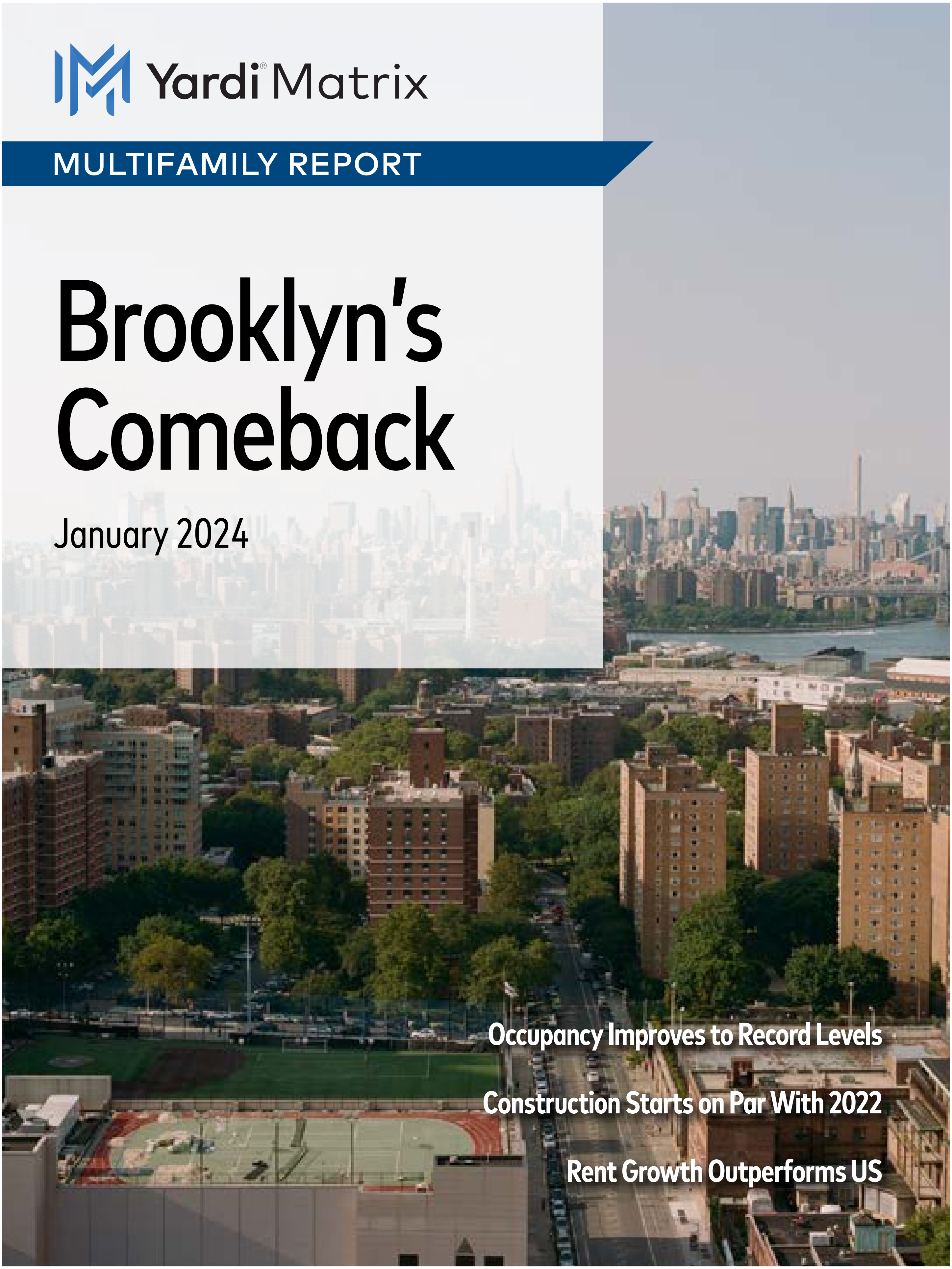
Yardi Matrix

MULTIFAMILY REPORT

Brooklyn's Comeback

January 2024



Occupancy Improves to Record Levels

Construction Starts on Par With 2022

Rent Growth Outperforms US

BROOKLYN MULTIFAMILY

Yardi Matrix

Fundamentals Hold, For Now

Through the second half of the year, most multifamily markets felt the blow of a slower economy, with overall national rent growth at 0.4% year-over-year as of November. Brooklyn, however, managed to maintain a steadier pace, with rent development on a trailing three-month basis at 0.2% and year-over-year improvement at 4.9%, up to an average of $3,524. Occupancy rates point to demand for more housing, with averages for stabilized assets at 99.0% in October, up 30 basis points since last year.

