



MULTIFAMILY REPORT

Brooklyn Rent Growth Endures

August 2023

Rent Development Ouperforms US

Occupancy Rate One of Nation's Best

Investment Idle After Solid 2022

BROOKLYN MULTIFAMILY



Brooklyn Rents Up, Sales Struggle

Brooklyn's multifamily market outperformed national figures in a few key areas. As of June, rates in the metro were up 4.0% year-over-year, 220 basis points above the U.S. average. The borough's rates rose to \$3,338, while the national average reached \$1,726. The overall occupancy rate in stabilized assets across Brooklyn was a strong 98.7%, 370 basis points above the U.S. figure.

New York City added 209,600 jobs in the 12 months ending in April. The figure marked a 3.7% improvement year-over-year, 80 basis points above the national average. All but two economic sectors gained jobs during this period. Meanwhile, New York City's unemployment rate was 5.4% in April, well above the national 3.4% rate.

In the first half of the year, the borough recorded a single transaction, bringing its multifamily investment total for the year to \$101 million. This came on the heels of a solid 2022, when multifamily sales volume reached nearly \$850 million, far outpacing the borough's \$550 million average for the prior decade. While investment was at a standstill, construction activity in the borough continued, with 18,879 units under construction. An additional 41,500 units were in the planning and permitting stages, although deliveries this year amounted to only 135 units.

Market Analysis | August 2023

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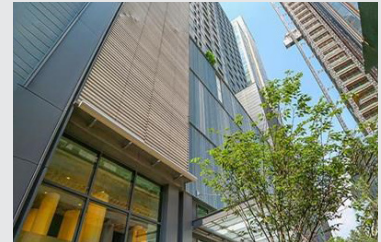
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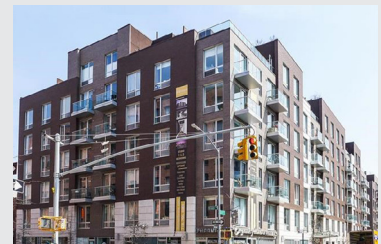
Recent Brooklyn Transactions

7 Dekalb



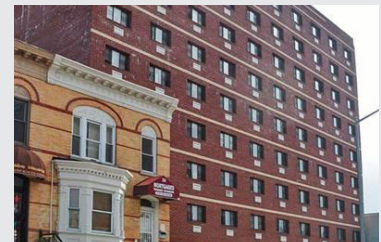
City: New York City
Buyer: Avanath Capital
Management
Purchase Price: \$101 MM
Price per Unit: \$405,000

205 N. Ninth St.



City: New York City
Buyers: 60 Guilders and
Stockbridge Capital Group
Purchase Price: \$72 MM
Price per Unit: \$632,743

Tilden Hall

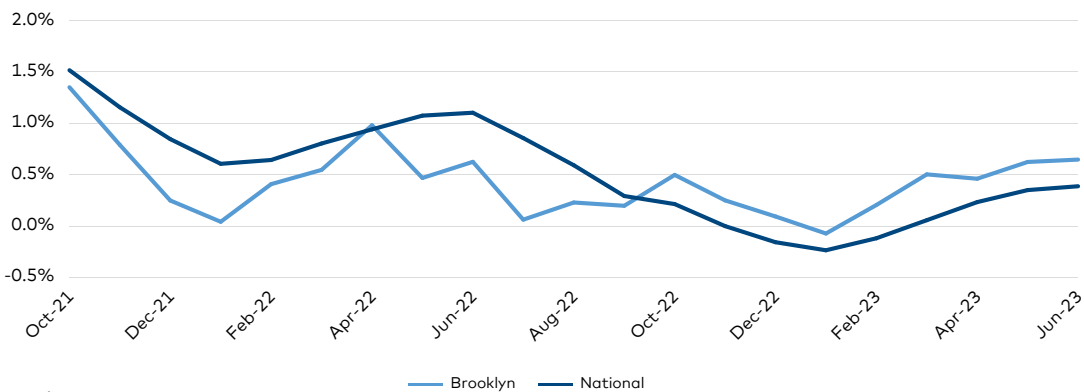


City: New York City
Buyer: Signature Investment Group
Purchase Price: \$46 MM
Price per Unit: \$392,308

