



MULTIFAMILY REPORT

Brooklyn's Momentum

August 2024

Completions, Construction Starts Climb

YoY Rent Growth Among Highest

Employment Market Stabilizes

BROOKLYN MULTIFAMILY



Rents on Track, Completions Improve

Brooklyn closed the first half of the year with a strong performance, considering current economic challenges. Average advertised asking rents were up 0.3% on a trailing three-month basis, to \$3,634, as of June. New York City was the top-performing metro for year-over-year rent growth, at 4.8%, with the Brooklyn figure standing at 3.9%. Meanwhile, the national rate was 0.6%. Overall occupancy for stabilized assets in Brooklyn was down 30 basis points year-over-year, to a still healthy 98.6%, as of May.

New York City's unemployment rate was 4.4% as of May, according to preliminary data from the Bureau of Labor Statistics. This was up 20 basis points year-over-year and 40 basis points above the national figure. Over a 12-month period ending in April, NYC gained 107,300 net jobs, representing a 1.1% rate of growth—30 basis points behind the U.S. Major projects in Brooklyn continue to boost the borough's strong small-business landscape. Revitalization efforts at Christian Cultural Center in East New York hit a milestone earlier this year when the development partners submitted final approval plans for the first two phases, estimated to cost \$570 million.

Developers completed 2,447 units in the first half of the year, which was a 36.4% year-over-year improvement. The borough had 25,233 units under construction and an additional 33,000 units in the planning and permitting stages.

Market Analysis | August 2024

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Recent Brooklyn Transactions

8 Marcy Ave.

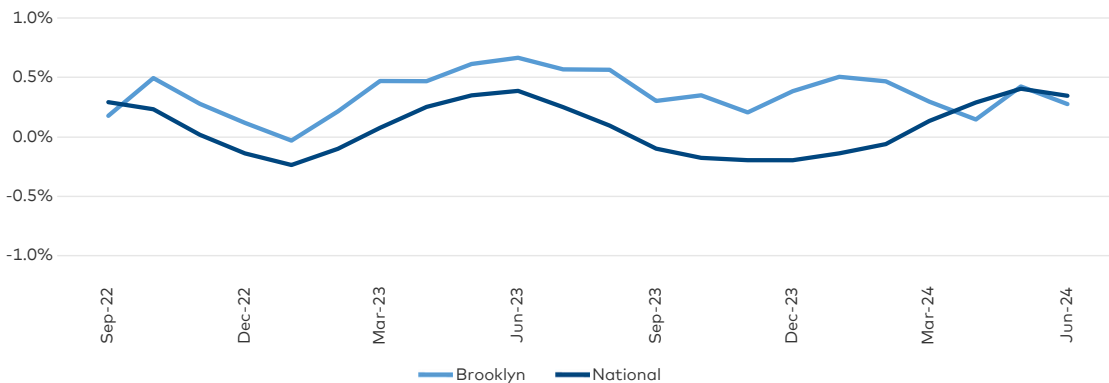


City: Brooklyn, N.Y.
Buyer: The Carlyle Group
Purchase Price: \$98 MM
Price per Unit: \$792,682

