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Manhattan Strength Lifts All Boroughs

By Dennis Hevesi

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DONALD PIERRE could not find the home he wanted for the price he could pay in his old neighborhood, Crown Heights, Brooklyn -- the one that would work for his growing family and bring in a bit of rental income.

But three miles east, in once-notorious East New York, Brooklyn, he found a three-family building on a 40- by 100-foot lot. And, in October, Mr. Pierre closed on the \$165,000 deal and moved in with his wife and two small children.

"I got what I wanted: a driveway, a yard, two rentable apartments," said Mr. Pierre, a 33-year-old native of Trinidad.

"It's all changing," Mr. Pierre said of East New York, a community that, during the crack wars of only five years ago, had been dubbed by some the "murder capital" of New York City. "East New York is coming around."

Indeed, say real estate observers and brokers who serve neighborhoods like East New York, Bushwick and the South Bronx, they are all coming around -- a bit. The high tide churned by the Manhattan residential sales market -- with its bidding wars, price leaps and the squeeze of too many bonus-bearing buyers seeking too few properties -- has rippled through the other boroughs, with price increases trickling even into poorer neighborhoods.

According to a comprehensive survey conducted by Case Shiller Weiss, a real estate statistics firm in Cambridge, Mass., house prices rose last year in all but 14 of the 130 ZIP-code areas in the boroughs outside of Manhattan. In 1996, when the city's recovery from the real estate recession of the early 90's was already under way, more than twice as many (29) ZIP-code areas in the Bronx, Brooklyn, Queens and Staten Island experienced price depreciation.

One of them was East New York. Last year, however, the community rebounded with prices appreciating by up to 2 percent.

To be sure, it is not as though East New York is suddenly paradise found. There remain rubble-strewn lots and the hollow-stare windows of abandoned buildings. Fifty thousand people live in the neighborhood's 23 towering housing projects. R.I.P. murals still dot brick walls.

But in a community that, despite its blighted image, boasts long blocks of primly kept homes, there is a sense that, just maybe, a corner has been turned.

Crime is down. There were 35 homicides in the 75th Precinct last year, a 72 percent drop from the 126 that set a city record for a single precinct in 1993. "The streets are cleaner," Mr. Pierre said. "A multiplex, stadium-seating theater is being built 10 blocks away. It's getting better."

The Bronx, too, is getting better, said Harry Baksh, president of ERA Besmatch, a brokerage with offices in the Castle Hill and Wakefield sections. "There's so much happening," he said. "I see opportunities to sell in the Bronx now that I didn't see 10 years ago.

"Even in the South Bronx, there's been improvement," Mr. Baksh said. "If you drive through the area, you'd see that many of the properties that were abandoned have been refurbished or are in the process of being refurbished. It's not just a few blocks. It's not just some showpiece development."

Across the city, boards of realtors reported a range of price increases in 1997, from 15.4 percent for a two-bedroom apartment below 96th Street in Manhattan to 6 percent for a single-family home in Queens and 4.1 percent on Staten Island.

A broad brush profile of sales volume for the city, another indicator of market strength, was less calculable, primarily because statistics gathered by realty boards in the Bronx and Brooklyn were unreliable.

Still, as a measure of the pressure cooker that the Manhattan market has become, total sales of condominiums and co-ops selling for \$75,000 or more in Manhattan below West 116th Street and East 96th Street increased to 7,114 in 1997, according to the Douglas Elliman Manhattan Market Report, an 18 percent jump from 6,037 transactions in 1996.

In the Bronx, where Mr. Baksh conducted his own survey, based on transfers of deeds recorded at the Bronx County Courthouse, there were 1,797 transfers in 1997, a 12.1 percent increase over the 1,603 in 1996.

And on Staten Island, where development of remaining expanses of open land provides powerful allure for newcomers, there were 2,565 sales last year, according to the Staten Island Board of Realtors, an 11.8 percent increase over the 2,205 in 1996.

Only in Queens did the numbers indicate a slackening of sales volume -- a 6.7 percent drop to 3,804 from the 4,080 sales in 1996. But that slippage indicated a leveling off from the 2.4 percent increase the year before, and from the 84.8 percent climb since 2,058 sales were reported in 1991.

Steven Spinola, president of the Real Estate Board of New York, which primarily represents Manhattan, believes the rebound of the Manhattan market over the last three years has rippled through the other boroughs. "We have surpassed the late 80's in terms of value and the competition for apartments in Manhattan," he said. "It has spread to the other boroughs. We're actually seeing developers look at the possibility of building in the boroughs.