New York City's unemployment rate stood at 5.4% as of October, according to preliminary data from the Bureau of Labor Statistics. The city's labor pool expanded by 2.7% on a 12-month basis through September, above the nation's 2.4%. Of the 161,500 jobs added during this period, 122,500 were in the education and health services sector. Betting on the sector's future growth, authorities unveiled a master-planned life sciences career and education hub, the Science Park and Research Campus at Kips Bay, estimated to create more than 3,000 permanent jobs for the sector and provide a $42 million boost to New York City's economy by 2030.

Multifamily development in Brooklyn cooled, with developers bringing 1,654 units online year-to-date through November, down 43.3% since last year. On the upside, the borough had 19,419 units under construction and an additional 39,500 units in the planning and permitting stages.

Recent Brooklyn Transactions

7 Dekalb

City: Brooklyn, N.Y.
Buyer: Avanath Capital Management
Purchase Price: $101 MM
Price per Unit: $405,000

Market Analysis | January 2024

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RENT TRENDS

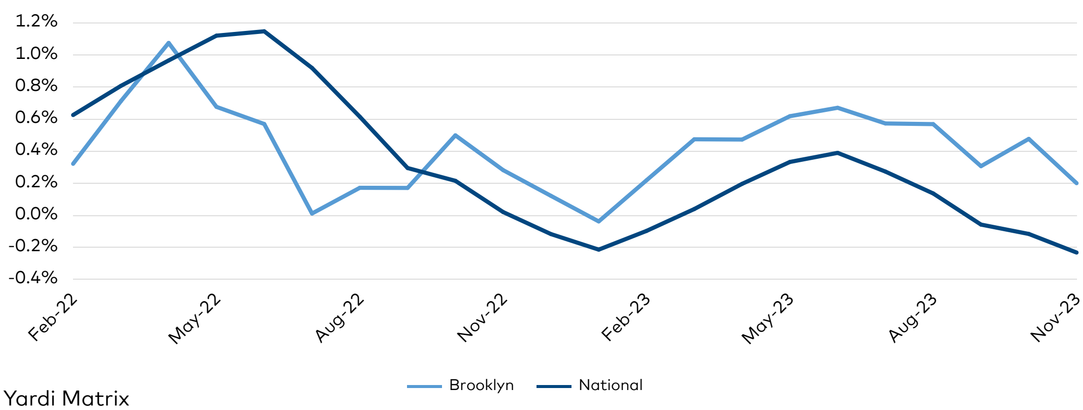
- Brooklyn rents were up 0.2% on a trailing three-month (T3) basis through November, 40 basis points above the U.S. rate. This came on the heels of a good year for the borough, as rate development was consistently above national levels. The summer months were the strongest, with 0.7% T3 growth in June, followed by 0.6% in July and August. Year-over-year, rents were up 4.9%, while the national figure stood at just 0.4% in November.

- The average rent reached $3,524 in November, more than double the national figure of $1,713. Looking at quality segments, T3 rate development trended in different directions. Working-class Renter-by-Necessity rents increased in November, up 0.7%, to $2,135, while Lifestyle figures dipped 0.1%, to $4,152, as seasonal trends took shape.

- Occupancy rates for stabilized assets grew to historic highs. Year-over-year to October, the rate was up 30 basis points, to 99.0%, while the national average was down 40 basis points, to 94.9%. The figure for Lifestyle assets was up 30 basis points, to 98.5%, while RBN properties reached a whopping 99.3%, up 20 basis points.

