



MULTIFAMILY REPORT

Brooklyn's Return

May 2022

Rents Continue Rapid Ascension

Job Development at a Healthy Pace

Underway Pipeline Signals Strong Year Ahead

BROOKLYN MULTIFAMILY



Rental Sector Set For Strong Year

New York City multifamily rebounded significantly across all metrics last year. The city's most populous borough is no exception, with rent growth soaring to new heights. Brooklyn rates were up 0.6% on a trailing three-month (T3) basis through March, to \$3,123—almost double the \$1,642 U.S. rate. Although rent gains tapered off after last year's third-quarter spike, the average rate was up 16.4% year-over-year in Brooklyn, with the priciest submarkets recording growth above the 30% mark. However, in alignment with the national level, some deceleration is expected in 2022.

New York's job market recorded significant gains across most sectors. Employment expansion was at 5.4%, with 389,600 jobs added in the 12 months ending in February 2022. Leisure and hospitality added the most jobs (155,400), followed by professional and business services (68,300) and trade, transportation and utilities (59,000). Construction, which shed 600 positions, was the only sector to contract.

Development is bound to pick up the pace this year. As of March, Brooklyn had 14,455 units under construction, with another 39,000 in the planning and permitting stages. Mixed-use projects gained more traction, along with redevelopments that aim to revitalize neighborhoods—such as the recently approved Gowanus Neighborhood Plan.

Market Analysis | May 2022

Contacts

Jeff Adler

Vice President & General
Manager of Yardi Matrix
Jeff.Adler@Yardi.com
(303) 615-3676

Jack Kern

Director of Research
and Publications
Jack.Kern@Yardi.com
(800) 866-1124 x2444

Ron Brock, Jr.

Industry Principal, Matrix
JR.Brock@Yardi.com
(480) 663-1149 x2404

Doug Ressler

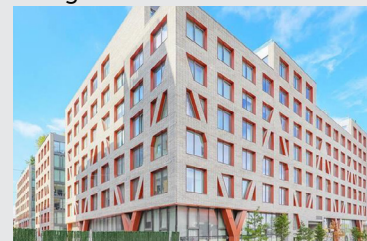
Media Contact
Doug.Ressler@Yardi.com
(480) 695-3365

Author

Tudor Scolca
Associate Editor

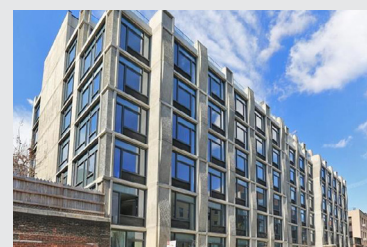
Recent Brooklyn Transactions

Evergreen Gardens



City: New York
Buyer: Atlas Capital Group
Purchase Price: \$506 MM
Price per Unit: \$555,434

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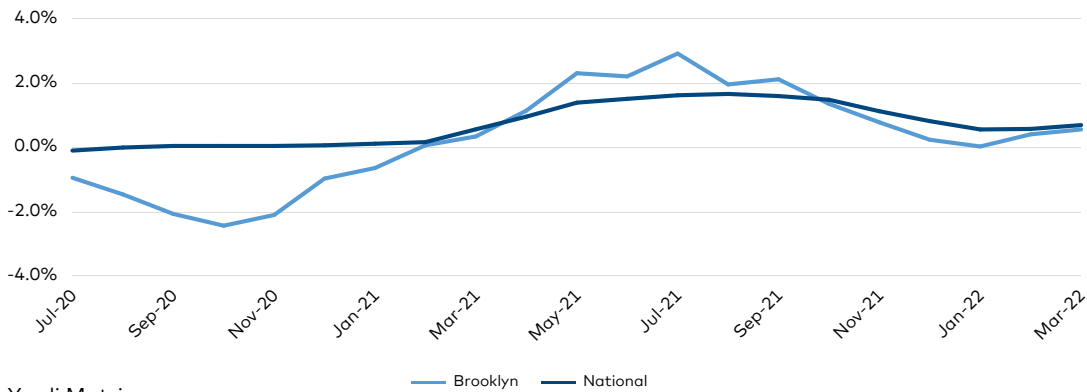


City: New York
Buyer: HUBB NYC Properties
Purchase Price: \$116 MM
Price per Unit: \$687,574

