brooklyn real estate market has yet to find its bottom. They also agree that distressed and stalled construction, already the most troubled segment of the housing market, opens neighborhoods there up to steeper price declines in the future.

With that in mind, *The Real Deal* divided the "prime Brooklyn" market into six districts and compiled customized

data that includes the number of troubled new developments in each area. Sales and rental prices were provided by StreetEasy, stalled sites by the city Department of Buildings, and distressed properties by Real Capital Analytics.

Michael Falsetta, the executive vice president for real estate adviser Miller Cicero who specializes in new development, and Dan Fasulo, managing director for Real Capital Analytics, also weighed in on "bellwether properties" for each district, which serve as indicators for market trends and, in some cases, have a disproportionate impact on surrounding properties.

## Downtown Brooklyn/Clinton Hill/Fort Greene

Median sales price June to Aug. 2007: \$569,000  
Median sales price June to Aug. 2009\*: \$405,000  
Median listing price: \$598,930  
Median rental listing price Sept. 2008: \$2,450  
Median rental listing price Sept. 2009: \$2,288  
Number of stalled construction sites: 11  
Number of distressed properties: 5

Bellwether: Toren, by BFC Partners, came to market in May 2008 and sold roughly a third of its units before the fall of Lehman Brothers and subsequent decline in real estate values citywide. Developer Joe Ferrara said closings on 119 of the building's 239 units are expected this month. At least one attorney is representing buyers seeking to renege on their contracts, and Falsetta said, "If you see a large default rate at the Toren, the relevant developers are going to have confirmation that the market is lower than they'd want to believe."

## Williamsburg/Greenpoint/Bushwick

Median sales price June to Aug. 2007: \$627,000  
Median sales price June to Aug. 2009\*: \$511,000  
Median listing price: \$670,000  
Median rental listing price Sept. 2008: \$2,950  
Median rental listing price Sept. 2009: \$2,316  
Number of stalled construction sites: 85  
Number of distressed residential properties: 16

Bellwether: Northside Piers, by Toll Brothers City Living, was the first project to aggressively slash prices back in February, which made it the borough's best seller and pushed many of its competitors to lower their prices. Project manager Scott Avram said they discounted Tower 1 "to reflect current market conditions," but don't plan to discount Tower 2. Falsetta said Toll Brothers' willingness to respond quickly to a softened market and the outcome of sales at Tower 2, a bigger tower with better views, will continue to make this project a bellwether.

## Dumbo/Brooklyn Heights/BoCoCa

Median sales price June to Aug. 2007: \$678,000  
Median sales price June to Aug. 2009\*: \$627,000  
Median listing price: \$650,000  
Median rental listing price Sept. 2008: \$2,900  
Median rental listing price Sept. 2009: \$2,765  
Number of stalled construction sites: 9  
Number of distressed properties: 3

Bellwether: One Brooklyn Bridge Park by RAL Companies, once considered among the most promising new developments in Brooklyn, fell into distress this year because sales at the 449-unit building weren't moving fast enough. RAL received a two-year loan extension in May, and has since lowered its prices an average of 32 percent and offered some units for rent. But industry experts still doubt the project will sell out at current prices. "It's a beautiful project in a beautiful location. In the New York area there's no dearth of buyers at the current market price. The problem is, there's very few projects at the appropriate price," said Fasulo, adding that major cuts here would impact the entire surrounding market in Brooklyn.

## Red Hook/Sunset Park/Windsor Terrace/Gowanus

Median sales price June to Aug. 2007: \$623,000  
Median sales price June to Aug. 2009\*: \$463,000  
Median listing price: \$465,000  
Median rental listing price Sept. 2008: \$1,950  
Median rental listing price Sept. 2009: \$1,900  
Number of stalled construction sites: 9  
Number of distressed properties: 2

Bellwether: The five King Richards Townhouses by Vitale Builders were one of the few new construction projects to hit the market in Red Hook, and were priced at \$1.3 million when they came to market in August 2008. Prudential Douglas Elliman broker Nicole Galluccio said two contracts at that original price point fell through because of financing difficulties, and it took lowering prices to between \$699,000 and \$899,000 for two new contracts to be signed, indicating at least a 30 percent drop in the Red Hook market.

## Bed-Stuy/Crown Heights/Prospect Heights

Median sales price June to Aug. 2007: \$605,000  
Median sales price June to Aug. 2009\*: \$450,000  
Median listing price: \$474,000  
Median rental listing price Sept. 2008: \$1,800  
Median rental listing price Sept. 2009: \$1,590  
Number of stalled construction sites: 24  
Number of distressed properties: 4

Bellwether: With 82 units, 792 Sterling Place is one of the larger new projects in the district and was originally planned as market-rate condos. Failing to sell, the developer started renting the apartments last year ranging from \$1,100 for a studio to \$2,250 for a two-bedroom. The leasing agent declined to reveal how many apartments had been rented, but nearly all of the windows were devoid of curtains when *The Real Deal* went by last month, an indication that there are still plenty of empty apartments. Falsetta said the outcome of leasing activity there would indicate whether "developers who really failed in the condo dream will be able to rent their apartments for enough to save their shirt."

## Park Slope

Median sales price June to Aug. 2007: \$767,000  
Median sales price June to Aug. 2009\*: \$576,000  
Median listing price: \$590,000  
Median rental listing price Sept. 2008: \$2,700  
Median rental listing price Sept. 2009: \$2,500  
Number of stalled construction sites: 5  
Number of distressed properties: 0

Bellwether: The new building at 500 Fourth Avenue by Matri Holdings accounts for 116 listings in the Park Slope market, making it the single largest concentration of inventory in the district. One owner of a stalled site in the district said he's waiting for apartments along Fourth Avenue to sell out before he builds. Falsetta said sales activity at 500 Fourth would show if Fourth Avenue, "particularly well south of the Slope proper, is a viable condo location in this market, or at least viable at non-fire-sale prices." He said a fire sale there "would not reprise the heart of Park Slope but would affect the Fourth Avenue corridor."

Source note: Distressed property data is from Real Capital Analytics, as of Sept. 1, 2009. Stalled construction site data is from the city Department of Buildings, as of Aug. 30, 2009. Sales, rentals and listings data provided by StreetEasy. \*The median sales price for June 1, 2009 through Aug. 31, 2009 does not include all closed sales because of a lag time of up to two weeks in recording closed sales. The data was compiled according to all records available as of Sept. 1, 2009.