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In residential real estate, Brooklyn challenges Manhattan

By **SALLY GOLDENBERG**

Manhattan continued to dominate the city's residential market over the past five years, but its spot at the top of the charts may be challenged by Brooklyn once all 2015 data is compiled, according to a report released on Tuesday by the New York Building Congress.

Manhattan accounted for 61 percent of the value of residential construction starts between 2010 and 2014, according to the trade organization's analysis of Dodge Construction data.

"Manhattan remains New York City's dominant borough, as measured by the value of construction starts, but Brooklyn and Queens have significantly closed the gap in the residential sector this year," according to the report.

The city's residential real estate market remained hot in 2015, totaling $10.5 billion in construction starts between January and June, compared to $11.9 billion in all of 2014 and $6.9 billion in 2013.

But Manhattan only accounted for 37 percent of the value of all residential construction starts during the first six months of this year, while Brooklyn bounded closer to the top. (Both clocked $3.8 billion between January and June.)

Queens accounted for 23 percent, according to the report.

In Brooklyn, residential construction starts amounted to $2.4 billion for the entire year last year, compared to $7.7 billion in Manhattan. In Queens, the first six months of this year brought $2.4 billion—doubling the $1.2 billion during 2014.

"The dominant construction story over the past few years has been the rise of ultra-luxury residential towers in Manhattan," New York Building Congress president Richard Anderson said. "In 2015, however, we are witnessing what appears to be a leveling off in Manhattan while momentum builds in Brooklyn and Queens."

Anderson predicted Brooklyn could even top the charts once all the data for 2015 is calculated.

"In fact, there is a better than even shot that this is the year that Brooklyn surpasses Manhattan at the top of the residential construction charts," he said. "Consider that in May and June of this year, building permits were issued for more than 13,000 residential units in Brooklyn compared to just under 8,000 in Manhattan. Assuming that a fair number of those permitted projects proceeded to the construction phase after July 1, it is likely that Brooklyn will pull ahead when all is said and done."

The city's residential market was buoyed by uncertainty over a popular development tax break known as 421-a, whose fate is still uncertain as the Real Estate Board of New York and the Building and Construction Trades Congress of Greater New York hash it out in private negotiations. The law governing 421-a expired in June and developers rushed their projects to take advantage of it, aware that any changes would likely demand more affordable housing from them.

The negotiations, ordered by Gov. Andrew Cuomo, delayed its expiration but if the two sides do not reach a deal by mid-January, it will officially sunset.

Another contributing factor, by most anecdotal accounts, was the continued low interest rates, which are now starting to climb slowly with a modest increased approved last week.

Taking into account commercial development and public projects, Manhattan accounted 53 percent of total $22.2 billion in construction starts in the first half of 2015. Brooklyn followed at 24 percent and Queens came in third with 16 percent, the report showed.

Manhattan also retained its prominence in the commercial sector, accounting for 86 percent of all building projects commenced during the first half of the year. That goal was due in large part to the groundbreakings of two towers at Hudson Yards on the Far West Side and Brookfield's 1 Manhattan West, the Building Congress noted.

"It’s hard to envision an end to Manhattan’s supremacy in the non-residential construction sector for the foreseeable future," Anderson said.

Read the full report here: http://bit.ly/1QGx1xH