RENT TRENDS

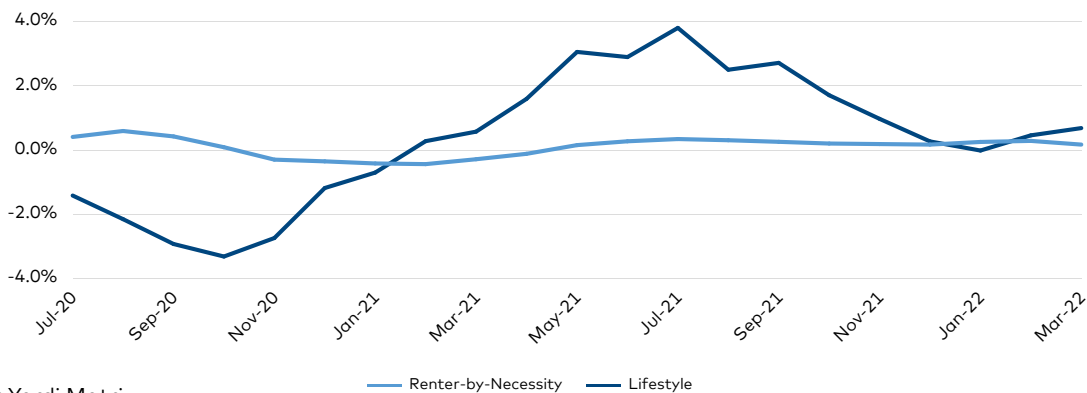
- ▶ Brooklyn multifamily rents grew by 0.6% on a trailing three-month (T3) basis through March, to \$3,123, just below the 0.7% national growth rate and almost double the \$1,642 U.S. average. On a year-over-year basis, rents were up by 16.4%, cooling off after last year's rebound brought record levels of expansion.
- ▶ Both quality segments exceeded milestones for average rents, but Lifestyle properties continued to grow at a faster rate through the first quarter—rents were up by 0.7% on a T3 basis, to \$3,725. Meanwhile, rates in the working-class Renter-by-Necessity segment reached \$2,009, up by 0.2% on a T3 basis through March.
- ▶ All Brooklyn submarkets recorded positive rent growth, with downtown and adjacent areas leading gains. In Fort Greene, market-rate rents were up by 31.3% year-over-year through March, to \$3,564, while downtown Brooklyn recorded a 31.2% increase, to \$3,831. In Greenpoint—which also had the highest number of units underway at the end of the first quarter—rents were up 22.6%, to \$4,619. Dumbo remained the most expensive submarket, with the average at \$4,673, up 23.6%.
- ▶ The occupancy rate in stabilized properties was up 70 basis points year-over-year, to 98.3% as of February. Occupancy for Lifestyle assets increased by 150 basis points—to 98.1%—while RBN assets recorded a slower pace, up 10 basis points to 98.5%.

Brooklyn vs. National Rent Growth (Trailing 3 Months)



Source: Yardi Matrix

Brooklyn Rent Growth by Asset Class (Trailing 3 Months)



Source: Yardi Matrix

ECONOMIC SNAPSHOT

- In the 12 months ending in February, metro New York City gained 389,600 jobs, with employment expansion at 5.4%, exceeding the national average by 70 basis points. In line with national growth, the figure peaked in September of last year, at 9.2%. The unemployment rate in New York City was 7.0% as of February, according to preliminary data from the Bureau of Labor Statistics, a decrease of 60 basis points from the previous month, but still lagging the national rate.
- According to the New York State Department of Labor, the number of private sector jobs increased by 5.2% (statewide) year-over-year through December, accounting for 383,300 jobs.
- Following leisure and hospitality—which led gains with a 39.5% increase of 155,400 new jobs—the city’s largest sectors recorded significant increases in the 12 months through February. Professional and business services grew by 6.4%, or 68,300 jobs, while trade, transportation and utilities added 59,000 positions, up by 5.6%.
- In Brooklyn, the mayor’s office and its partners started work on the first development part of the CARE strategy, which aims to bolster job creation across the city. A commercial building in Brooklyn’s East New York neighborhood broke ground, set to house more than 1,100 Department of Social Services employees, along with 80,000 square feet of commercial space.

