

Ep #20: The Bright Future of Brooklyn



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With Your Host

Harriet Libov

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Welcome to *Your Real Estate Connection in Westchester*. A show for people looking to buy or sell homes in the Northern Westchester County area. Join local real estate expert Harriet Libov as she shares her professional advice on the local real estate market, connects you with knowledgeable community residents, and gives you helpful insights behind the home buying and selling process. Now, let's dive into today's episode.

The 2021 real estate market took New York by surprise. Once again those pundits who predicted the demise of the city turned out to be wrong as 2021 developed into one of the most robust sales and rental years within memory. Manhattan proved especially resilient in the luxury new development market where sales topped all expectations and reduced a deep supply of newly constructed apartment inventory to its lowest point in years.

Overall supply in the Manhattan market is down around 30% year over year while pending deals are up 150% during the same time period. This market has been driven primarily by local demand. The market has seen very little foreign buyers, although there has been an increase in pied-à-terre purchases by American buyers across the country.

The Brooklyn market has remained very active with 35% more sales than a year ago. While this annual increase in sales is much lower than Manhattan's, it's important to remember that sales didn't decline much in Brooklyn because of COVID. In fact apartment sales had hit a record high for the fourth quarter in 2020. A record which has now been broken.

While the average apartment price in Brooklyn was down from the record level of the third quarter, it still remained 11% higher than a year ago. This was due in part to a rise in high end luxury closings as the median price was just 1% above the fourth quarter of 2020. A busy new development market helped bring condo prices higher over the past year in most of the markets. Co-op prices saw smaller gains and even fell in a few areas.

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Brooklyn's future remains bright as the number of signed contracts in the last six months of 2021 was a record high.

Today I will introduce you to Lee Solomon, a top Brooklyn broker who is an expert with pairing buyers and sellers with results that match their needs and goals perfectly. Her ability to consistently achieve such results have led her to being one of Brown Harris Stevens' top producers. Lee will share with us the changes she has experienced in the Brooklyn market as an agent and resident over the years. So let's settle in today and begin the conversation.

The last quarter of 2021 showed that Brooklyn had what one specialist called the most active fourth quarter in the history of Brooklyn. Greg Klein, chief economist for Brown Harris Stevens and a former chief economist for the Real Estate Board of New York praised Brooklyn's continuing powerful growth and sustainability. Particularly in the sales and closings of condos and co-ops. That's really incredible.

Here are more specifics of the report. Brooklyn, as a whole, saw 35% more sales than one year ago. There were record high numbers of signed contracts in the last six months of 2021 compared to any other second half. The overall average apartment price was 11% higher in the fourth quarter of 2020.

Neighborhood wise the Park Slope, South Slope, Windsor Terrace average price was 18% higher than the fourth quarter of 2020. The Williamsburg, Greenpoint average was 20% higher than the fourth quarter of 2020. In the Bay Ridge, Dyker Heights, and Sunset Park areas strong new development activity pushed the average condo price per square foot up 17% higher than a year ago.

In 2020, all we heard about is the end of New York City as we know it. If you spend anytime at all in Brooklyn Heights where Lee's office is, you

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know it was quiet during the height of the first wave of the pandemic in 2020. Residents came back in the late summer. Now other than a few storefronts closed and everyone wearing masks, it feels quite vibrant.

If you are spending time in Manhattan, which we will focus on in part two of this series, you see a wide difference in the face of the city depending on the neighborhood you visit. Midtown being hit the hardest with a visible change of the retail landscape.

Why am I focused on Brooklyn today and Manhattan later this month? In 20 years of selling real estate in northern Westchester, I have never seen an exodus to the suburbs like I did in 2021. We are typically driven by a spring market in Westchester with buyers looking for a house with more space and wanting to be settled by the school year because of the fabulous reputation of the Westchester public school systems.

A few years ago, the talk was that Brooklyn hipsters were attracted to the more artsy river towns like Hastings and Dobbs Ferry. In 2021, the migration was everywhere. Westchester and Connecticut had incredible appeal across the board.

In 2022, we are starting the year with less inventory in Westchester and still tremendous demand. A lot of that demand is coming from buyers who left the city and went into rentals. They are now ready to buy. I'm curious to speak to today's guest, Lee Solomon, about what she is seeing in her market and if this exodus to the burbs is still a thing. Is she seeing more buyers in Brooklyn trading up in size and location as their family grows as opposed to wanting green space in Westchester while working remotely?

After Lee bought and renovated her first townhouse in Park Slope in 1992, she fell in love with Brooklyn and found many of her friends houses, co-ops, and condos in the area. She has a strong knowledge of the entire

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renovation process having renovated a 1920s Roman Catholic church, an upstate farmhouse, and seven historic Brooklyn townhouses.