RENT TRENDS

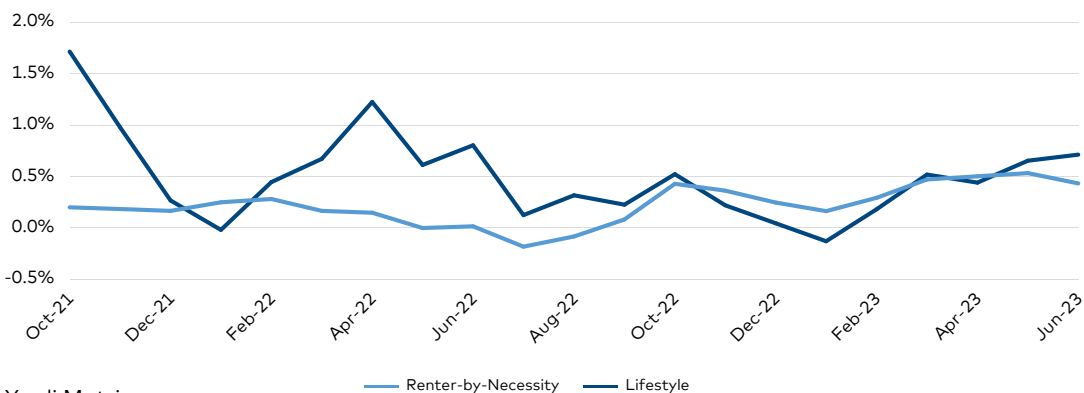
- ▶ Brooklyn rent growth reached 0.6% on a trailing three-month (T3) basis through June, 2023, 20 basis points above the national average. On an annual basis, rates were up 4.0% as of June, well above the 1.8% national figure. Similarly, Queens rent development was at 4.0% year-over-year, while Manhattan outperformed both, at 6.0%. The overall average rent in the borough reached \$3,338 as of June, while the national figure rose to \$1,726.
- ▶ The Lifestyle segment drove rent growth, as rates increased 0.7% on a T3 basis, to \$3,984. Meanwhile, Renter-by-Necessity prices rose 0.4%, to \$2,090. On a year-over-year basis, the two segments saw similar growth. Lifestyle rents increased 5.0%, while RBN rates saw a 4.0% uptick.
- ▶ Average occupancy in stabilized assets across Brooklyn was up 0.1% year-over-year. At 98.7%, the rate was 370 basis points above the U.S. average. The Brooklyn figure was also 110 basis points above occupancy numbers for Manhattan and on par with the average for Queens.
- ▶ Of the 30 submarkets tracked by Yardi Matrix, only three saw larger annual rent increases than Brooklyn. Coney Island-Sea Gate saw the largest gains (up 12.5% year-over-year to \$2,849), followed by Williamsburg (up 4.7% to \$3,756) and Downtown Brooklyn (up 4.4% to \$4,173). Meanwhile, Dumbo was the most expensive submarket, with rates increasing to \$4,809. Greenpoint came in a close second, with rents climbing to \$4,641.

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

- New York City's unemployment rate was 5.4% in April, according to Bureau of Labor Statistics data. Although the figure marked a 10-basis-point increase month-over-month, it was 50 basis points lower than the April 2022 rate. Meanwhile the state's unemployment rate was 4.0%, while the national average stood at 3.4%.
- New York City added 209,600 jobs in the 12 months ending in April. This amounted to a 3.7% growth rate year-over-year, 79 basis points above the U.S. average.
- Education and health services led employment growth with 83,400 positions added, marking a 5.2% increase year-over-year. The sector was followed by leisure and hospitality with 64,200 jobs gained (up 10.6%) and professional and business services with 26,300 new positions (up 2.2%).
- Trade, transportation and utilities was the sole sector that registered job losses, with 4,400 positions lost (down 0.4%). Meanwhile employment across the information sector showed no change.
- City leadership and the U.S. Environmental Protection Agency broke ground on a \$1.6 billion project aimed at preventing further pollution of the Gowanus Canal. The project will add two overflow retention tanks with landscaped green spaces atop.

New York Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
65	Education and Health Services	1,695	23.3%
70	Leisure and Hospitality	669	9.2%
60	Professional and Business Services	1,199	16.5%
55	Financial Activities	650	8.9%
15	Mining, Logging and Construction	272	3.7%
80	Other Services	289	4.0%
90	Government	909	12.5%
30	Manufacturing	193	2.7%
50	Information	278	3.8%
40	Trade, Transportation and Utilities	1,128	15.5%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- Brooklyn's population declined by 86,341 residents in 2021 due to out-migration. The loss amounted to a 3.2% drop year-over-year, however, the borough's total number of residents has grown 5.4% since 2010.

