

Brooklyn Rents Soar

May 2024



YoY Rent Gains Among Nation's Highest

Employment Growth Slips

Occupancy Remains Healthy

BROOKLYN MULTIFAMILY



Fundamentals Return To Seasonal Averages

The Brooklyn multifamily market started the year on strong footing, with rent growth and demand close to seasonal levels. The borough recorded year-over-year rent growth of 5.0% as of March, the second-highest rate among the top 30 metros tracked by Yardi Matrix. The only area with higher gains was Manhattan, at 5.2%. Meanwhile, the U.S. figure stood at 0.9%. Occupancy in Brooklyn rose to 98.7% as of February, while the figure dropped across most of the country over 12 months.

New York City unemployment was 5.1% as of February, somewhat unchanged from 2023 figures, and higher than the nation's 3.9% figure. The city's labor pool posted a 1.9% expansion last year, adding 61,300 net jobs. Education and health services led growth, with 114,600 positions. A few sectors recorded considerable declines, including information (26,000). As part of ongoing economic revitalization, Brooklyn will receive \$100 million from the NYC Economic Development Corp. for a new Climate Innovation Hub. The project is intended to boost local climate tech startups and is projected to have \$2.6 billion in economic impact over the next decade.

Brooklyn developers completed 1,078 units in the first quarter, the equivalent of 0.7% of existing stock. Brooklyn's pipeline was the largest out of all boroughs tracked by Yardi Matrix, with 22,349 units under construction as of March, along with an additional 35,000 units in the planning and permitting stages.

Market Analysis | May 2024

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Recent Brooklyn Transactions

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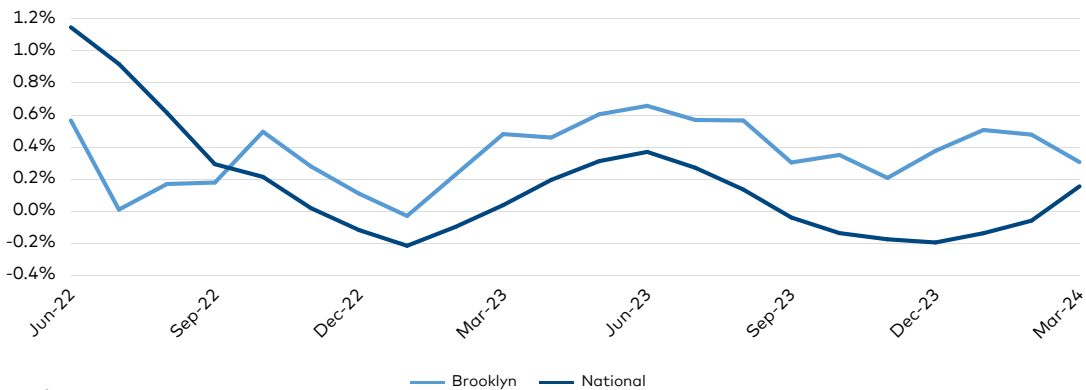


City: New York City
Buyer: Avanath Capital
Management
Purchase Price: \$101 MM
Price per Unit: \$405,000