"Soon somebody is going to use the word gentrification as a dirty word again."

For 13 years, Headley Barrett, president of HB Realty in East New York, has been juggling and struggling with supply and demand in his community. "You've got to remember that most of the people that we service are low-income." Mr. Barrett said. "When they don't have money, we suffer like hell. But the way things have been shaping for this session, it looks good.

"Now, we are seeing people who are hunting houses like crazy. Now, we are more affordable than most areas and people understand that, so they come. You get people from Flatbush over here to buy."

IF Manhattan is at the core of concentric circles, so, too, is it and the rest of the city riding a far larger wave.

A national record for sales of existing single-family homes was set in 1997, according to the National Association of Realtors. The 4.2 million homes sold last year represented a 3.1 percent increase over the 4.08 million sold in 1996 -- the previous record.

National sales of new homes hit 803,000 last year, according to Census Bureau data, a 6 percent increase over the 757,000 sold in 1996. And last year's numbers were the third highest ever.

The nation's home-ownership rate set a record in 1997, the Census Bureau reported, when 66 percent of the households in the country owned their own homes.

All of that, of course, has been powered by a robust national economy, the nation's lowest rate of unemployment in a quarter of a century and that real estate ignition fuel: low mortgage rates.

In January, said Keith Gumbinger, vice president of HSH Associates, a mortgage data company in Butler, N.J., interest on a standard 30-year, fixed-rate mortgage was 7.05 percent -- not much above the nation's 28-year low of 6.83 in October 1993.

The nation's unemployment rate dropped to 4.7 percent in December, a 25-year low. And while the unemployment rate for New York City remained considerably higher at 8.5 percent, said John L. Weiting, the regional commissioner of the Federal Bureau of Labor Statistics, it, too, was improving. It had been 9.6 percent in 1996.

"The national expansion is 84 months long," said James W. Hughes, dean of the Rutgers University School of Planning and Public Policy. Pointing to those and other indicators of a stellar economy -- including the lowest inflation rate in 32 years, 2.2 percent -- Dr. Hughes said, "The home-buying stars are in full alignment."

Paul Hergenroeder's reading of the real estate constellation indicated that it was time to sell his one-bedroom Upper West Side co-op and buy somewhere else in Manhattan. It didn't quite work that way.

"There was a sense of wanting to cash in on increased value," said Dr. Hergenroeder, a physician who works at a long-term care facility for AIDS patients. Three brokers gave him varying price appraisals -- \$130,000 to \$210,000. "I went with the higher one, a little reluctantly because I thought they were high-balling to get the listing," Dr. Hergenroeder said. "Lo and behold, I got two offers for the maximum price.

"The only trouble with selling is you then have to buy."

Along with his companion, who then lived separately, Dr. Hergenroeder "looked at lofts in SoHo," intending to spend \$300,000 to \$400,000. "For a spacious two-bedroom or a loft, the prices were closer to \$500,000, \$650,000," he said. "For less than that we were able to get a brownstone in a promising neighborhood" -- Boerum Hill, Brooklyn. They paid \$570,000.

"Brooklyn Heights was unaffordable," the doctor said. "The same brownstone there would have cost a million."

So goes the Manhattan squeeze.

According to the Douglas Elliman Market Report, prepared by the appraisal firm of Miller Samuel, the average price for Manhattan condominiums soared 30 percent last year, from \$376,251 in 1996 to \$489,228.

CO-OP price changes were more complex. While the overall average for Manhattan co-ops dipped by 7.6 percent, to \$424,365 from \$459,569 in 1996, there was wide fluctuation according to apartment size.

The average price for a one-bedroom dropped 15 percent, from \$205,292 in 1996 to \$174,499 last year, the Elliman report said. But studios increased 10.3 percent, from \$99,301 to \$109,544. Two-bedrooms rose 7.2 percent, from \$427,990 to \$458,705. Three-bedrooms increased 7.8 percent, from \$1,116,000 to \$1,202,646. And apartments with four bedrooms or more increased a whopping 33 percent, from \$2,360,625 in 1996 to \$3,139,585.

The reason for the drop in overall prices for co-ops, said Jonathan Miller, president of Miller Samuel, was a virtual doubling of the number of less expensive studio apartments sold in Manhattan last year -- from 305 in '96 to 602 in '97.