Brooklyn vs. National Population

	2018	2019	2020	2021
National	326,838,199	328,329,953	331,501,080	331,893,745
Brooklyn	2,580,088	2,562,329	2,727,393	2,641,052

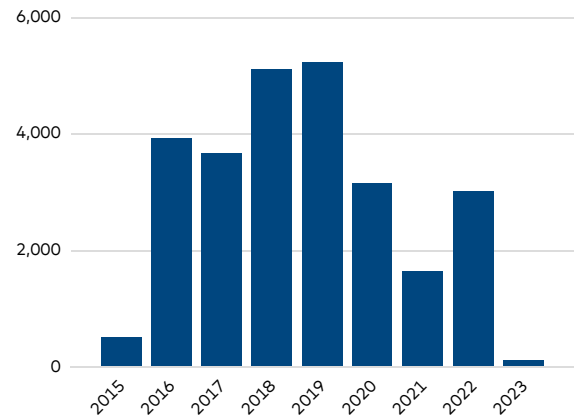
Source: U.S. Census

SUPPLY

- ▶ As of June, Brooklyn developers had 18,879 units under construction. Approximately two-thirds of the projects underway were Lifestyle properties, while the fully affordable segment made up 27% of the pipeline. An additional 41,500 units were in the planning and permitting stages.
- ▶ In the first half of the year, a single property totaling 135 units came online. The Lifestyle asset accounted for 0.1% of existing rental stock, 70 basis points below the U.S. rate. In contrast, the borough added 1,747 units in the first six months of 2022, with the total number of completions reaching 3,034 units or 2.0% of existing stock, just 40 basis points below the national average.
- ▶ Constructions starts have also dwindled. In the first half of 2022, developers kicked off construction on eight properties totaling 2,117 units. Meanwhile, in the first half of 2023, developers broke ground on six properties totaling 1,849 units, down 12.7%.
- ▶ With 1,098 units, 625 Fulton in the Fort Greene submarket is the largest development underway in the borough, while the 446-unit 2926 W. 19th in Coney Island-Sea Gate is the largest fully affordable project under construction.

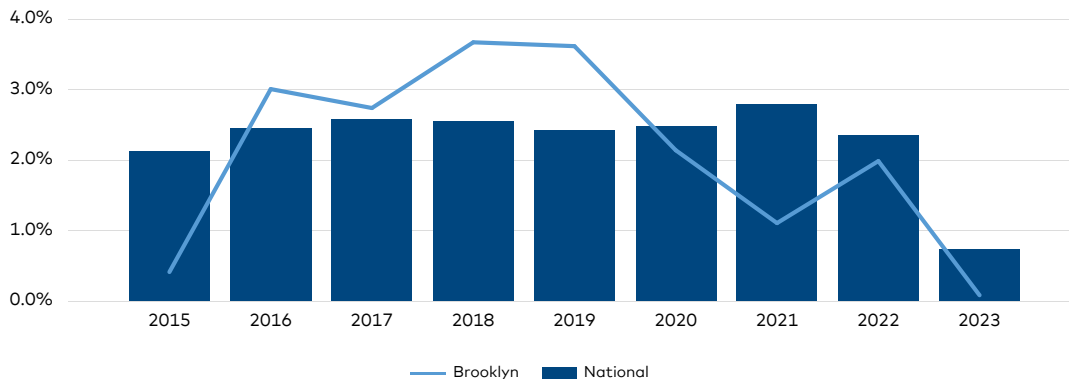
Developed by a joint venture among Taconic Partners, BFC Partners and L+M Development Partners, the 16-story building will also offer 66,000 square feet of office and 15,000 square feet of retail space. New York City Housing Development Corp. facilitated the development of the mixed-use project with a \$209.8 million construction loan.

Brooklyn Completions (as of June 2023)



Source: Yardi Matrix

Brooklyn vs. National Completions as a Percentage of Total Stock (as of June 2023)