RENT TRENDS

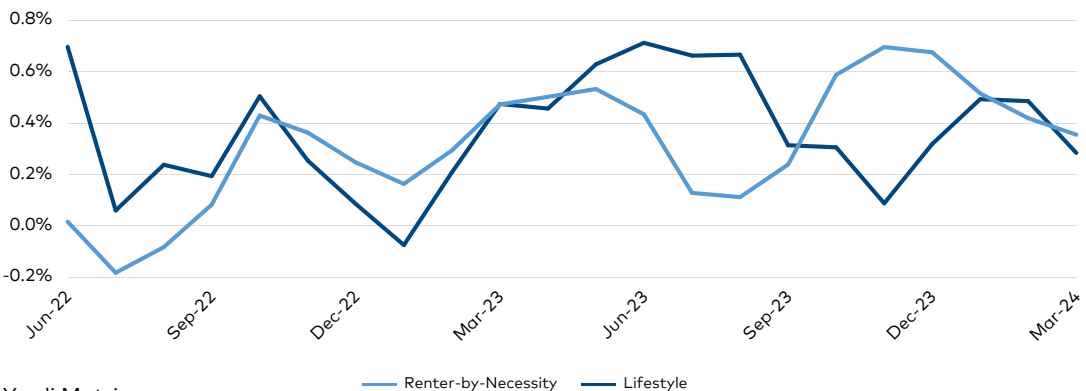
- ▶ Brooklyn rents were up 0.3% on a trailing three-month (T3) basis through March, 10 basis points above the national rate. The borough's rent movement remained positive throughout 2023, despite sluggish economic conditions. On a year-over-year basis, rents in Brooklyn were up 5.0% through March, second only to Manhattan (5.2%). Meanwhile, the U.S. rate stood at 0.9%, having increased 30 basis points since February.
- ▶ In March, the borough's average asking rent was \$3,603, more than double the U.S. figure of \$1,721. Working-class Renter-by-Necessity rates posted better performance throughout 2023 and the first quarter of 2024, up 0.4% on a T3 basis through March, to \$2,171. Lifestyle rents were up 0.3%, to \$4,243. The RBN T3 rate peaked in November and December last year, at 0.7%, while its upscale counterpart saw stronger growth in the summer months, also reaching 0.7%.
- ▶ Overall occupancy in Brooklyn inched up 10 basis points in the 12 months ending in February, to 98.7%. The borough has been maintaining one of the highest rates in the U.S. for at least a decade. Meanwhile, the national rate stood at 94.5%. RBN occupancy was even higher, at a very tight 99.2%, while the Lifestyle figure clocked in at 98.2%.
- ▶ Brooklyn submarkets with significant year-over-year rent growth included Williamsburg (up 8.2% to \$4,649), Sheepshead Bay–Gerritsen Beach (5.5% to \$2,495), Midwood (5.3% to \$1,957), Fort Greene (5.0% to \$3,822) and Downtown Brooklyn (4.8% to \$4,321).

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 unemployment stood at 5.1% as of February, according to preliminary data from the Bureau of Labor Statistics, on par with 2023's performance. The rate improved 20 basis points year-over-year but remained above both the state (4.4%) and the nation (3.9%).
- In 2023, New York City's labor pool expanded by 1.9%, which meant a net gain of 61,300 jobs. The city's employment growth rate slipped below the nation's 2.0% as of December, surpassing it for the greater part of 2023.
- Job market performance was highly mixed in 2023. Education and health services, the metro's largest employment sector, recorded a 6.9% jump, adding 114,600 jobs. Leisure and hospitality followed, with 25,900 jobs, or a 3.9% expansion. On the other hand, three sectors were heavily impacted by the economic slowdown. Information contracted by 26,000 positions, or 9.0%, followed by trade, transportation and utilities (-25,200 jobs) and professional and business services (-18,300 jobs).
- Recently announced new projects in the borough include the Climate Innovation Hub at the Brooklyn Army Terminal. The NYCEDC plans to invest up to \$100 million in accelerating climate tech startups and other green economy businesses, aiming to serve 150 startups over the next decade.

New York Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
65	Education and Health Services	1787	24.1%
70	Leisure and Hospitality	682	9.2%
15	Mining, Logging and Construction	269	3.6%
30	Manufacturing	193	2.6%
90	Government	914	12.3%
55	Financial Activities	657	8.9%
80	Other Services	287	3.9%
60	Professional and Business Services	1197	16.1%
40	Trade, Transportation and Utilities	1171	15.8%
50	Information	262	3.5%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- Greater NYC's population decreased by 103,217 citizens from 2021 to 2022, recording a 0.5% contraction, as the COVID-19 pandemic heavily influenced outbound migration trends.
- Meanwhile, the U.S. population grew by 0.4%.

Brooklyn vs. National Population

	2019	2020	2021	2022
National	324,697,795	326,569,308	329,725,481	331,097,593
NYC Metro	19,294,236	19,261,570	20,011,812	19,908,595