New York Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
70	Leisure and Hospitality	548	8.0%
60	Professional and Business Services	1138	16.6%
40	Trade, Transportation and Utilities	1116	16.3%
65	Education and Health Services	1543	22.5%
50	Information	279	4.1%
80	Other Services	277	4.0%
90	Government	903	13.2%
30	Manufacturing	186	2.7%
55	Financial Activities	617	9.0%
15	Mining, Logging and Construction	239	3.5%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- Brooklyn lost 86,341 residents between July 2020 and July 2021, according to preliminary data from the U.S. Census Bureau. This is in line with nationwide trends, with the core of gateway metros seeing a decrease in population while secondary cities and some suburbs expanded.

Brooklyn vs. National Population

	2017	2018	2019	2020
National	325,147,121	327,167,434	328,239,523	329,484,123
Kings County	2,596,385	2,582,830	2,559,903	2,538,934

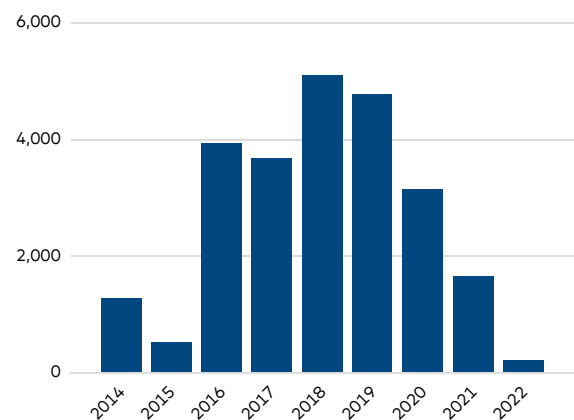
Source: U.S. Census

SUPPLY

- ▶ Brooklyn had 14,455 units under construction as of March, across 52 properties. In line with national trends, Lifestyle properties comprised most of the pipeline, at more than two-thirds, while fully affordable properties accounted for 28% of the total. The borough is set for a strong year, with an additional 39,000 units in the planning and permitting stages.
- ▶ Just 235 units came online during the first quarter in Brooklyn, compared to the 661 units that were delivered in 2021's first three months. Last year was not a particularly strong one for deliveries overall, with 1,659 apartments completed—below the five-year average of 3,683 units. Across all of New York, Yardi Matrix expects 11,920 apartments to come online in 2022.
- ▶ Last November, the city council approved the Gowanus Neighborhood Plan, encompassing 82 blocks along the canal. The long-term development plan aims to transform industrial space and create permanent affordable housing, schools, parks and community infrastructure and add more than 3,000 jobs. Approximately 8,200 new apartments could take shape within the area by 2035, of which 3,000 are expected to be fully affordable.

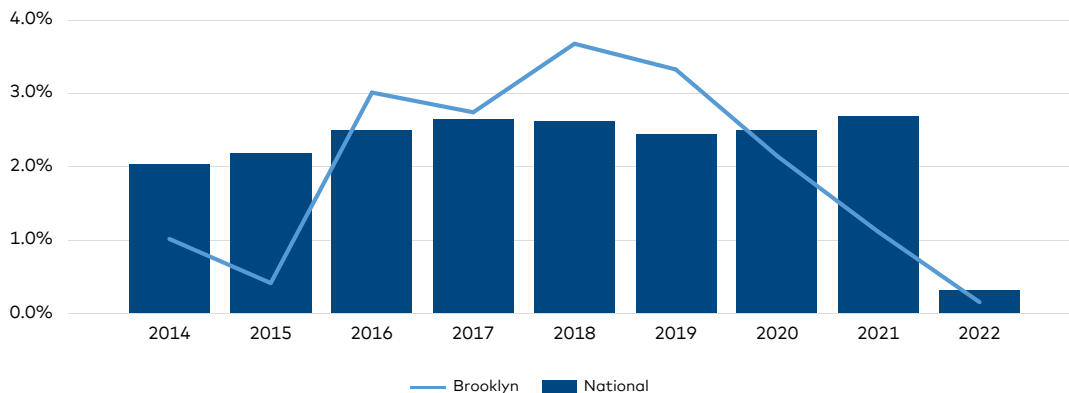
- ▶ Development is concentrated in a few central, southern and northeastern submarkets. Greenpoint led activity as of March, with 2,432 apartments under construction, followed by Prospect Heights (1,974 units), Downtown Brooklyn (1,696), Coney Island-Sea Gate (1,238) and Brownsville (1,161).