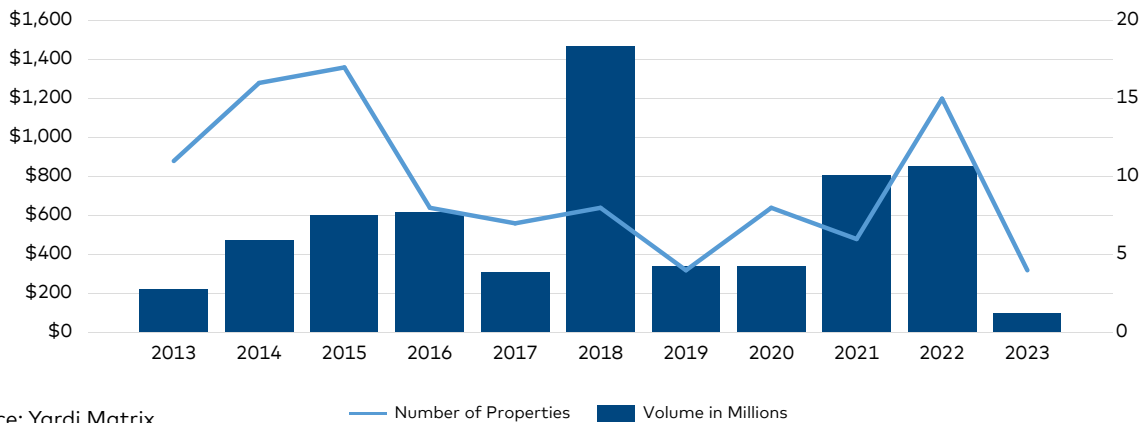


Source: Yardi Matrix

TRANSACTIONS

- ▶ In the first half of the year, Brooklyn recorded a single sale totaling \$101 million. In contrast, multifamily investment totals reached \$850 million during the same period in 2022, well above the prior decade's \$550 million annual average.
- ▶ In 2022, the average price per unit dropped to \$551,429, a 19.8% year-over-year decline. However, the figure was more than double the U.S. average of \$209,988 and still significantly higher than the borough's \$348,958 decade average. Properties in the Lifestyle segment traded at an average per-unit price of approximately \$1.2 million, keeping average values relatively high. Meanwhile, the average per-unit price for RBN assets was \$240,662.
- ▶ Downtown Brooklyn was home to the sole asset with 50 or more units that traded in the first half of the year in the borough. Avanath Capital Management picked up the 250-unit 7 Dekalb. The new owner also assumed a \$58 million Fannie Mae loan on the property.

Brooklyn Sales Volume and Number of Properties Sold (as of June 2023)



Source: Yardi Matrix

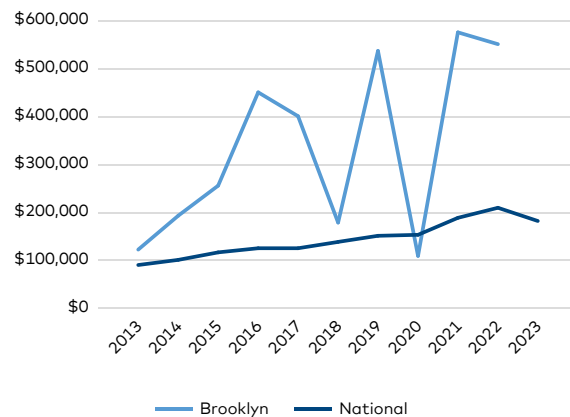
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
Williamsburg	\$152
Downtown Brooklyn	\$101
Sheepshead Bay-Gerritsen Beach	\$78
East Flatbush	\$46
Gravesend	\$28

Source: Yardi Matrix

¹ From July 2022 to June 2023

Brooklyn vs. National Sales Price per Unit



Source: Yardi Matrix

Top 10 Markets for Multifamily Construction

By Anca Gagiuc

U.S. multifamily construction was robust at the start of the new leasing season, with the pipeline amounting to nearly 1.1 million units underway across 4,910 properties, according to Yardi Matrix data. However, deliveries were slow, with just 73,506 units coming online this year through April. That's less than 7% of the national pipeline and accounts for 20% of last year's 369,827-unit total.