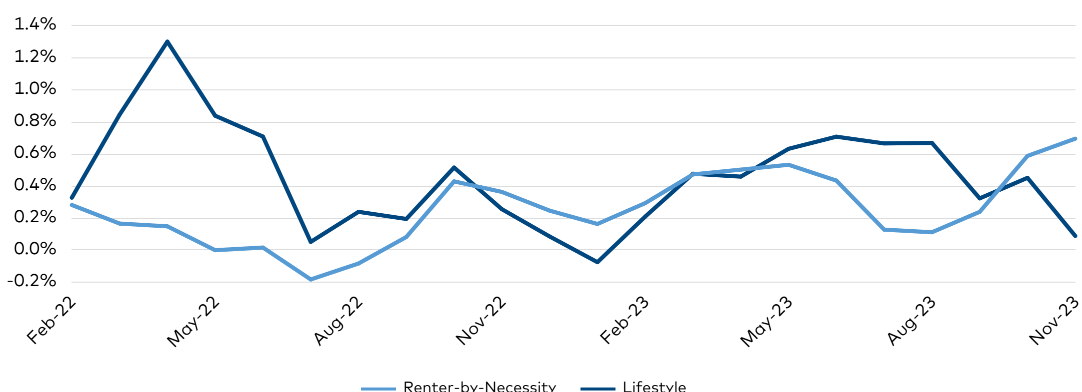
- Rent growth by submarket was a mixed bag. Of the 40 submarkets tracked by Yardi Matrix, 23 had positive year-over-year growth, ranging from 1.0% in Greenpoint (to $4,560) to 6.3% in Williamsburg (to $4,521). The sample size in the other submarkets was too low to determine an accurate figure.

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 stood at 5.4% as of October, according to preliminary data from the Bureau of Labor Statistics—150 basis points higher than the national rate and 120 basis points above the state. Although unemployment in the city didn't improve from the beginning of the year, the workforce stabilized, bolstered by the governor announcing a minimum wage increase effective Jan. 1, 2024.

- On a 12-month basis through September, NYC added 161,500 jobs, representing a 2.7% expansion of the labor pool—30 basis points higher than the U.S. rate. The city recorded stronger growth than the national average throughout the year, but not by a lot.

- Gains were led by education and health services, which added 122,500 jobs, or a 7.7% expansion. Leisure and hospitality added 37,400 new jobs (5.7%), followed by construction (16,500, 6.2%). Sectors that lost jobs included information (down 22,900, 8.0%) and trade, transportation and utilities (down 10,500, 0.9%).

- According to a 2023 study by the New York City Economic Development Corp., North Brooklyn was one of the fastest growing areas in terms of small businesses, with 1,300 new firms opened between 2018 and 2019. The borough's economy is bolstered by developments such as the mixed-use hub Herkimer-Williams, which will include commercial space and affordable housing.

New York Employment Share by Sector

		Current Employment	
Code	Employment Sector	(000)	% Share
65	Education and Health Services	1721	23.5%
70	Leisure and Hospitality	694	9.5%
15	Mining, Logging and Construction	284	3.9%
90	Government	907	12.4%
80	Other Services	289	3.9%
55	Financial Activities	657	9.0%
30	Manufacturing	194	2.6%
60	Professional and Business Services	1192	16.3%
40	Trade, Transportation and Utilities	1134	15.5%
50	Information	263	3.6%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- Brooklyn's population was down 3.2% from 2020 to 2021, with 86,341 residents leaving the metro. On a 10-year basis however, Brooklyn was the fastest-growing borough, with the population up 9.2% since 2010.

Brooklyn vs. National Population

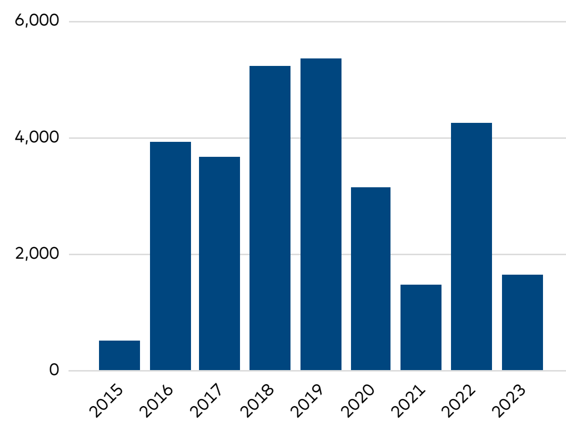
	2018	2019	2020	2021
National	326,838,199	328,329,953	331,501,080	331,893,745
Brooklyn	2,580,088	2,562,329	2,727,393	2,641,052