Source: U.S. Census

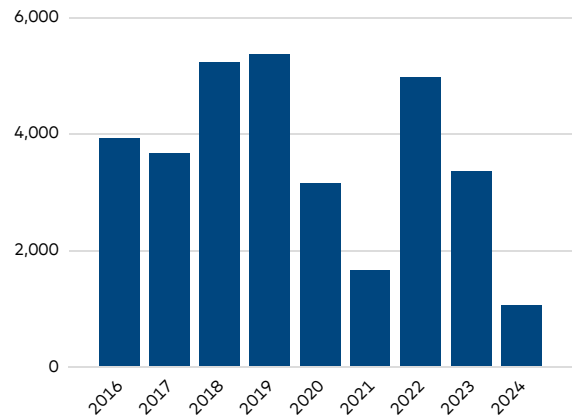
SUPPLY

- In the first quarter of 2024, developers completed five properties encompassing 1,078 units across Brooklyn, a significant uptick from the single, 745-unit property that came online during the same period last year. Completions also increased 45% quarter-over-quarter. Brooklyn's inventory expanded by 0.7% of total stock, which was 30 basis points above the national figure.
- The borough had 22,349 units under construction as of March, which was almost double the number of both Manhattan (12,507) and Queens' (12,357) pipelines. Brooklyn developers continued to target the upscale segment, with almost three-quarters of units in Lifestyle assets. Units in fully affordable projects encompassed almost 20% of the pipeline.
- Developers started work on four properties, totaling 1,647 units, in the first quarter. This marked a decline from the 2,171 units that broke ground in the previous quarter, as well as a year-over-year decrease.
- Submarkets adjacent to or near the East River continued to record the highest development activity, with more than 2,000 units under construction: Greenpoint (2,863 units), Fort Greene

(2,732), Williamsburg (2,646) and Boerum Hill-Gowanus (2,217).

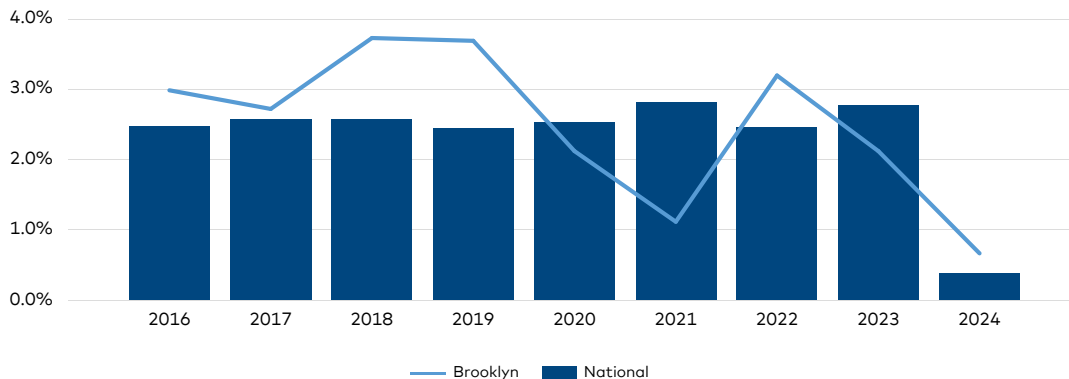
- The largest development under construction as of March accounted for more than a third of Fort Greene's pipeline. Rabsky Group is developing a 1,098-unit property at 625 Fulton St. Plans call for 26,000 square feet of retail and 30% of units to be designated as fully affordable, with completion expected in 2026.

Brooklyn Completions (as of March 2024)



Source: Yardi Matrix

Brooklyn vs. National Completions as a Percentage of Total Stock (as of March 2024)



