



Letter of Intent - Brooklyn's Office Excitement

December 09, 2014 - Front Section

Brooklyn has long been a "second choice" for commercial development, as residential developers can achieve north of \$65 per s/f and commercial developers can only recoup around \$40 per s/f on average. In 2004, Downtown Brooklyn was rezoned to include 4,500,000 s/f of commercial space, yet only 300,000 s/f of that amount has actually been completed, with the overwhelming majority of developments swaying towards luxury residential buildings. Currently, Downtown Brooklyn's office stock has a 6% vacancy rate, and the lack of space is beginning to hurt the neighborhood's progress. Downtown Brooklyn is full, DUMBO has become a mecca for incubators who can pay top dollar for space, and Williamsburg has become expensive no matter what you're looking for, so what next?

Industrial Brooklyn, the next frontier: Gowanus, Bushwick, East Williamsburg, Cobble Hill, and Sunset Park. Why not? The trains aren't as crowded as the 4 and 5 Trains, yet transportation is bountiful and efficient. Artist lofts are charging \$60 per s/f for small spaces; tech companies are paying \$35 per s/f for big spaces. Developers are taking advantage of a bustling office loft market in some of the more "fringe" areas of Brooklyn, where industrial buildings and office loft buildings have begun to trade at substantially higher than "average" numbers and are being renovated into a bevy of different types of office and creative workspaces to cater to the needs to a generation yearning for a space that fits their needs, their very specific needs.

Gowanus sees \$50-\$60 per ft. for 180 s/f spaces with no windows. Bushwick sees \$35 per ft. for huge open spaces with high ceilings. Movie studios, tech spaces, and creative types are actively pursuing spaces to work in the areas that they live and play. How far will this push go into tertiary office markets remains to be seen, but for now, the uptick in activity continues to increase.

Lee Silpe is the senior analyst at Berko & Associates, New York, N.Y.

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