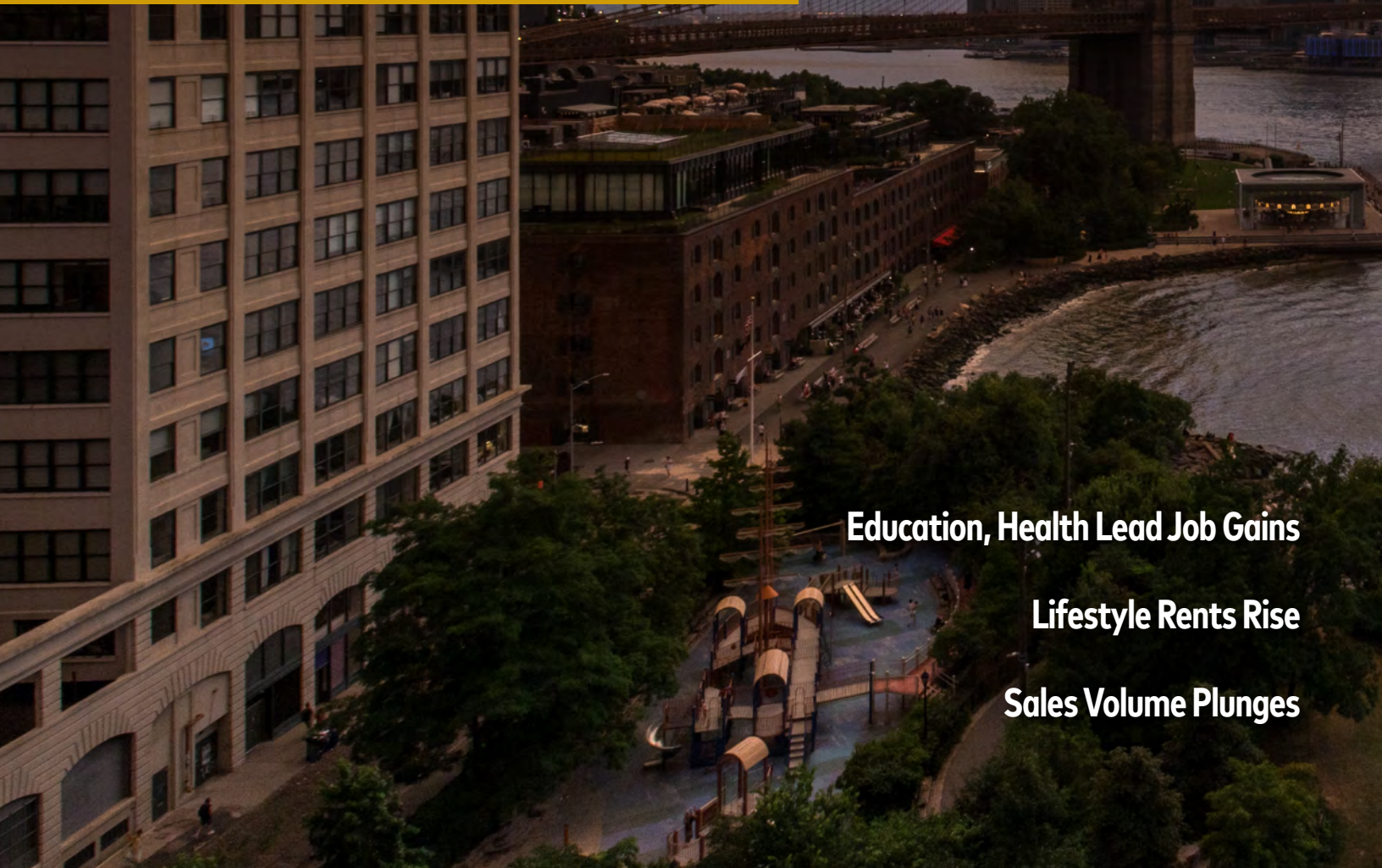


# Yardi® Matrix

MULTIFAMILY REPORT

# Brooklyn's Still Got It

Winter 2020



**Education, Health Lead Job Gains**

**Lifestyle Rents Rise**

**Sales Volume Plunges**

# BROOKLYN MULTIFAMILY

Yardi® Matrix

## Brooklyn's Enduring Rent Growth

The Brooklyn multifamily market continued to perform well in 2019, backed by job gains and its close proximity to Manhattan. Following 2018's cycle high of 5,129 new units delivered, the borough's housing stock expansion softened last year, pushing occupancy rates to 98.9% as of November, 400 basis points above the national rate.

New York City's education and health services sector led employment growth in the 12 months ending in November, accounting for three-quarters of the 77,300 new jobs. Several large mixed-use projects in submarkets close to Manhattan are underway. Dock 72—a 16-story office building within the 300-acre Brooklyn Navy Yard project—opened in October, following a \$400 million investment. As office development and expansions increase residents' mobility needs, the city council passed a \$1.7 billion plan to extend protected bike lanes during the next five years.

Since the announcement of new landlord restrictions and extended rent regulations, multifamily sales in Brooklyn have been on a downward trajectory. Only four assets traded last year for a combined \$343 million, the lowest transaction volume since 2013. With almost 11,000 units underway as of December, rental stock will continue to expand. The more moderate level of deliveries is likely to fuel rent growth in the first half of 2020.