RENT TRENDS

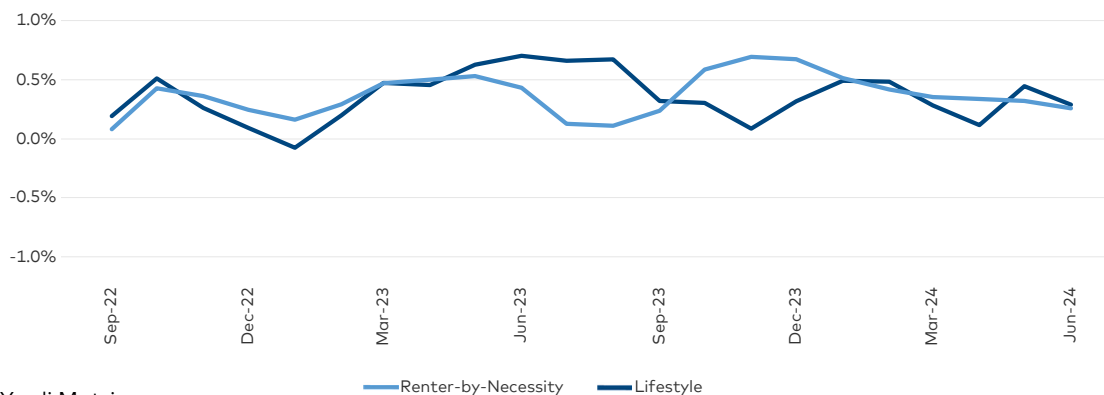
- Average advertised rents in Brooklyn were up 0.3% on a trailing three-month (T3) basis through June, on par with the national rate. The borough did not post any months of contractions in 2024, compared to most major metros tracked by Yardi Matrix. New York City ranked first nationwide for year-over-year rent growth, at 4.8% in June. Brooklyn stood at 3.9%, while the national figure was 0.6%.
- The borough's average advertised asking rent stood at \$3,634, more than double the nation's \$1,739. T3 rent growth for both upscale Lifestyle and working-class Renter-by-Necessity assets stood at 0.3% in June, with 2023 performance virtually equal between the two segments, except for a few months when RBN performed better. Advertised rates for Lifestyle segment reached \$4,279, while RBN figures stood at \$2,188.
- Brooklyn's overall occupancy in stabilized assets was 98.6% as of May, down 30 basis points year-over-year, but still significantly above the 94.5% national average. Lifestyle occupancy was down 40 basis points, to 98.1%, while the RBN figure remained unchanged, at 99.2%.
- Most Brooklyn submarkets recorded healthy year-over-year advertised asking rent growth, with areas closer to Manhattan among the best performers. Some highlights include Williamsburg (5.7% to \$4,677), Fort Greene (4.5% to \$3,853) and Downtown Brooklyn (3.2% to \$4,362).

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 4.4% as of May, according to preliminary data from the BLS. The rate was 20 basis points higher year-over-year, as employment stayed generally flat. The rate improved only 10 basis points from January. NYC's figure surpassed growth in both the state of New York (4.2%) and the nation (4.0%).
- NYC gained 107,300 net jobs over a 12-month period ending in April. This represented an employment growth rate of 1.1%, trailing the national rate by 30 basis points. New York City's rate of job growth had been consistently ahead of the U.S. since October 2022, but growth began slowing down the following month.
- Education and health services led growth, with 106,200 jobs gained, or a 6.3% expansion. Information (-16,000) and professional and business services (-11,600) had significant losses.
- According to a report by NYC Economic Development Corp., there were 183,000 small businesses in the city as of 2023, which was 1,000 more than the pre-pandemic total. Outer boroughs such as North Brooklyn had particularly strong growth. Since 2019, Bedford-Stuyvesant, Williamsburg, Bushwick, Crown Heights, Clinton Hill and Fort Greene have added 1,000 net small businesses, more than the rest of the city combined.

New York Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
65	Education and Health Services	1791.5	24.3%
70	Leisure and Hospitality	674.3	9.1%
90	Government	918.2	12.5%
80	Other Services	293.3	4.0%
55	Financial Activities	660.1	9.0%
30	Manufacturing	190.5	2.6%
40	Trade, Transportation and Utilities	1132.2	15.4%
15	Mining, Logging and Construction	257.5	3.5%
60	Professional and Business Services	1190.9	16.2%
50	Information	262.8	3.6%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- NYC's population decreased by 103,217 citizens from 2021 to 2022, for a 0.5% contraction, as the pandemic permanently affected migration trends.
- Meanwhile, the U.S. population expanded 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