Source: Yardi Matrix

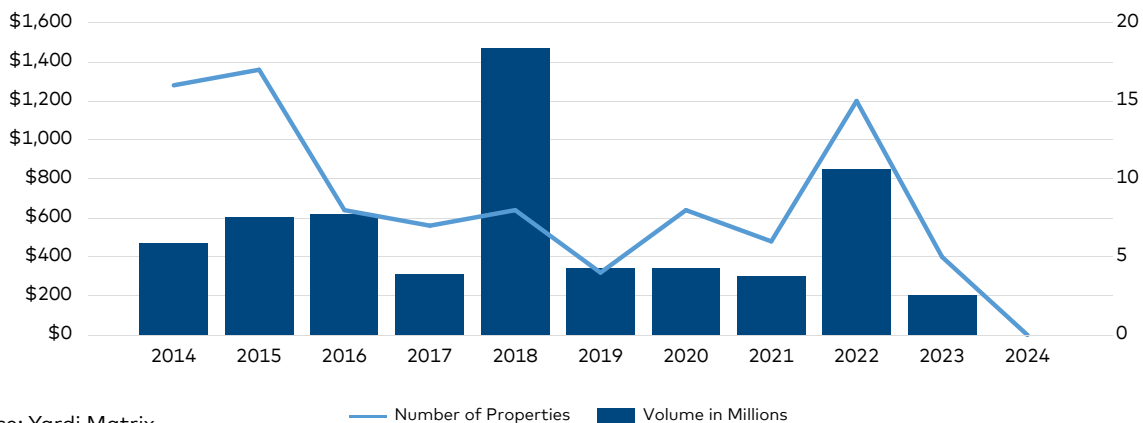
TRANSACTIONS

- No properties of more than 50 units traded in Brooklyn in the first quarter. Investors proceeded cautiously, as the timing of interest rate cuts remains uncertain. Last year, five multifamily assets of more than 50 units changed hands in Brooklyn, for a total of \$199 million, while 2022 remained the best year for investments since 2018, with \$850 million recorded.
- Over a five-year period ending in 2023, investors traded an average of \$407 million annually.

The average price per unit saw some fluctuation during this time frame, mostly due to sample sizes varying a lot. In 2019 it was \$537,188, then dropped to \$109,460 the next year, only to shoot back up to a decade peak of \$687,573 in 2021.

- The largest single-asset transaction in the second half of last year was a \$97.5 million acquisition by The Carlyle Group. The company acquired the 123-unit asset at 8 Marcy Ave. from Hamilton Eastman ahead of completion.

Brooklyn Sales Volume and Number of Properties Sold (as of March 2024)



Source: Yardi Matrix

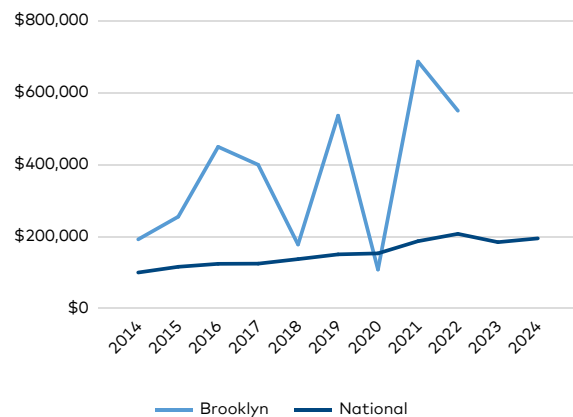
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
Williamsburg	98

Source: Yardi Matrix

¹ From April 2023 to March 2024

Brooklyn vs. National Sales Price per Unit



Source: Yardi Matrix

Top 10 Emerging Multifamily Markets in 2024

By Anca Gagiuc

The year 2023 could be considered the first relatively normal year since the onset of the pandemic, following two years of record performance within the multifamily market. The sector still advanced but at a slower pace. As we head into 2024, last year's main challenges persist—rising inflation, interest rates and high expenses, as well as a looming economic slowdown. In addition, the multifamily market had some 1.2 million apartment units under construction at the start of 2024, 510,000 units of which are expected to come online by year-end.

Rank	Market	Investment Volume	Per-Unit Price
1	Omaha	\$275 million	\$130,739
2	Greenville	\$655 million	\$195,802
3	Southwest Florida Coast	\$872 million	\$276,371
4	Wilmington	\$240 million	\$273,079
5	Eugene	\$301 million	\$288,144
6	Augusta	\$131 million	\$163,356
7	Chattanooga	\$156 million	\$143,928
8	Winston-Salem-Greensboro	\$486 million	\$136,963
9	Knoxville	\$375 million	\$218,939
10	Long Island	\$225 million	\$480,769

