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2013 Year in Review: Three real estate milestones that led to the cusp of another year

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It's that time of year again: time to review real estate industry milestones that have led us to the cusp of another year. There are myriad items we could select that marked the yearâ€”major transactions, shifting markets, industry trends, the economy, the mayoral election. We have picked the following three:

* Brooklyn as a brand.

* Where have all the TAMIs gone?

* An economic recovery measured by low-paying jobs replacing high-paying jobs.

Brooklyn as a Brand

The opening of Barclays Center on September 21, 2012 was Brooklyn's shapeshifter. After years of controversy, the center has proved to be a resounding success. During its first year of operation, it passed Madison Sq. Garden as the highest grossing venue in the U.S. According to Billboard magazine it ranked first in the U.S. for number of concert tickets sold and second in the world, surpassed only by London's O2 Arena. Nets home attendance throughout its first year at Barclay's Center has averaged 97% of capacity and, with the relocation of the N.Y. Islanders to the arena in 2015, Barclay's Center should firmly cement Brooklyn's position as a hub of sports and entertainment.

By 2013, Williamsburg had been long-established as a haven for artists and hipstersâ€”so much so that new residential development followed, pricing out the residents who gave the neighborhood its cool and driving them to Bushwick. And a new more upscale population has welcomed an ever-increasing number of national retailers and emerging higher-end designers. Brooklyn's brand has transformed from hip to chic. The brand has gone global: a new French TV series recently aired in France called "Brooklyn Taxi." It's filmed in Brooklyn, the dialogue is in English, and then French is dubbed in.

And in DUMBO, the Kushner Cos. bought the six Watchtower properties from the Jehovah Witnesses for $375 million in July. Plans for the properties include 500,000 s/f of office space and 70,000 s/f of retail space. Hotel and residential use has also been reported.

More than Williamsburg and DUMBO are attracting investor attention. In Sunset Park, on the south Brooklyn waterfront, Jamestown LP, Belvedere Capital Real Estate Partners, and Angelo Gordon & Co. bought a 50% stake in the 16-building 6 million s/f warehouse complex known as Industry City to rehab, with the expectation of attracting Brooklyn-branded companies.

Where have all the TAMIs gone?

The Watchtower properties sit in the heart of the new Brooklyn Tech Triangle, a commercial real estate market designation arrived at for its growing concentration of technology companies and a focused business and urban development plan intended to attract and accommodate technology company needs. The Brooklyn Tech Triangle has attracted the highest concentration of tech companies outside Manhattanâ€”10% of the total tech market. A strategic plan has been launched to support an expected 18,000 new jobs, and 43,000 new indirect jobs are expected in the next two years. It is predicted that by 2015 Brooklyn's technology sector will comprise up to 15% of N.Y.C.'s technology employment and occupy at least 2.6 million s/f and maybe as much as 3.9 million s/f. In addition to the Watchtower properties, four other commercial development properties are on the tech tenant map in the Brooklyn Tech Triangle: Empire Stores, the Tobacco Warehouse, the Navy Yards, and downtown judicial buildings.

It has been much discussed over the year that Midtown South, revived by the TAMI industries, would soon suffer the same fate as Williamsburg: image and affordability would increase demand until it outpaced supply, pricing out the tech start-ups that popularized that market in recent years. It has happened.

The first overflow area for TAMIs was the Gramercy/Flatiron submarket, but as the year comes to a close, activity has been most brisk in the Penn Garment/Penn Station submarketâ€”if you consider 40 transactions brisk. Downtown cored Group M (500,000 s/f), which tipped the scales of TAMI activity to Lower Manhattan. Last stop before Brooklyn? We shall see what 2014 holds, and if the number of new jobs expected actually are created.

An Economic Recovery Measured by Low-Paying Jobs Replacing High-Paying Jobs

N.Y.C. has replaced the number of jobs lost in the recession by 110%. That's the good news. The bad news is that they have been replaced by jobs paying less than the ones that were lost. The financial services industry remains the highest paying industry in Manhattan, with average salaries over three times the average yearly N.Y.C. income. While the number of new finance jobs in N.Y.C. grew by 1.1% in 2013, we are still almost 31,000 finance jobs away from where we were before the recession. Though hiring has increased most in the lower-paying jobs, lower-paying jobs do not create the same demand for more service and support jobs as an increase in finance hiring does.

The industry sectors that grew the most in 2013 lie between the lowest-paying service jobs and the highest-paying financial services jobs. Education hiring grew the most, by 8%, with healthcare increasing by 4%, and leisure and hospitality a close third at an even 3% growth. The industries that fall within the TAMI acronym (excluding advertising, which grew by 7%) experienced more job losses than gains, and have ended the year at a nearly 1% job growth deficit. How that bodes for the Brooklyn Tech Triangle remains to be seenâ€”but as 2013 draws to a close, even though the Brooklyn Tech Triangle can claim the largest tech population outside Manhattan at 10%, that leaves 90% of commercial space in the area occupied by other industries.

In the commercial real estate industry we are prone to prognostication, especially in year-end reports. The past is prelude as those of us who have experienced more than one real estate cycle can attest. But the thrill remains that the industry is largely unpredictableâ€”and wholly up to what we make of it.

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