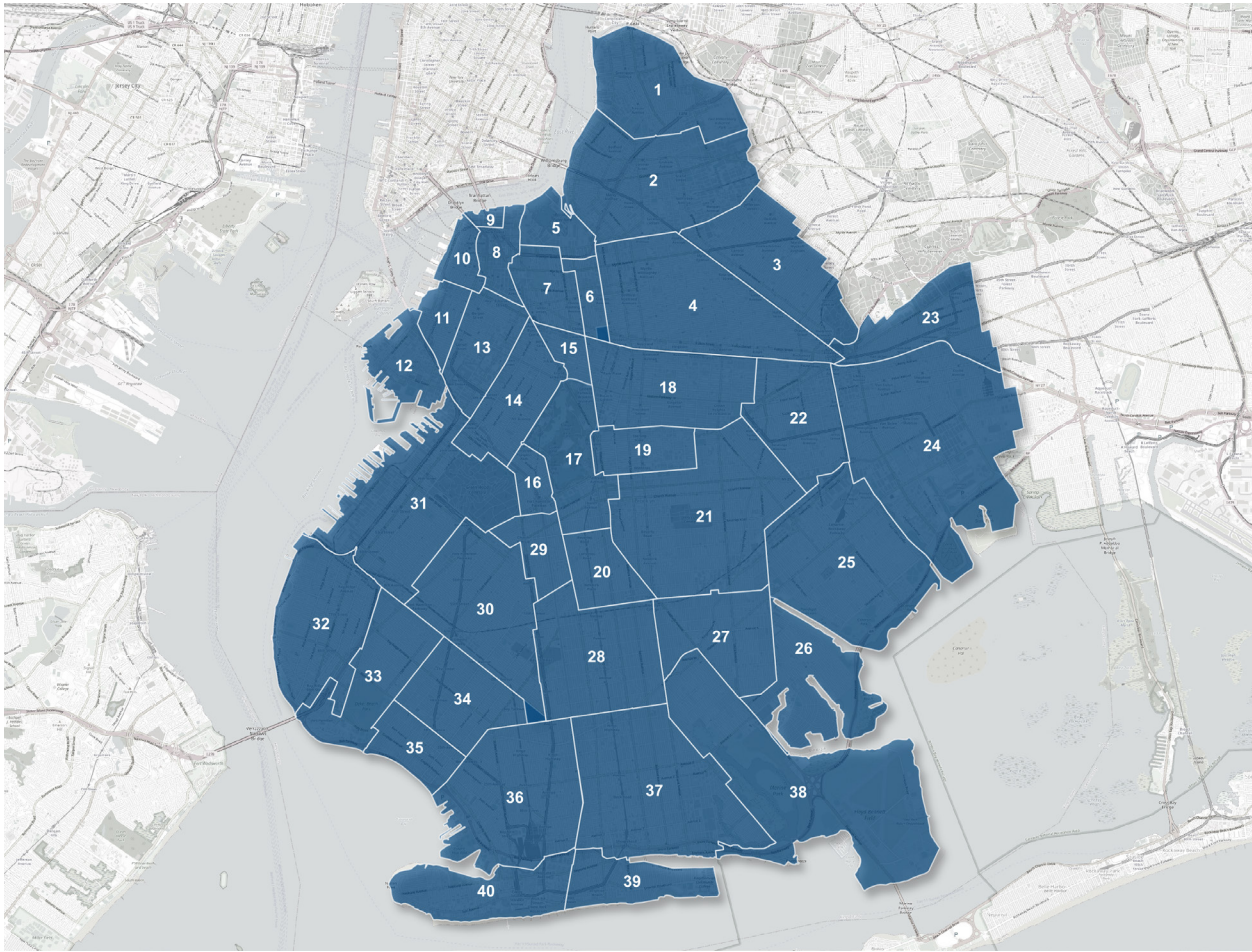
Metro	Units Under Construction	Units Completed Year-to-Date	Construction Starts/Units January - March 2023
Austin	61,873	2,547	6,013
Dallas	60,532	2,016	5,864
Miami	44,533	2,732	3,612
Atlanta	41,204	2,679	4,120
Phoenix	39,875	3,811	1,985
New York City	38,859	137	3,304
Denver	35,893	1,696	1,580
Houston	34,709	1,686	1,660
Los Angeles	32,306	1,926	814
Charlotte	32,188	1,538	1,459

New York City

New York City was also high on the list, with 38,859 units in 124 properties under construction and more than 95,000 units in the planning and permitting stages. Inventory expansion through May was very limited, with just 137 units delivered, 0.2% of existing multifamily stock and the lowest rate on this list. However, New York City's multifamily market continues to improve and was the only one in this ranking to record increases in construction starts during the first quarter of 2023.



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

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.



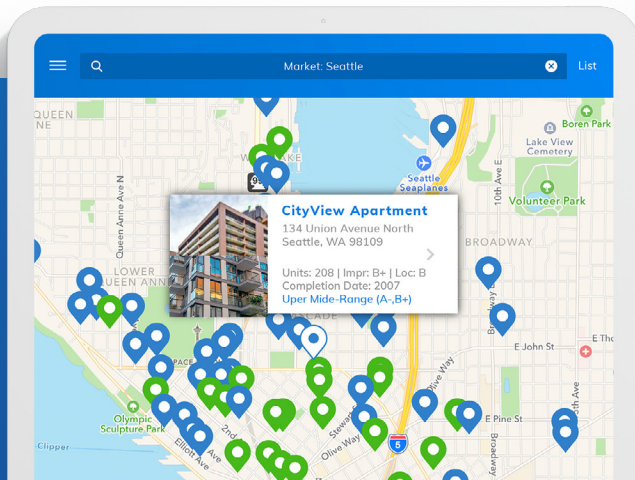
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