Source: U.S. Census

SUPPLY

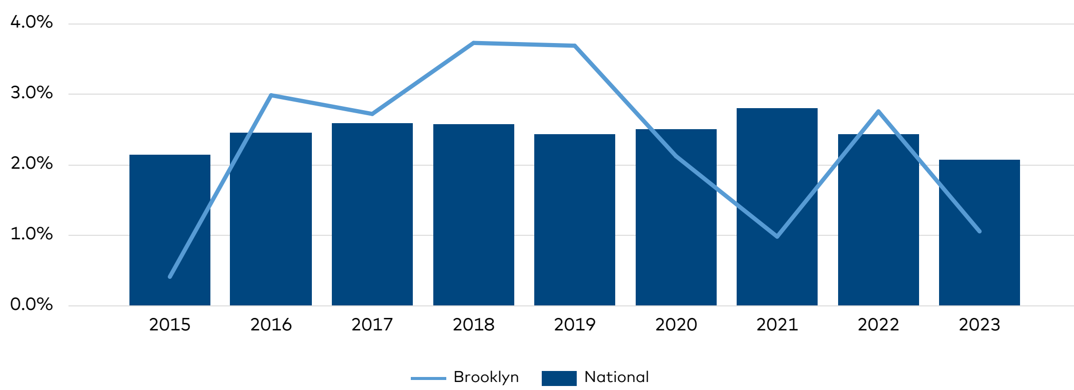
- Developers completed 1,654 units on a year-to-date basis through November, representing a 1.1% expansion of existing stock, 100 basis points below the U.S. figure. This was down 43.3% year-over-year, as the economic landscape put a damper on development across most markets. The projects that reach completion were underway before the rate hikes. Over the previous five-year period, Brooklyn added an average of 3,906 units annually.
- The borough had 19,419 units under construction as of November, with 65.2% of these in upscale Lifestyle properties. Units in fully affordable projects comprised 27.2% of the pipeline, while the remaining 7.6% were in RBN assets. An additional 39,500 units were in the planning and permitting stages.
- A total of 5,252 units broke ground year-to-date through November across 22 properties, on par with the amount recorded during the same period last year. More than half of these units were in projects that broke ground during the first half of the year, with the slowdown in development likely to continue through early 2024, as well.
- Riverfront and transit-adjacent submarkets continued to top of the list for development. Greenpoint had the most units under construction—2,439—followed by Coney Island–Sea Gate (2,175) and Downtown Brooklyn (1,739).
- The largest property that came online during the second half of the year was a 234-unit asset at 269 Wallabout St., developed by Rabsky Group. Deutsche Bank provided a $180 million construction loan.

Brooklyn Completions (as of November 2023)