Brooklyn Completions (as of March 2022)



Source: Yardi Matrix

Brooklyn vs. National Completions as a Percentage of Total Stock (as of March 2022)

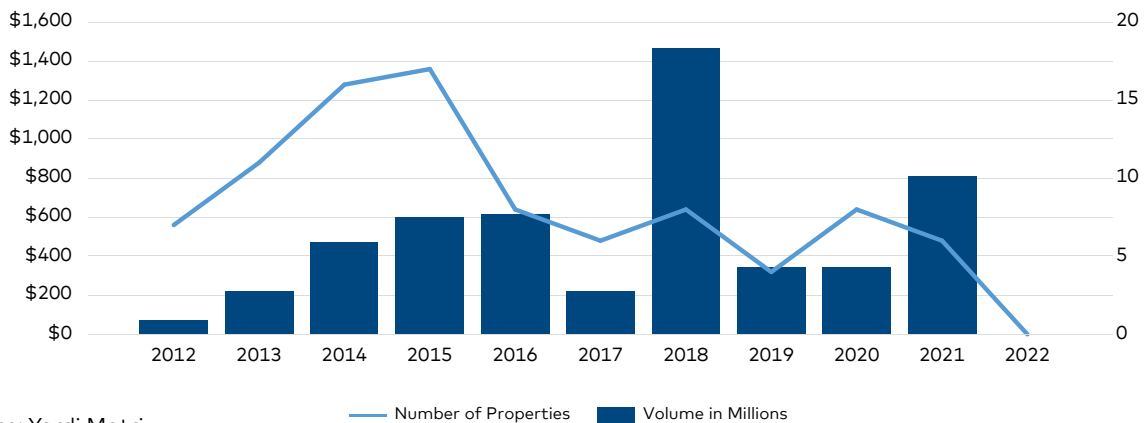


Source: Yardi Matrix

TRANSACTIONS

- ▶ Multifamily investment sales across Brooklyn remained low for properties of 50 units or more. In the 12 months ending in March, six sales were recorded, totaling \$808 million. No new transactions occurred in the first quarter.
- ▶ Taking into consideration deal composition and sample size, the average price per unit reached \$576,111 during the period, a steep increase from the previous year's average of \$109,460, and on par with 2019's \$537,188. Four of the sales involved Lifestyle properties, while the remaining two were for fully affordable assets.
- ▶ The largest property traded in the Bushwick submarket, in December. The 911-unit Evergreen Gardens was acquired by Atlas Capital Group at \$555,434 per unit. Atlas paid \$506 million for the 2019-built asset, which includes 27,000 square feet of retail space.

Brooklyn Sales Volume and Number of Properties Sold (as of March 2022)



Source: Yardi Matrix

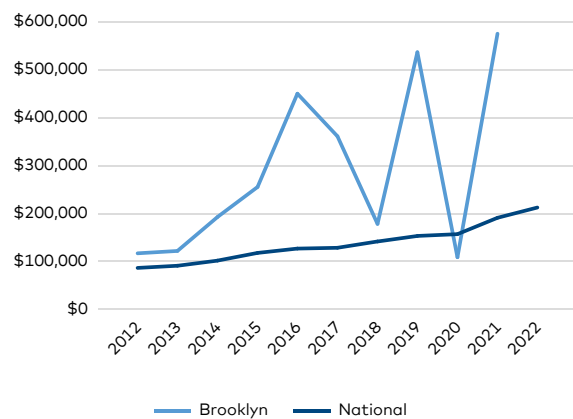
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
Bushwick	\$506
Bedford-Stuyvesant	\$126
Williamsburg	\$116
East New York	\$60

Source: Yardi Matrix

¹ From April 2021 to March 2022

Brooklyn vs. National Sales Price per Unit



Source: Yardi Matrix



Meredith Marshall on the Need for Housing to Reflect Society

By Denile Doyle

Meredith Marshall's career spans 20-plus years in commercial real estate development. As the co-founder & managing partner of BRP Cos., Marshall is active in all phases of origination, construction and development of affordable, mixed-income and market-rate housing developments. Marshall calls for more naturally occurring affordable housing and discusses the need for more Black and Brown housing developers.

Have you seen meaningful progress when it comes to diversity in the industry?