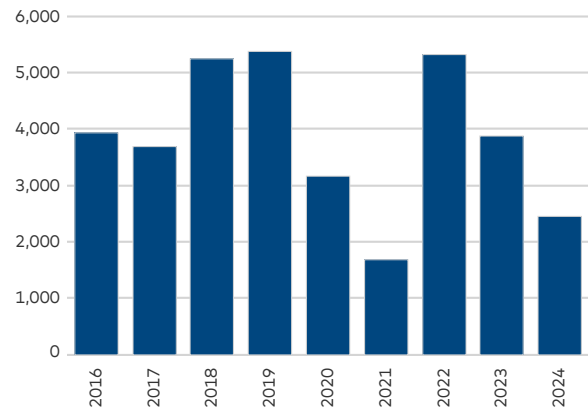
Source: U.S. Census

SUPPLY

- ▶ Brooklyn developers completed 2,447 units across 11 properties during the first half of the year. This meant a 1.5% expansion of existing stock, 40 basis points above the U.S. figure. Completions in Brooklyn rose 36.4% year-over-year, bucking the nationwide slowdown. The borough was on track to meet the annual average number of units (4,035) delivered from 2016 to 2023.
- ▶ Developers broke ground on 5,245 units across 17 properties year-to-date through June, on par with the 5,232 units and 21 properties that started construction in 2023's first half.
- ▶ Brooklyn had 25,233 units under construction as of June, along with 33,000 units in the planning and permitting stages. The borough's total exceeded both Manhattan (12,700 units) and Queens (13,010). More than three-quarters of units under construction were in Lifestyle projects, while only about 15% were units in fully affordable developments.
- ▶ Five submarkets accounted for more than half of all units underway, led by Fort Greene (3,453 units). Boerum Hill—Gowanus (3,018), Greenpoint (2,960), Williamsburg (2,787) and East New York (2,031) rounded out the top five.

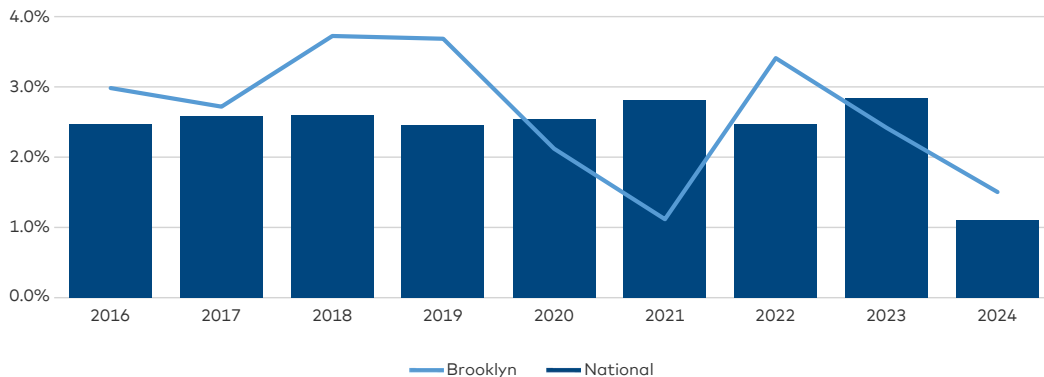
- ▶ The redevelopment of the Christian Cultural Center in East New York hit a milestone. CCC, in partnership with Rev. A.R. Bernard, Gotham Organization and Monadnock Development submitted plans to transform the 10.5-acre campus. Construction will begin next year on the first two phases—costing \$570 million—and will include 817 affordable units, more than 20,000 square feet of retail space, a pharmacy and a medical center.

Brooklyn Completions (as of June 2024)



Source: Yardi Matrix

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

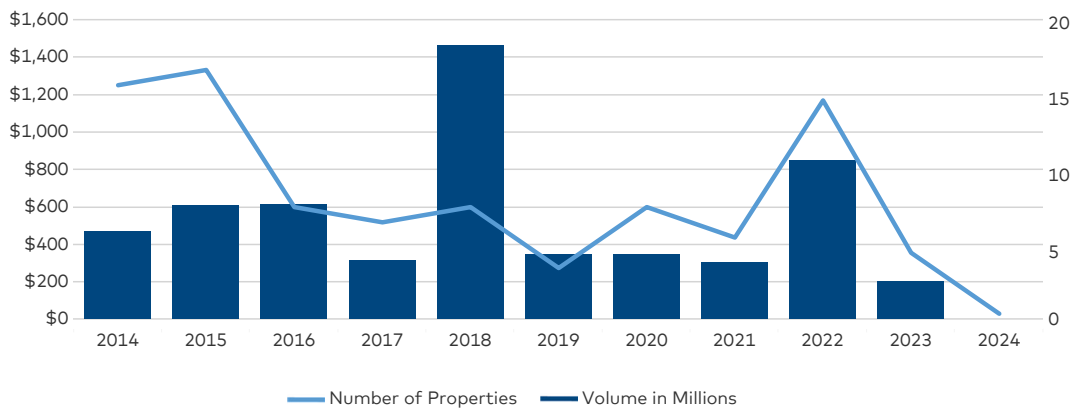


Source: Yardi Matrix

TRANSACTIONS

- ▶ No properties of 50 units or more changed hands in single-asset transactions across the borough this year through June. The pause in activity came on the heels of a sluggish 2023, when just five transactions totaling \$199 million were recorded.
- ▶ The average price per unit stood at \$551,429 for sales closed in 2022. Between 2013 and 2022, the figure more than tripled, indicating the borough's popularity among investors. For comparison, the national figure improved 131.6% during the same time frame.
- ▶ Low transaction volume is not out of the ordinary for Brooklyn. From 2014 to 2023, an average of nine single-asset transactions closed each year, with an average volume of \$550 million annually. A few outlier years stand out, including 2022 (15 sales, \$850 million) and 2018 (eight sales, \$1.5 billion).