Source: Yardi Matrix

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

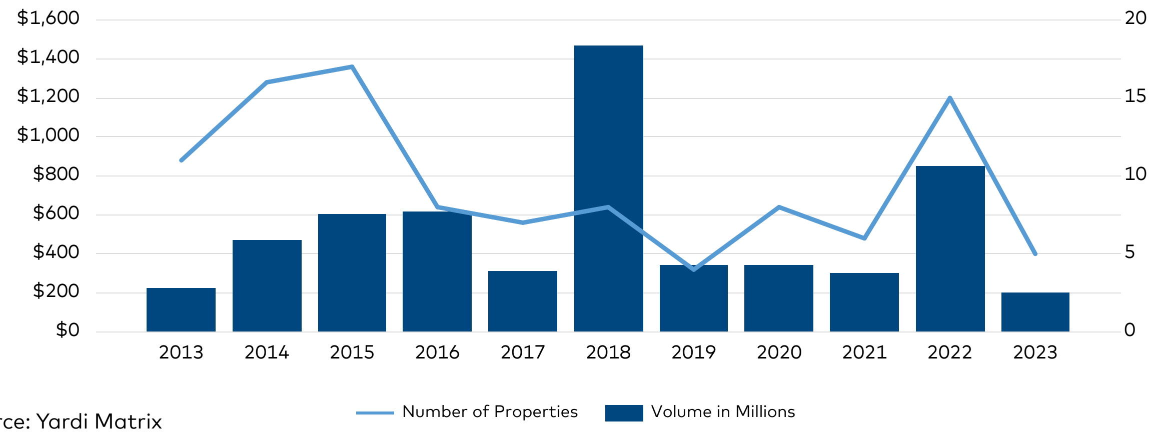


Source: Yardi Matrix

TRANSACTIONS

- Only five properties of 50 units or more traded in Brooklyn in 2023 through November, amounting to a sales volume of $199 million. Lacking easy access to capital due to high interest rates, investors slowed activity and began the wait for better market conditions. In 2022, a total of $850 million in multifamily sales were recorded, marking the best-performing year for investments since 2018.
- The average price per unit in 2022 was $551,428, more than double the national average. The past two years have seen the figure rise above historic levels—it more than quadrupled in the span of a decade, while the U.S. average was up 141% over the same period.
- In the 12 months ending in November, only three Brooklyn submarkets recorded transactions involving properties of 50 units or more. No transactions were recorded since August.

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



Source: Yardi Matrix

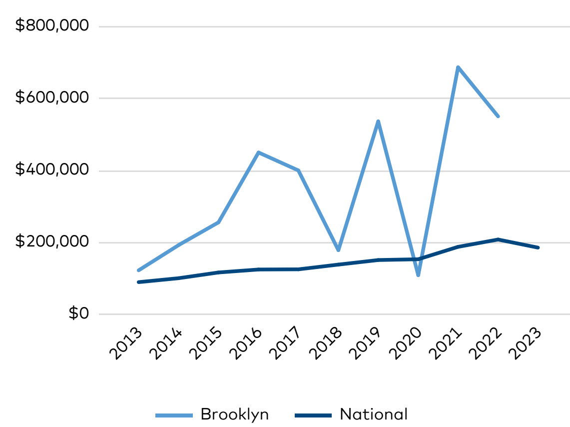
Top Submarkets for Transaction Volume[1]

