



## **Brooklyn's commercial market has continued its momentum**

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What an exciting time to be in Brooklyn. Not too long ago we were in the midst of the worst economic downturn in 50 years, with stalled development, distressed asset sales and large scale commercial foreclosures. Just 18 months later, we moved from a distressed market to a booming market.

In the first half of 2012 the Brooklyn commercial market has continued to gain momentum. The TerraCRG team has verified a total of 563 sales for the first half of the year with a total consideration of over \$1.23 billion. Compared with the same period last year, there was an overall increase of 50% in dollar volume. Most notably, dollar volume of development sites has tripled, multifamily building sales represented approximately 52% of the total dollar volume with 233 transactions totaling approximately \$635 million; while there were 150 mixed-use sales in the first half of 2012 for a total consideration of approximately \$175 million accounting for 14% of the total dollar volume.

The majority of stalled development sites have been sold through 2011 and the first half of 2012. With the lack of inventory of shovel ready sites coupled by strong rental market and developers optimism, land prices are continuing to increase significantly. In the last 12 months, residentially-zoned development sites saw the biggest increase in year over year dollar volume per asset class in Brooklyn.

Downtown Brooklyn and Park Slope had the highest dollar volume in total sales with over \$341 million and 78 sales in the first half of 2012. The Bed-Stuy/Bushwick/Crown Heights region had the most amount of trades overall with 191 transactions for a total consideration of \$195 million. We are continuing to see the next big neighborhood emerge, local developers, institutional investors and equity firms are all gravitating towards neighborhoods like Bed-Stuy and Crown Heights with plans and hopes of it becoming the next "hot" neighborhood.

Development site transactions in Brooklyn accounted for over 15% of the total dollar volume in the first half of 2012 with a total of \$187 million and 91 transactions (compared with only \$63 million for the first half of 2011). Certain trends have strengthened the development market. Year over year rent growth for new construction rental units in Brooklyn was at approx. 10% over the last three years. Residential rents in the borough have continued to rise while rental vacancies decline through the recession and in the last 12 months-and as a result-builders have been looking at rental development projects again.

For the first time since the market stabilized after the 2008 crisis, Brooklyn retail properties are showing a notable increase in transaction values. 2012 mid-year results show a 51% jump in transaction value from 2011. At this time in 2011 there were 58 transactions totaling \$96.5 million compared to \$146 million this year. There has actually been a slight drop in the number of transactions, from 58 in the first half of 2011 to 53 in the first half of 2012. This increase in value reflects several large property transactions and is a very positive sign for the rest of the Brooklyn

retail market. We expect to see this strength continue through the end of the year and into 2013. Ofer Cohen is the founder and president of TerraCRG, Brooklyn, N.Y.

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