

MANSION GLOBAL

January 9, 2020

Brooklyn Home Sales Break Two-Year Slump

The mainstream and luxury housing market segments have become deeply polarized



A row of buildings in Brooklyn/ GETTY IMAGES

Brooklyn's housing market broke a two-year slump to end 2019 on a high note, recording the first annual increase in home sales since 2017, according to a round of market data from local brokerages.

The number of home sales in the New York City borough ticked up 2.9% in the fourth quarter compared to a year ago, according to data from agency Douglas Elliman, one of several brokerages to release market reports on Thursday. It was a modest increase in sales activity, but one of the first signals that Brooklyn—and the broader New York City housing market—has begun to stabilize.

Queens recorded an even greater rise in home sales, with transactions last quarter rising nearly 7% compared to a year ago, according to Douglas Elliman's data, which is compiled by appraisal firm Miller Samuel.

New data last week showed that Manhattan experienced a similar shift in the fourth quarter, when deals under \$5 million ticked up 1.6% annually, said Jonathan Miller, chief executive of Miller Samuel and author of the Douglas Elliman report.

But the story remains much different for the city's luxury market, where a glut of pricey inventory, a citywide hike in property transfer taxes and a lingering hangover from U.S. federal tax reform have combined to stifle sales and price growth. Those forces have greatly polarized the mainstream and luxury housing markets in New York City.

In Brooklyn, for example, home sales under \$5 million increased 3.4% in the fourth quarter, while deals over \$5 million plummeted 85%, Mr. Miller said.

"Clearly there's a pattern of increased activity in the market for anything but luxury," Mr. Miller said. "But the impact on the high-end is bleeding into the perception of the overall market."

“Too many people have the opinion that we're on the edge of the abyss—I think it's overstated,” he added.

There's good reason to believe robust sales will continue in Brooklyn into the start of 2020, according to data that brokerage Compass also released Thursday.

New contracts last quarter, which represent homes that will likely close this year, hit 1,866 in Brooklyn, a 12% surge from the same period a year ago, according to Compass, which titled its latest Brooklyn housing report “Signs of Life.”

Garrett Derderian, managing director of market analysis at CORE, chalked up the strength in Brooklyn to mortgage rates, which hit their lowest levels in three years in the last three months of 2019, according to data from Bankrate.com.

“Undoubtedly, lower mortgage rates throughout 2019 fueled growth in Brooklyn, as more buyers in the borough tend to take mortgages [than in Manhattan],” Mr. Derderian said. “Additionally, price points in Brooklyn are more favorable.”

Westchester

Meanwhile, more robust activity, particularly for luxury properties, drove prices up in Westchester, an affluent commuter area to New York City, Mr. Miller said.

Data from Douglas Elliman shows the median home price in the county increased a significant 6.4% to \$500,000 in the fourth quarter of 2019 compared to last year.