Lee came to Brooklyn originally to work as Spike Lee's assistant in Fort Green. For many years after that, she was a network and cable television news producer. Additionally she worked as a live television producer for the presidential campaigns of former President Barrack Obama, former Secretary of State Hillary Clinton, former Secretary of State John Kerry, and former Vice President Al Gore. She was a cofounder and co-organizer of moveon.org's Bush in 30 Seconds campaign, which was the first successful user generated video contest on the web.

Lee is a member of the Fort Green Association, the Windsor Terrace Alliance, and an executive board member of the Brooklyn High School Parents Association. Her husband is an Indi rock record producer. In addition to raising two Brooklynites, her home life also revolves around her rescue dog and cat, renovating one property or another, and biking whenever she can. You can also follow Lee on Twitter @brooklynbasics.

Harriet: Hi Lee.

Lee: I Harriet. How are you?

Harriet: Good. Thanks so much for joining me today. It's been so great getting to know you. I for that for you Brooklyn is home and where you raised your family. So there's no better person for me to speak to today. You've seen Brooklyn become a different and more hit place through the years with lots of changes. Then in 2020 I'm sure you've seen a migration out towards the suburbs.

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So I've talked a lot about in this podcast how, as in Manhattan, there are areas of Brooklyn that center on great public schools and private schools and residents choosing to raise their family in the city. Then, of course, there'll always be some people that are priced out for more space and the public school once their family grows. Can you share with us your experience as a real estate agent since COVID, and your experience in 2021?

Lee: Sure. I mean 2021 was a year of a lot of changes. It's a year that kind of defied initial expectations. Our market opened up to doing real estate transactions in person at the end of June 2020. At that point, New York City had been very hard hit by COVID. We were hit first. There was a lot in the media about people leaving the city.

It took us all a while to dig deeper into some of that data. People were doing Freedom of Information Act requests even to figure out where people were moving to. It turned out it was very interesting. A lot of people moved just within the boroughs of New York City. Then a lot of people, of course, moved out to their second homes or their family or doubled up with mom and dad out in the Midwest or the suburbs or whatever.

Then, of course, a certain percentage were trying to buy or find housing in the tristate area, in the suburbs, especially places like Westchester. A lot of them did and a lot of them didn't, right, because it was tough for them to buy in. At that point, it was a frenzied market.

So we ended up thinking we were starting out in a place that is going to be difficult. It turned out it was the opposite. We found that people were really excited to be here. So it was the continuation or just past trends. So people looking to size up. Of course they needed more space because they're working from home and then usually they're doing school at home too for a lot of people. Then they also wanted outdoor space.

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We were getting the same types of folks we would ordinarily get moving up, but they were all in a rush to do it in a hurry. Then a lot of people were coming, we found, from Manhattan. Which always happens, but it was just like everyone was dramatic in a hurry to do everything.

It felt like there was very low inventory. When we look back at the numbers though, our numbers for volume, it's something that still shocks me. Our numbers were not down in 2020, especially towards the end of 2020. Because the first half it was a mess, right, we were closed pretty much. The second half we weren't down. The last quarter of 2020 was at that point the highest point of volume ever.

We beat that in 2021. We had 35% more closings the last quarter of 2021. Now this is shocking to me as a real estate agent because it feels like there's nothing. The reality is we have just a pent up demand situation that we still haven't worked through. So it's a supply and demand situation. We have a lot of demand.

Harriet: One of the things that we have here, and I'm wondering if you saw the same thing. People who left the city and either sold their apartment or gave up their rental. This is my point of view. They came into rentals here. Whether they were renting in the Catskills or they just took a good rental for a year.

Now in addition to anybody who normally wants to leave the city every year during the spring market, we have those buyers in addition. Do you find that people sold their apartment because they thought they would get money and then went into rentals temporarily? Or is it people really looking for more permanency? Yeah.

Lee: To some degree. I think people who were—it's almost like, it's not an investment in the truest sense because it's where you live. We're usually

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dealing with people who live in their properties. There's not a lot of investors in my market.

Harriet: Right.

Lee: It's almost like the people who were nervous owners, some of them did something, right? Even if they were nervous because of health reasons, they had family responsibilities out of town, or they were just like, "Oh my gosh my value of my home went up so much. Is it going to keep going? I better rush my move to wherever." Some of them did go into rentals thinking, "Oh, well there's not a lot of inventory. I'll keep looking." They are frustrated. The other piece of it that's happening a lot now, and this is also really vexing to me. I'm very sympathetic to the buyers. Usually I'm neutral.

Harriet: Oh I am too.

