



Brooklyn's commercial real estate market: Transactions up 33%, dollar volume jumps 77%

August 13, 2012 - Front Section

Commercial real estate transactions in Brooklyn increased 33 percent and the dollar value of these deals jumped 77 percent in the first half of 2012 compared to the first half of 2011, according to Ariel Property Advisors' Brooklyn 2012 Mid-Year Sales Report.

The report shows that during the first six months of this year, Brooklyn saw 219 transactions comprised of 303 properties totaling \$1.14 billion in gross consideration, compared to the first half of 2011, which saw 165 transactions comprised of 245 properties totaling \$645.6 million in gross consideration. The report tracks development, multifamily, industrial, and other commercial property sales over \$1 million in the borough.

"The recovery in Brooklyn's commercial real estate market is being driven by a variety of factors, notably the drastically improving rental market, today's low interest rates, and increasingly favorable macroeconomic conditions," said Jonathan Berman, vice president of Ariel Property Advisors. "Highly desirable, and even more up and coming areas, are reporting rent increases of 10 percent. This is not only coming from commuters priced out of Manhattan but also a greater number of young professionals and families simply drawn to the borough's quality of life."

The result is institutional capital is now paying Manhattan level prices for core Brooklyn assets. Tremendous demand and a tight supply of multifamily buildings are also leading cap rates to fall - quickly. Banks are offering historically low interest rates and while their loan-to-value ratios are not as generous, many buyers are willing to pay a premium for the upside even if it means they need to contribute more equity.

Another major trend is occurring in the development market for rental units. While condominium prices are somewhat stagnant, investors are seeing such significant gains on rentals that many are opting to build ground up or convert existing buildings for that use.

The report highlighted the following:

Multifamily: Brooklyn's multifamily asset class saw 126 transactions consisting of 162 buildings sold for an aggregate consideration of \$517.6 million in the first half of 2012, which represents a 42 percent increase in multifamily transaction volume, a 32 percent increase in the number of buildings sold, and a 65 percent increase in dollar volume compared to the first half of 2011.

The largest contributor to the robust multifamily volume was the Bedford Stuyvesant, Bushwick and Crown Heights area, which saw 33 multifamily transactions comprised of 52 buildings with a total consideration of \$103 million. Central Brooklyn and Downtown/Park Slope areas also had a very active half, together seeing over \$244 million in gross consideration.

Development Sites: Whereas in recent years few development sites traded and many projects stalled, the first half of 2012 featured several notable transactions including 341 Eastern Parkway, which sold for \$8.265 million; a stalled development site at 363 Fourth Avenue, which sold for \$10.7

million; and a stalled development site at 393 Lefferts Avenue, which traded for \$4.65 million. Development sites are selling in several core, high demand areas such Williamsburg / Greenpoint where 14 development properties sold, Downtown and Park Slope where 34 development properties sold, and Bedford Stuyvesant/Bushwick/Crown Heights where 14 development properties sold. Even South Brooklyn is on pace to see a significant increase in new development property sales this year.

For more information, please contact Mr. Berman at 718-475-9800, ext. 20, jberman@arielpa.com. For a copy of the Brooklyn 2012 Mid-Year Sales Report, please see <http://arielpa.com/newsroom/report-APA-Brooklyn-mid2012-Sales-Report>.

Ariel Property Advisors is a New York City investment property sales firm with an expertise in the multifamily market. The firm also produces a number of research reports including the Multifamily Month, Quarter, and Year in Review: New York City reports, and the Northern Manhattan, Brooklyn, and Bronx Sales Reports. More information is available at arielpa.com.

New York Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540