Four years ago, I was the only African American at a conference with the top 50 developers in the affordable housing space. Last year at that conference, there were two African Americans and one Hispanic developer. Yes, that's progress, but there were almost 50 other people there, so we are still underrepresented.

Affordable housing, especially, is a space where we should have more representation because we represent many of the low-income neighborhoods.

Tell us about the barriers housing developers face.

The approval process is extremely lengthy. I worked on a transaction with the City of New York that took four years to break ground on because we were waiting. That's an issue because so many people need construction jobs to feed their families. Besides needing a lot of capital, NIMBYism and other



pressures are working against you that prevent you from closing that deal.

You have been a big proponent of mixed-income developments. Why are these buildings successful?

Building a 100 percent low-income development and getting all the available subsidies is not what's best for these neighborhoods. I would rather build a mixed-income project.

The alternative is a neighborhood where there's concentrated poverty. It's better to increase the density of units and have market-rate and low-income together. It contributes to social mobility.

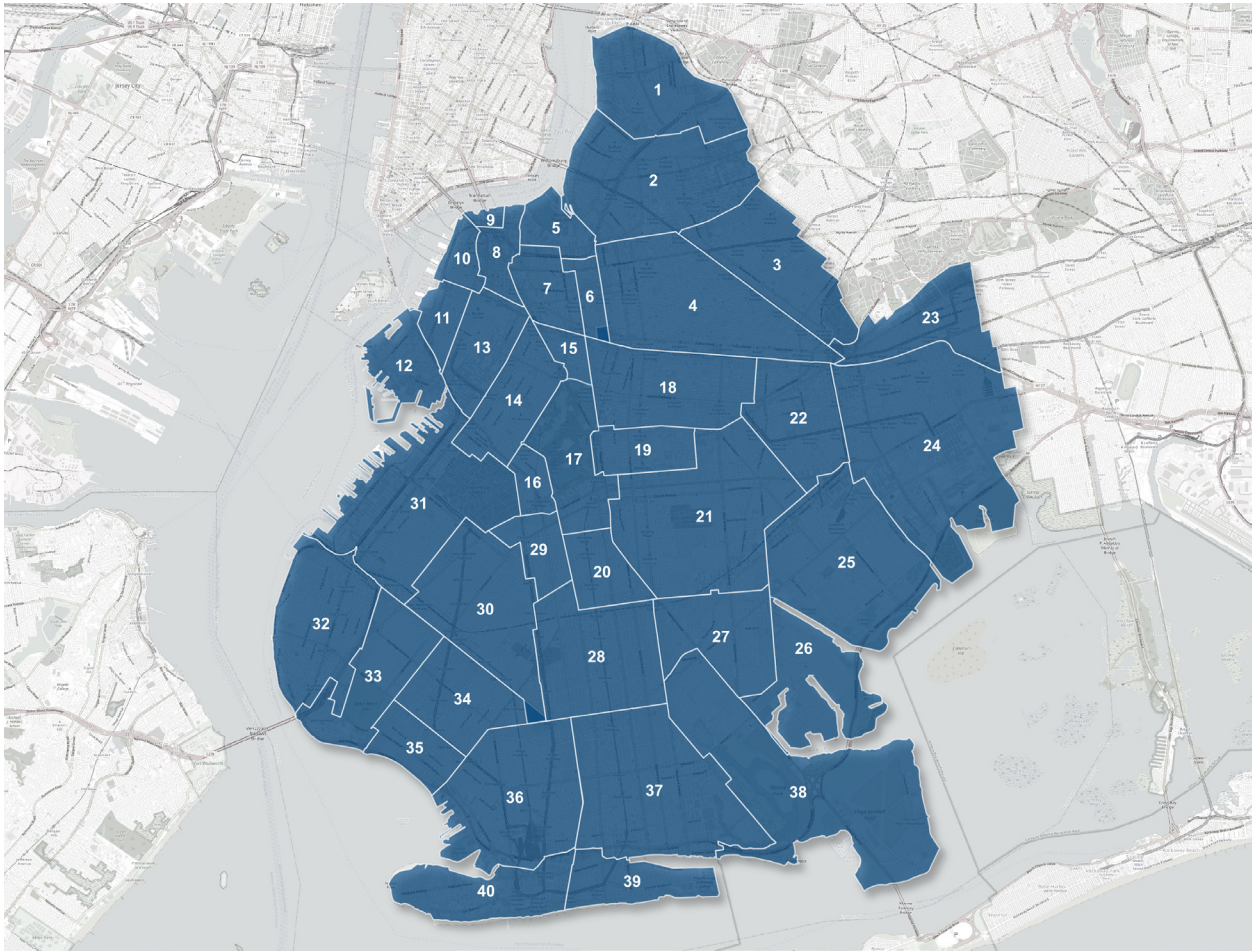
Apart from changing tax policies, what else needs to be done to fill the gap?

