



Five years of transformation: Brooklyn's retail (r)evolution

September 22, 2014 - New York City

Born and raised in Brooklyn, I've seen the borough evolve before my eyes over the past three decades. Since I began my career in commercial real estate eight years ago, I've been even more in tune with the transformations happening neighborhood by neighborhood, block by block, and often times address by address, particularly on the retail scene.

Even with this background, I found it remarkable to see how much Brooklyn retail has changed over the past five years based on this year's annual study by the CPEX Retail Leasing Team.

In comparing the 2014 Brooklyn Retail Report to the very first retail study we published five years ago, I could not be more excited about where the retail market is currently and where its trajectory is headed five years into the future.

It was just five short years ago, after all, when we highlighted only 45 noteworthy retail thoroughfares in Brooklyn, ranging from prime areas to tertiary markets; this year, we identified nearly 100 notable corridors when it comes to Brooklyn retail, and we fully expect next year's report to approach 125 significant retail strips in Brooklyn.

And this is only the beginning of the borough's identity as a "Retail Mecca."

Back in 2009, in the midst of the depressed real estate market, our team noted all of two corridors that surpassed an average of \$100 per s/f in retail rent. At present, our research found ten stretches of Brooklyn retail that command over \$100 per s/f, two of which are approaching or are at \$200 per s/f in rent.

This has a direct correlation to the expansion of prime areas like Court St. (in Cobble Hill), Fulton Street Mall, and Bedford Ave. (Williamsburg) - previously isolated retail islands that now either span multiple neighborhoods or have added new retail blocks.

These prime locations are also spreading onto side streets, giving rise to retail destinations such as Pacific St. (Cobble Hill), North 4th St. (Williamsburg), and Bergen St. (Park Slope). Once sleepy side streets, these budding retail areas are now yielding \$65 to \$100 per s/f in rent.

In addition, former industrial hubs are slowly converting to valuable retail space, particularly for cost sensitive tenants being priced out of primary markets. We've already seen this happen in Williamsburg, and you don't have to search beyond the Gowanus to see which neighborhood is following suit. The arrival of Whole Foods, Brooklyn Boulders, Dinosaur BBQ, and other prominent retailers has already transformed the community immensely. Based on these trends, we're predicting Sunset Park will be the next industrial area to become a retail hot bed, thanks in large part to great access to public transportation and the presence of Industry City and Liberty View Plaza.

If it isn't apparent already, there aren't many more places in Brooklyn that retailers can go to find a bargain. The CPEX Retail Leasing Team is currently marketing three of the largest retail opportunities in the borough that five years ago wouldn't have been considered a retail opportunity

due to their proximity to the highway, but now command premium rents from quality retailers: Dumbo Heights (formerly the Watchtower portfolio), 850 3rd Ave. (also known as the Liberty View Industrial Plaza), and One Brooklyn Bridge. These three locations have approximately 80,000, 175,000, and 70,000 s/f of highly sought after retail space, due to Brooklyn's ongoing development boom and the formation of more all-encompassing communities that co-locate retail opportunities with residential and/or office space.

In fact, one of the favorite aspects of my job is introducing a tenant to the Brooklyn marketplace and proving to them why they need to plant their first flag in the borough. I love wondering whether I might be meeting the next operator to follow in Brooklyn Fare's footsteps, taking a lifeless retail block like Schermerhorn St. once was and transforming it into must-stop shopping with the first three-star Michelin restaurant in the borough.

J. Crew, Rag and Bone, Neiman Marcus and Nordstrom Rack have all announced their Brooklyn flagship within the past 12 months, and every day my team is speaking to a retailer explaining why they need to join the migration.

So where does Brooklyn retail go from here? One of the most telling stories from our 2014 report was that all of the nine corridors that doubled in pricing were located in the northern half of Brooklyn.

Does the retail

(r)evolution continue to migrate southward, traveling deep into Flatbush or traversing the waterfront down to Bay Ridge?

We certainly think so, but as we just saw, a lot can change in five years. Only time will tell where Brooklyn retail will go from here - time, and our 2019 Brooklyn Retail Report.

Contact me for a full copy of the 2014 Brooklyn Retail Report.

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