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



Source: Yardi Matrix

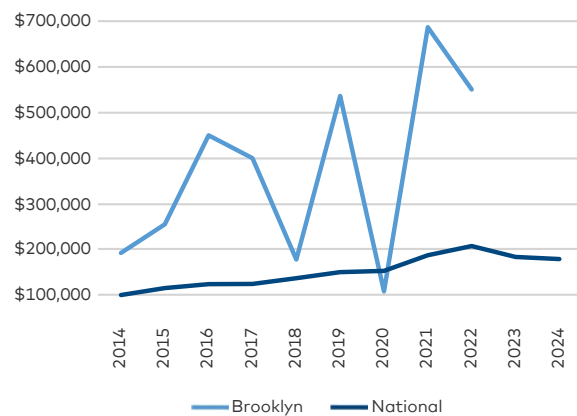
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
Williamsburg	98

Source: Yardi Matrix

¹ From July 2023 to June 2024

Brooklyn vs. National Sales Price per Unit



Source: Yardi Matrix



Breaking Down Barriers for BIPOC Developers: A Financier's Perspective

By Olivia Bunescu

There are many unique challenges that developers of color face, but some organizations have found ways to lend a hand. The Community Preservation Corp, a nonprofit multifamily lender and investor, has created an initiative—known as ACCESS—to provide financial resources and generate opportunities for BIPOC entrepreneurs. Lawrence Hammond, senior vice president with CPC & director of ACCESS, talks about the program's success.

Is it easier for BIPOC developers to find a seat at the table now than it was a decade ago?

A groundswell of opportunities to make meaningful change has occurred because of the tragic murder of George Floyd in 2020. However, there is still much work to be accomplished for a problem that has existed for decades, and one might say for centuries. Although the more recent initiatives have garnered unprecedented support from corporate, governmental and philanthropic entities, these efforts have experienced some pushback from political forces.

On the financing side, one of these initiatives is the ACCESS program. Tell us more about its components and offerings.

Human, knowledge and financial resources in the form of technical assistance and financial capital products are key support resources offered to ACCESS clients. Because we understand historical inequities, we also understand the importance of reimagining how we assess risk, which means we



must stretch our credit parameters to ensure we are lending equitably.

How else is ACCESS creating positive change across the industry?

Through our policy efforts, we have been successful in bringing forth enhancements to the lending policies and practices both internally and externally with our government partners.

We currently serve as facility manager for the MBE Guaranty Facility created by the City of New York and Goldman Sachs. This \$50 mil-

lion guaranty facility will provide MBE developers with a "back-stop guaranty," enabling them to independently provide the guarantees required to secure construction financing to develop affordable housing projects in New York City.