We need 500,000 additional housing units by 2030 in New York City, and we're building 20,000. Of that, 6,000 to 8,000 is affordable. The math doesn't add up. We need to put \$25 billion a year over a 10-year period into the market. We should be able to source that because we are the financial capital of the world. That's where naturally occurring affordable housing comes in, but we also need a system.

Housing units are part of a city's infrastructure. And how are we benefiting from that? We have 100,000 of our children in the public-school system who are in shelters—most of them are Black and Brown. I think you'll see smarter policies coming to the fore and that's my hope. I'm optimistic about that glass being half full.

(Read the complete interview on multihousingnews.com.)

BROOKLYN SUBMARKETS



Area No.	Submarket
1	Greenpoint
2	Williamsburg
3	Bushwick
4	Bedford-Stuyvesant
5	Navy Yard
6	Clinton Hill
7	Fort Greene
8	Downtown Brooklyn
9	Dumbo
10	Brooklyn Heights
11	Cobble Hill
12	Red Hook
13	Boerum Hill-Gowanus
14	Park Slope-South Slope

Area No.	Submarket
15	Prospect Heights
16	Windsor Terrace
17	Prospect Park-Prospect Park South
18	Crown Heights
19	Prospect-Lefferts Gardens
20	Flatbush
21	East Flatbush
22	Brownsville
23	Cypress Hills
24	East New York
25	Canarsie
26	Bergen Beach-Mill Basin
27	Flatlands
28	Midwood

Area No.	Submarket
29	Kensington & Parkville
30	Borough Park
31	Sunset Park-Greenwood
32	Bay Ridge
33	Dyker Heights
34	Bensonhurst
35	Bath Beach
36	Gravesend
37	Sheepshead Bay-Gerritsen Beach
38	Marine Park
39	Brighton Beach-Manhattan Beach
40	Coney Island-Sea Gate

OTHER PROPERTY SECTORS

Office

- The [U.S. office market](#) remains in a state of transformation, as the effects of the global health crisis fully recede. Some companies continue to push for a return to pre-pandemic office usage or hybrid models, while others have embraced remote work on a permanent basis. One direct result has been an increase in demand for high-quality space that is designed around two key aspects—sustainability and flexibility. Nationwide asking rates continued to rise—according to the latest CommercialEdge data—in part due to more Class A space coming to market. The average full-service equivalent rate was \$38.62 per square foot as of February, up 1.2% year-over-year.
- In Brooklyn, the average rate remained above the national figure, but was 4.9% lower year-over-year—at \$48.08 as of February. In fact, the borough recorded the largest drop among all areas tracked by CommercialEdge. Developers are confident that a rebound is coming, and last year saw roughly [750,000 square feet breaking ground](#) during the first 10 months.
- Office vacancy remained elevated, up 300 basis points year-over-year in Brooklyn, at 17.8% as of February—above the national 15.7%. Meanwhile, [Manhattan office vacancy](#) fared better but also climbed, by 30 basis points month-over-month, to 13.1% in February.

Industrial

- The past two years have catapulted [the industrial real estate sector](#) to new heights, with demand not showing any signs of slowing down. According to CommercialEdge, last year saw the addition of more than 350 million square feet to the U.S. market—2.0% of stock, a record-breaking figure for deliveries. In New Jersey, more than 11.7 million square feet were underway as of February, representing 2.2% of total stock.
- Industrial rents continued to register significant gains. Nationwide, the average rate was up 4.4% year-over-year, to \$6.45 as of February. New Jersey was sixth among all markets tracked by CommercialEdge, with the average rent up by 5.5%, to \$8.10.