Divining real estate trends by the numbers is, at best, a murky exercise. To begin with, co-op sales are not officially recorded because, technically, they are securities transactions involving the selling of shares, and not transfers of title. Condominium sales, however, are officially recorded. As a result, studies of co-op data compiled by brokerage houses and appraisal concerns do not claim to include all transactions in the market.

Single-family home sales are reported by local realty boards. But not all real estate agents are members of the boards, and not all sales in a given area are recorded. At the same time, one board may use median prices -- meaning half the sales are above that figure and half below -- while others calculate an average. Still, the numbers, along with anecdotal impressions, can offer indications of market patterns.

Clark Halstead, founder of the Halstead Property Company, has a novel market barometer. "We've had our web site for three years and it seemed like a sinkhole into which we were pouring funds," he said. "Suddenly, traffic has increased radically, up to 22,000 hits in one week."

Barbara Corcoran, founder of the Corcoran Group, said demand has been so great that "the unwanted children of Manhattan" are being scooped up: "the cookie-cutter one-

bedrooms, sponsor sales, fringe neighborhoods like the East Village -- where the response used to be, 'Live there?' "

Pressure from the Manhattan squeeze has been felt in the co-op market in the other boroughs, said Stuart Saft, chairman of the Council of New York Cooperatives. "They are reporting many sales, whereas two years ago there was no activity at all."

Mr. Saft pointed to a co-op on Pelham Parkway in the Bronx where an apartment bought for \$20,000 two years ago recently sold for \$60,000.

Beginning three years ago, said Christopher Thomas, the William B. May Company's vice president for Brooklyn, "Prices in Brooklyn Heights started rising in response to Manhattan prices. And through last year, the rise in Brooklyn Heights prices prompted a rise for neighborhoods further into Brooklyn -- Cobble Hill, Carroll Gardens, Boerum Hill and Park Slope."

Comprehensive numbers for Brooklyn sales were not available because the borough has no central realty board. But, by another measure, the Case Shiller Weiss survey, the trend was apparent.

Case Shiller Weiss has devised an index to track price fluctuations. The survey is based on a table showing the average price of all single-family homes sold in ZIP-code areas, year by year. To determine price fluctuations in 1997, for example, the survey took the purchase price of each home sold in each ZIP-code area during the year just ended, compared it to the price that the house brought when it was last sold, and then, using the annual index, adjusted the earlier purchase price to what it likely would have been had it sold in 1996.

OF the 36 ZIP code areas in Brooklyn, only one experienced price depreciation last year; 10 showed appreciation up to 2 percent, 24 appreciated 2 to 4 percent and one appreciated by 6 percent or more.

A year ago, Mr. Thomas said, sales in Brooklyn Heights and the prime areas of Cobble Hill ranged from \$1.3 million to \$1.7 million. "By the end of '97, we had marquis listings -- the best properties in the best locations -- listed as high as \$5 million. The resulting impact in Park Slope is that houses that were trading in the \$750,000 to \$900,000 range are now listed from \$900,000 to \$1.3 million."

Jacob Shayovitz, president of the Brooklyn Board of Realtors, said that "in a lot of areas, younger buyers are squeezed out by higher prices." By Mr. Shayovitz's estimate, prices "in Mill Basin would be \$225,000 to \$300,000; in Flatbush, \$200,000 to \$275,000 for the same 40- by 100 lot, and in Bed-Stuy, Bushwick, \$150 to \$235."

For some buyers, the Brooklyn crunch has exacted an extra toll -- on the Verrazano-Narrows Bridge.

Donna Connelly, a commercial printer, couldn't afford a condominium in Bay Ridge, where she had been renting. "Under \$100,000, you're lucky to get a studio," she said.

Ms. Connelly said she looked "for a good year," in Park Slope, Windsor Terrace, Bay Ridge. "So I crossed the bridge. Did not want to do it, because I drive to work.

"But once I went out there," she said, "for \$70,000 in the Bullshead section, I got a two-bedroom, central air, full attic in a town house" -- the Staten Island term for a row house -- "a front yard and an assigned parking space."

Ms. Connelly's mortgage is \$451 a month; her maintenance is \$130 a month -- for a total less than her \$721 rent in Bay Ridge. "The best thing is," she said, "I haven't gotten a ticket for alternate-side parking since I moved here in January."

In Bay Ridge, Ms. Connelly said, "I got, on average, two tickets a month, which comes to \$110. I'm saving a fortune."