Lee: My heart goes out to them. I'll tell you.

Harriet: I agree with you.

Lee: I can't help them with stress about needing to buy a home.

Harriet: I agree with you. It's just so lopsided.

Lee: Yeah. So now the rental market, a lot of that was very depressed. That a market that responds more immediately to anything going on in the economy, right? Because people don't want vacancies. They want to keep their rent roll going for the most part. So they were very responsive to the weakness, even before the real estate market officially opened up. They were able to try to keep things moving, right?

Harriet: Giving incentives, right.

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Lee: Yeah. Some of them took less rent or whatever. Extra months, which is like less rent or whatever. Now I'm hearing truly horror stories from people who signed leases during the pandemic and now their rent's gone up a third. The first time I heard it I thought oh it's just an anomaly. What are the odds? I think that the professionally managed buildings, they must have some algorithm that tells them the max they think they can get. They don't care about the benefit of keeping a tenant on.

So we're finding usually when one part goes up. The rental market goes up, the sales market is a little weaker, vice versa. Now we're finding there's just stress. So I'm nervous going into the spring market because where is the outlet? I think people are hunkering down where it feeds itself. So the people who want to move but can't move. I need people to move. Not because, not for me.

Harriet: We all need people to move.

Lee: Not for me. I've got new people. They need housing. I wish we could build housing.

Harriet: Do you think this recent COVID December/January stopped people from listing that were gonna list in January and now they're gonna come on in March? I'm finding that most of the listing agents I speak to aren't getting the amount of calls this year that they normally get by this time. What are you seeing?

Lee: I have like five things in the hopper, right. Fine. Only one delayed. It's because they have a family member living with them that was going to move into the dorms. They thought oh maybe it's not the time to move this kid into the dorms. So they delayed by a couple of months, which is fine. I think honestly though there's a connection. They are looking to purchase up in Westchester, and they're having trouble finding.

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Harriet: What they want.

Lee: What they want. They want like a condo. They're going to work through somebody who I don't know. So I don't really know what the challenges are.

Harriet: Right. Do you feel that the exodus from COVID is leveling off? Now it's just a more normal exodus?

Lee: We're all sick of it. We're all really sick of it.

Harriet: No I don't mean that. I mean the people leaving the city.

Lee: That happened just, I guess, spring 2020. Then people sort of inched their way back. A lot of them, in terms of the circles I move in, people moved out just for maybe up through the school year. Now, you know.

Harriet: They're all back.

Lee: Through the summer or whatever. They're back. They're all back. Some of them, I have one set of clients that's interesting. They were in contract, they bought right when the pandemic hit. Then they had also bought, they owned a house in Ohio that they used infrequently. Then they started staying out there more and ended up liking it. So there's been some of that where people are like, "Oh, we kind of like living in our country house."

Harriet: Right.

Lee: A lot of them kept their houses here. We need them to move too. No, I shouldn't say that. They're welcome back. We need more housing. We don't like empty properties. We like to fill them all up.

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Harriet: What do you expect inventory to be like in 2022? Sellers' market or more balanced?

Lee: Seller's market. There's a little bit of buyers getting a little spook just because they feel really burnt out. I can understand that. So I think that not every buyer is going to be going 100% every weekend. Also it's like that SNL skit, which is hysterical, about Zillow. It's like what else are people doing? They're not going to parties.

Harriet: I love that skit. I know what you're talking about. Okay.

Lee: They're not going to parties. They can come out and see us. I love it. I love them all coming out and seeing us. At some point I imagine their real life is going to open back up again, and they're going to be going to birthday parties on the weekends or going away for the weekend with friends or whatever. They won't be out as much in force. Right now they're out in force, which is great.

Harriet: I'm saying that too.

Lee: Interest rates creeping up generally does make people feel like they really want to act.

Harriet: Yeah but the stock market going down doesn't help. So it's an interesting moment. It's a very interesting moment. All right well this is all great information. Thank you so much for your time. I look forward to more communication and hearing what's going on. You're my eyes and ears in the city. I'm going to speak next week with Caroline Joy, who I know you know, about Manhattan so we get the full picture. I thank you. I thank you. Have a great year.

Lee: Thank you. Yeah. Have fun. I hope everybody finds their home of the next town of their dreams, wherever that may be.

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Harriet: I couldn't agree more. They will. It may not be the one that they thought was the home of their dreams, but they will find it. So all right. Have a great day, and thanks again Lee.

Thank you so much for joining me today. My takeaway from speaking with Lee is how real estate is in a rare state no matter where you live. Next episode Caroline Joy and her partner Ian McGowan will talk about the Manhattan market. I hope you'll tune in again. I look forward to our next conversation. Have a great day.

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