- Transactions for the first two months of 2022 totaled more than \$9.1 billion across the U.S. The average sale price continued to grow for six consecutive quarters, the latest CommercialEdge report shows. In New Jersey, \$603 million were generated by industrial sales during the first two months of 2022, with the average per-square-foot price among the highest, at \$185. By comparison, the national figure clocked in at \$125.
- In January, CBRE Investment Management [acquired a two-building warehouse for \\$85 million](#) from a joint venture between ASB Real Estate and 60 Guilders. The Brooklyn property traded at almost double its previous price.

Self Storage

- Pandemic-fueled demand trends contributed to [the self storage sector recording a strong year](#) in 2021. According to Yardi Matrix data, year-over-year street rate growth remained strong given the sector's position. The national average for 10x10 non-climate controlled (NON CC) units was up 7.6% year-over-year as of February, while rates for climate-controlled units (CC) grew by 7.4%.
- National development activity continued at a very high pace, with properties under construction or in the planning stages comprising 9.2% of total stock. As housing prices were soaring once again in top markets, residents sought out cheaper alternatives, which [enabled secondary markets to grow](#) considerably. New York continued to dominate, however, with planned and underway units totaling 18.6% of existing stock, and the pipeline led to slower growth for street rates. On a month-over-month basis, the average self storage rent decreased by 0.5% in February in New York, to \$199.
- One of the most active self storage investors in Greater New York is Storage Post, which already made several purchases during the first quarter—most recently, it [acquired a 107,000-square-foot facility in Linden, N.J.](#)

DEFINITIONS

Lifestyle households (renters by choice) have wealth sufficient to own but have chosen to rent. Discretionary households, most typically a retired couple or single professional, have chosen the flexibility associated with renting over the obligations of ownership.

Renter-by-Necessity households span a range. In descending order, household types can be:

- *A young-professional*, double-income-no-kids household with substantial income but without wealth needed to acquire a home or condominium;
- *Students*, who also span a range of income capability, extending from affluent to barely getting by;
- *Lower-middle-income ("gray-collar") households*, composed of office workers, policemen, firemen, technical workers, teachers, etc.;
- *Blue-collar households*, which barely meet rent demands each month and likely pay a disproportionate share of their income toward rent;
- *Subsidized households*, which pay a percentage of household income in rent, with the balance of rent paid through a governmental agency subsidy. Subsidized households, while typically low income, extend to middle-income households in some high-cost markets, such as New York City;
- *Military households*, subject to frequency of relocation.

These differences can weigh heavily in determining a property's ability to attract specific renter market segments. The five-star resort serves a very different market than the down-and-outer motel. Apartments are distinguished similarly, but distinctions are often not clearly definitive without investigation. The Yardi® Matrix Context rating eliminates that requirement, designating property market positions as:

Market Position	Improvements Ratings
Discretionary	A+ / A
High Mid-Range	A- / B+
Low Mid-Range	B / B-
Workforce	C+ / C / C- / D

The value in application of the Yardi® Matrix Context rating is that standardized data provides consistency; information is more meaningful because there is less uncertainty. The user can move faster and more efficiently, with more accurate end results.

The Yardi® Matrix Context rating is not intended as a final word concerning a property's status—either improvements or location. Rather, the result provides reasonable consistency for comparing one property with another through reference to a consistently applied standard.

To learn more about Yardi® Matrix and subscribing, please visit www.yardimatrix.com or call Ron Brock, Jr., at 480-663-1149 x2404.



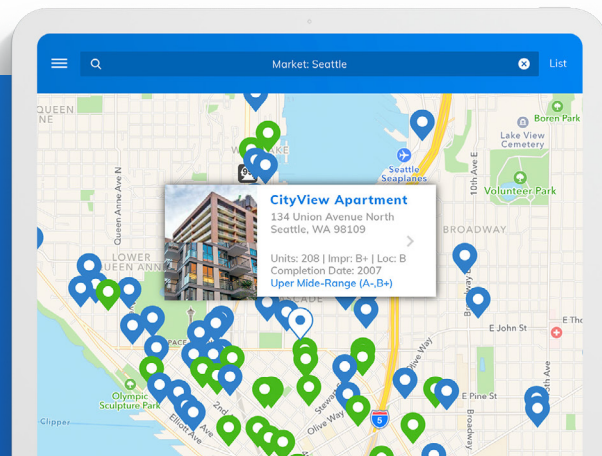
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- Pierce the LLC every time with true ownership and contact details
- Leverage improvement and location ratings, unit mix, occupancy and manager info
- Gain complete new supply pipeline information from concept to completion
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