Submarket	Volume ($MM)
Williamsburg	169
Downtown Brooklyn	101

Source: Yardi Matrix

[1] From December 2022 to November 2023

Brooklyn vs. National Sales Price per Unit



Source: Yardi Matrix

LISTICLE

MHN MULTI-HOUSING NEWS
data by Yardi Matrix

Top 10 Markets for Multifamily Rent Growth

By Anca Gagiuc

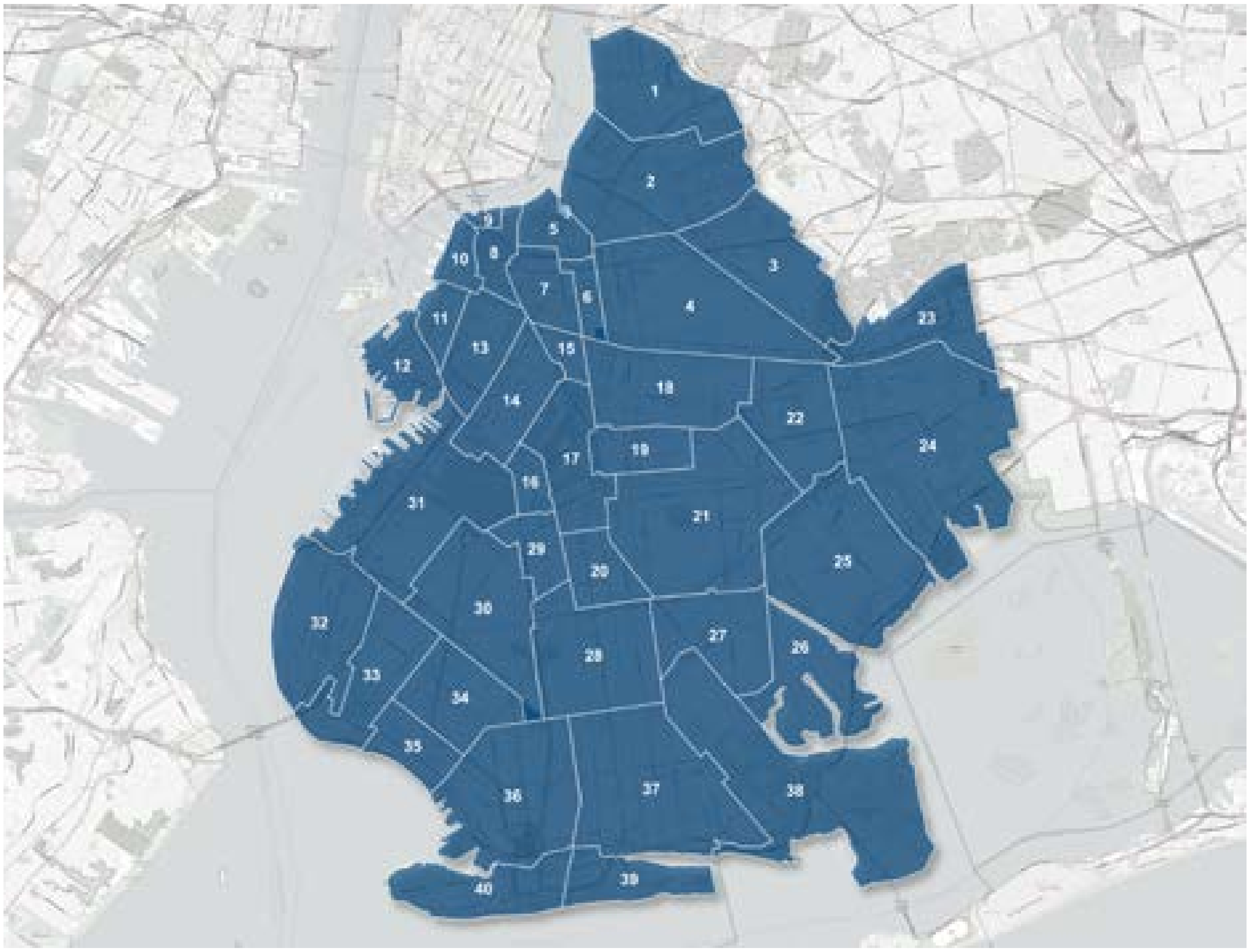
The year 2023 saw the end of a very strong run for the U.S. multifamily market. National rent growth, although milder than in 2022, remained strong. But not all regions and markets shared a common experience. In fact, rent performance varied by region and was balanced enough between year-over-year gains and losses. In the ranking below, we list the top 10 markets for rent growth on a year-over-year basis through November, based on Yardi Matrix data.

Rank	Property Name	City	Submarket	Units
1	Midland - Odessa	10.6%	$1,369	250
2	Madison	7.3%	$1,498	7,219
3	Syracuse	7.1%	$1,262	754
4	Buffalo	6.4%	$1,268	3,155
5	Worcester - Springfield	6.4%	$1,786	1,656
6	New York	6.2%	$4,413	39,598
7	Dayton	6.0%	$1,092	1,720
8	Rochester	5.7%	$1,353	1,906
9	Albany	5.4%	$1,534	3,985
10	Bridgeport - New Haven	4.9%	$1,918	9,488

New York

The only gateway (and large) metro in this ranking, New York's rental market posted a formidable performance in 2023, recovering spectacularly after the pandemic. The average rent growth rose 6.2 percent year-over-year, to $4,413 in November, which makes it one of the most expensive markets, not in this ranking, but in the U.S. Rent growth was strongest in the RBN segment, up 8.5 percent to $3,316. Lifestyle rents also rose a solid 5.3 percent, to $5,044.

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.

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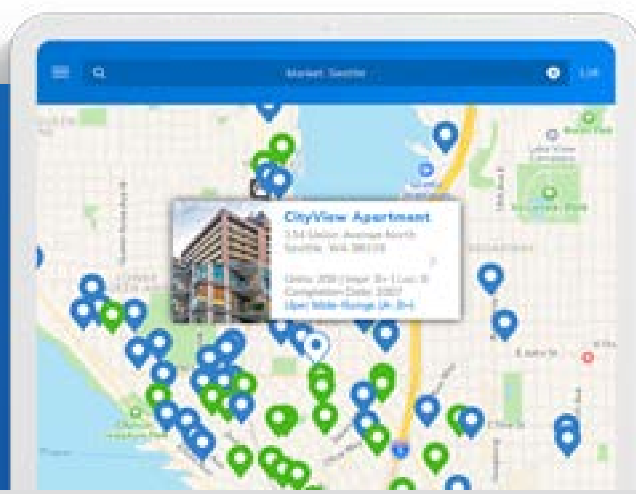

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