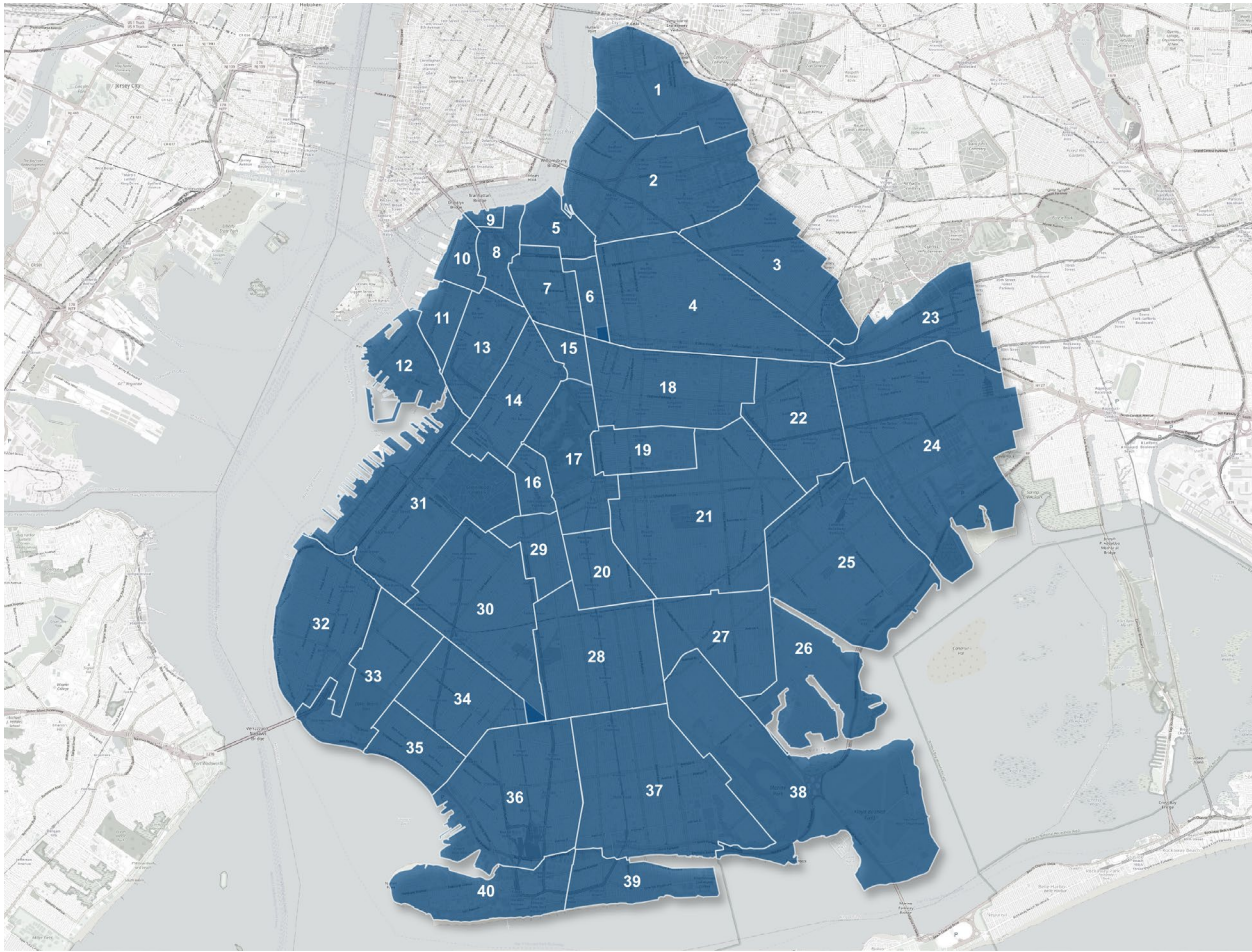
Long Island, N.Y.

Last year, developers added just 485 units, which explains the tight occupancy rate of 97.0% in November. Long Island is the only metro in this group that posted an increase in occupancy, albeit a small 0.1% increase year-over-year.

The pipeline points to some relief, as there were 3,696 units under construction in December. In the 12 months ending in October, the metro's employment market posted a feeble 0.8% growth, well below the national rate. The jobless rate stood at 3.3% in November, outperforming the 3.7% U.S. average, according to preliminary data from the BLS.



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.



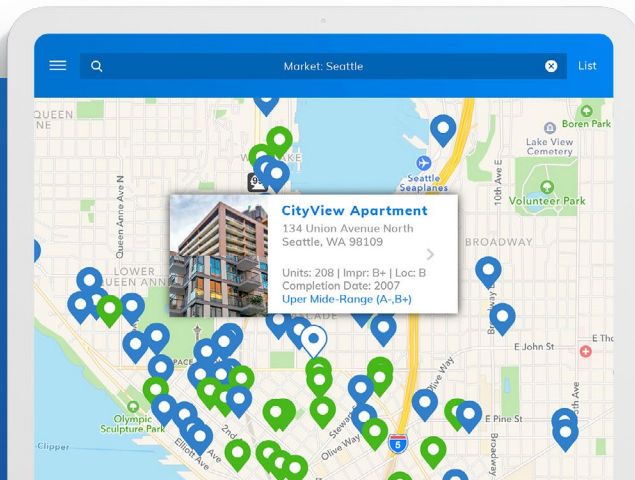
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