According to the Staten Island Board of Realtors, 2,465 homes were sold on the island last year, up 11.8 percent from 2,205 in 1996. The median sales price was \$158,200, 4.1 percent more than the \$151,940 price in '96. All 12 ZIP-code areas on Staten Island experienced price appreciation last year.

"It's very frustrating," said Gerry McClean, president of the Staten Island Board of Realtors. "We don't have enough inventory."

Ms. McClean estimated that a one-family detached house "in one of our affluent areas like Todt Hill" would sell for between \$500,000 and \$1.3 million, while the average single-family home might cost \$186,000, "about \$11,000 more than last year."

In Queens, according to the Long Island Board of Realtors (which covers the borough, as well as Nassau and Suffolk Counties), the average single-family home price was \$172,393 last year, a 6 percent increase over the \$162,686 price in 1996. That trend was supported by the Case Shiller Weiss findings that all but 11 of the 57 ZIP-code areas in Queens experienced price appreciation last year.

Ed Gitlin, a broker at Benjamin Realty in Forest Hills, said that in his community "lower-end houses" that sold for \$200,000 a year ago now bring about \$230,000. "Fancier homes in areas like Cord Meyer, along the Grand Central, average \$500,000," he said.

Even the Queens co-op market, long depressed after a spate of sponsor defaults in the early 90's, is showing signs of revival. Mr. Saft of the Council of New York Cooperatives cited a building in Sunnyside where three-bedroom apartments sold for \$42,000 in 1996. "Today they're going for \$53,000." And at a complex in Flushing, a two-bedroom "went for \$30,000 in 1996, and a year later it's at \$40,000."

Mr. Gitlin pointed to a luxury condominium in Forest Hills, the Pinnacle, "that was bankrupt a few years ago, and now a three-bedroom goes for over \$400,000."

"These are folks from Manhattan coming in," Mr. Gitlin said, "or older people who have sold their homes on Long Island."

Prices for single-family homes in the Bronx, according to Mr. Baksh, who conducted his own survey, "remained in the same range last year compared to 1996" -- between \$145,000 and \$180,000. In fact, according to Case Shiller Weiss, there was slight appreciation of up to 2 percent in 20 of the 25 Bronx ZIP-code areas.

Mr. Baksh has noticed, in particular, that "there are a lot of investors in the market -- purchasing properties, mostly ones that need work, rehabbing them and reselling. In the South Bronx, two-family houses have been selling for \$200,000, believe it or not. They can receive a city subsidy, so they end up paying about \$40,000 less."

Much of the upward pressure on prices throughout the city, said Michael Schill, director of the Center for Real Estate and Urban Policy at the New York University School of Law, is attributable to the dearth of new housing construction.

IN recent years, Professor Schill pointed out, an average of 12,000 housing units a year have been lost due to demolition, abandonment or the merging one apartment with another, according to data from the city's 1996 Housing and Vacancy Survey. And in each of the last two years, the Department of City Planning has issued building permits for about 9,000 units.

"So, we are experiencing a net loss of 3,000 units a year, despite the fact that our population has been growing," Professor Schill said. "It's wonderful for the people who are getting increased prices when they sell, but the flip side is that it's not so wonderful for middle- and lower-income New Yorkers who, if they are lucky enough to find housing, must pay extremely high prices."

To beat the squeeze, Marc Levitt and his fiancée, Danielle Bedell, came up with a simple solution -- stay put.

The couple had been subletting a one-bedroom co-op near N.Y.U. for \$1,650. "Due to rising rents, it winds up being less expensive to buy," said Mr. Levitt, who works in video conferencing for the MCI Communications Corporation.

"Frustrating would be the word," he said of viewing about 50 apartments. "For over \$200,000, we saw one-bedroom apartments where the bedroom was barely big enough to hold a queen-size bed -- I'm not kidding."

Ms. Bedell, a human resources worker at J.P. Morgan, complained of brokers who hyped apartments "that would be nothing that we could live with."

"We walked into one place that was a duplex and they told us it was a bath and a half," she said. "There was a full bathroom downstairs, but upstairs, where the bedroom was, it was a sink on the wall."

In the end, Mr. Levitt and Ms. Bedell decided to buy -- for \$170,000 -- the apartment they were renting. "We don't think we're settling," Mr. Levitt said, "but we were looking for our dream apartment and realized that it was not within our means."

"You've heard the stories, but until you go through it you don't realize."