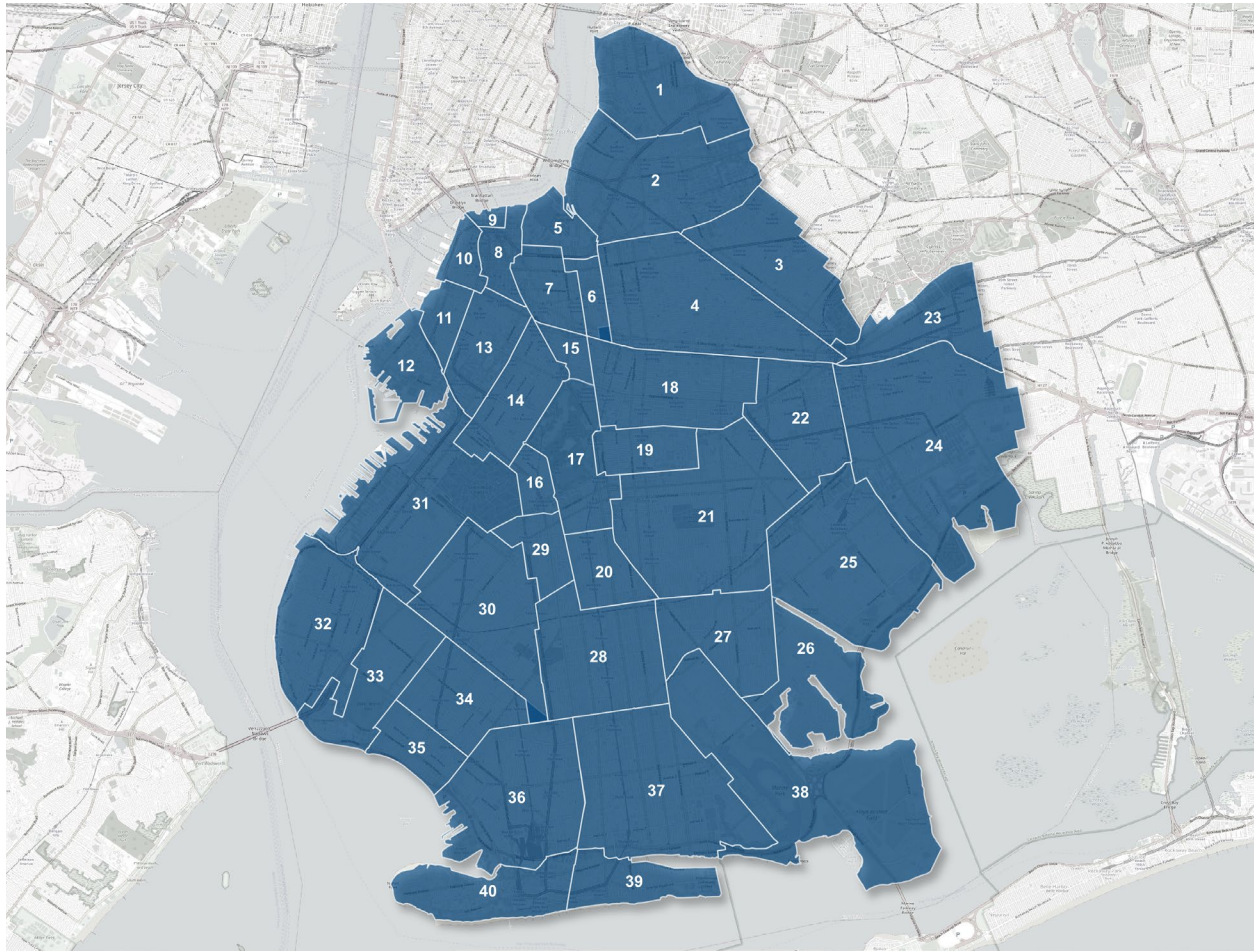
Can you share a success story or a notable achievement from BIPOC developers who received support through this program?

Since the beginning of the ACCESS initiative, CPC has financed 42 construction projects with 38 BIPOC-led developers.

We are proud of a project financed during the outset of the ACCESS initiative that is located in Poughkeepsie, N.Y., with Garfield and Shereen Salmon, a husband-and-wife BIPOC development team. They were denied financing from seven different lenders for various unjustified reasons.

(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

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.



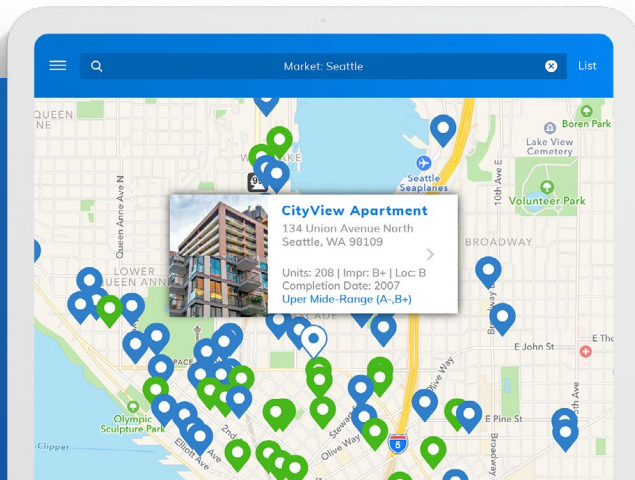
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with the industry's
leading data provider



MULTIFAMILY KEY FEATURES

- 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
- Find acquisition prospects based on in-place loans, maturity dates, lenders and originators
- Access aggregated and anonymized residential revenue and expense comps



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