



Ariel Property Advisors' Brooklyn 2014 Mid-Year Sales Report

August 11, 2014 - Front Section

In the first half of 2014, total investment property sales in Brooklyn rose 38% from the first half of 2013 to 884, nearly twice the number of investment property sales in the city's second most active submarket of Queens, according to Ariel Property Advisors' Brooklyn 2014 Mid-Year Sales Report.

In addition, the number of transactions increased 34% to 646 and the dollar volume of those trades jumped 73% to more than \$3.033 billion in gross consideration in the first half of 2014 compared to the first half of 2013, which saw 640 properties trade over 482 transactions totaling \$1.757 billion in gross consideration. The Brooklyn 2014 Mid-Year Sales Report tracks development, multifamily, industrial, and other commercial property sales over \$850,000.

"With strong fundamentals driving steady demand for multifamily properties and development sites, this uptick shows no signs of abating," said Jonathan Berman, vice president of Ariel Property Advisors.

Multifamily sales took 66% of the borough's investment property transaction volume and more than half its dollar volume in the first half of the year. Brooklyn saw a 67% increase in the number of multifamily buildings sold to 527 and a 120% jump in dollar volume to \$1.68 million compared to the first half of 2013.

"Multifamily portfolio sales were particularly active in Brooklyn during this period, especially in Crown Heights, Bedford Stuyvesant, and Bushwick, three neighborhoods where about a quarter of the borough's total investment property transactions were concentrated," Mr. Berman continued.

As a further indication of the strong multifamily market, the average cap rate compressed from 5.75% in the second half of 2013 to 5.19% in the first half of 2014. Additionally, the average gross rent multiple grew from 11.24 to 11.9 over that same period.

One notable multifamily transaction was Colony 1209, a 126-unit rental building at 1209 DeKalb Avenue in Bushwick that sold for \$58 million, which equates to roughly \$570 per square foot and over \$450,000 per unit. Another was 76 Meserole Street, a newly-constructed 49-unit rental building in Williamsburg that sold for \$35.6 million, which represents a price per unit of over \$725,000.

The development market remained strong as well, with the dollar volume increasing 20% year-over-year to more than \$878 million, while the number of transactions and property sales stayed relatively stable at 125 and 234, respectively. The majority of the development properties were traded in the neighborhoods of Bed-Stuy (19), Crown Heights (16), Downtown (16), Gowanus (13), Greenpoint (17), and Williamsburg (31).

"Sites in primary and secondary locations of the borough saw high demand from developers and users alike, pushing up land values resulting in an increased number of transactions approaching or surpassing the \$300 per buildable level," said Daniel Tropp, vice president of Ariel Property Advisors. "The success of several recent new construction projects now coming online, both in Brooklyn and beyond, only further drives these numbers."

Notable development sales include the sale of the Dupont Realty Greenpoint Development Portfolio, which was a \$48.5 million transaction with 261,000 buildable s/f site as-of-right with the potential to add an additional 100,000 s/f with affordable housing. Another notable transaction is the sale of 564 St. Johns Place, a 135,000 buildable square foot site in Crown Heights that traded for \$24,000,000 or \$177 per buildable square foot.

Ariel Property Advisors Vice President Mark Spinelli also noted that retail is expanding in Brooklyn with national chains opening this year along Fulton Mall in Downtown Brooklyn. "The dollar volume of commercial and retail properties nearly doubled between 1H14 and 1H13, rising to \$175.6 million from \$97 million a year ago," Mr. Spinelli said. "New retail and office properties in the pipeline are adding strength to this market and further illustrate that Brooklyn is evolving into a 24/7 live/work environment."

Lastly, special purpose, user, and other industrial properties accounted for a growing share of all transactions as increasing rents and reduced inventory drove demand. Additionally the potential rezoning of certain areas such as East Williamsburg, Gowanus, and East New York has driven up these values due to higher offers based on speculation.

A copy of Ariel Property Advisors' Brooklyn 2014 Mid-Year Sales Report is available at <http://arielpa.com/newsroom/report-APA-Brooklyn-mid2014-Sales-Report>

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