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## Market Analysis | Winter 2020

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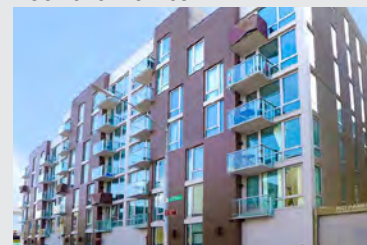
#### Author

#### Laura Calugar

Senior Associate Editor

### Recent Brooklyn Transactions

#### Leonard Pointe



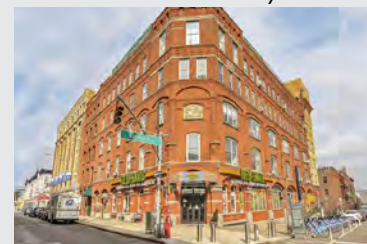
City: New York City  
Buyer: UDR  
Purchase Price: \$130 MM  
Price per Unit: \$693,842

#### The Frederick



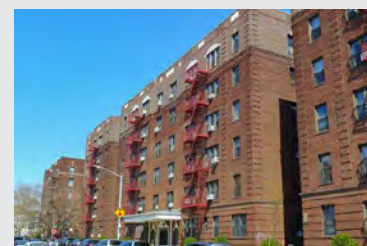
City: New York City  
Buyer: Harbor Group International  
Purchase Price: \$117 MM  
Price per Unit: \$606,218

#### The Chocolate Factory



City: New York City  
Buyer: Meadow Partners  
Purchase Price: \$67 MM  
Price per Unit: \$546,748

#### 1701 W. Third St.

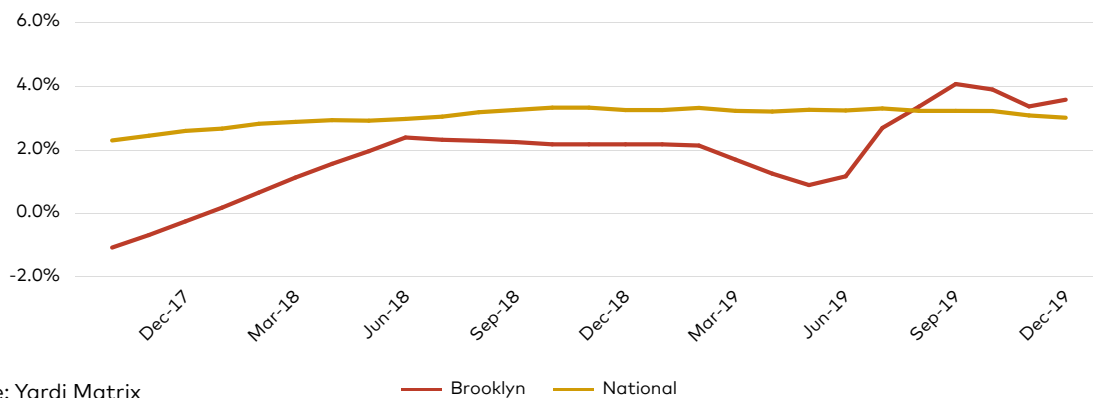


City: New York City  
Buyer: Parkoff Org.  
Purchase Price: \$28 MM  
Price per Unit: \$261,945

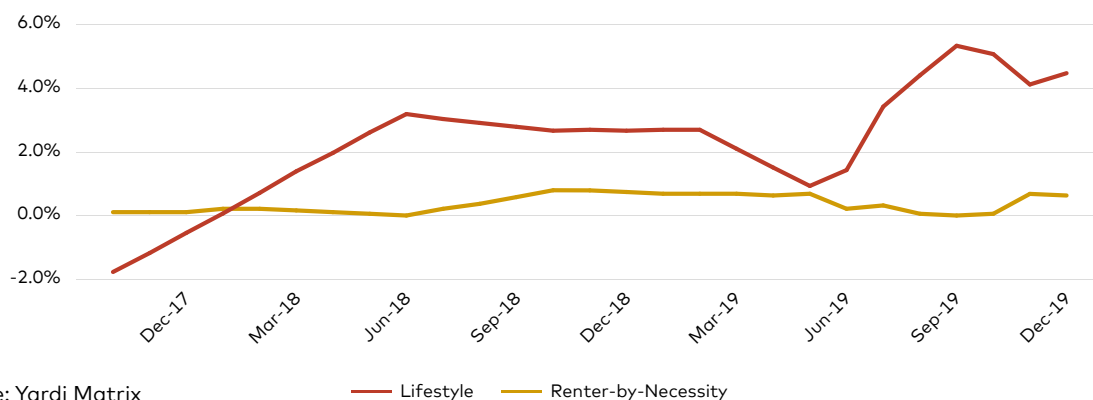
## RENT TRENDS

- ▶ Brooklyn rents rose 3.6% last year, 60 basis points above the national rate. At \$2,929 as of December, the borough's average rent stood significantly above the \$1,474 national figure. Manhattan (\$4,211) remains the only borough that is more expensive than Brooklyn. The average rent in Queens was \$2,557.
- ▶ Rates in the Lifestyle segment rose 4.6% to \$3,504 in 2019 through November. Despite the majority of assets delivered over the past four years catering to the upscale segment, demand remained strong, fueled by consistent employment gains in high-paying jobs. During the last six months of 2019, rent growth stood above 4.0%.
- ▶ The average rent in the working-class Renter-by-Necessity segment increased by only 0.6% to \$1,927. In June, the Senate passed the Housing Stability and Tenant Protection Act, a bill that imposed new regulations on landlords' abilities to increase rates in roughly 1 million rent-stabilized New York City units.
- ▶ Despite rent contractions, submarkets close to Manhattan such as Dumbo (\$4,390) and Greenpoint (\$3,774) remained the borough's priciest. Rates in two other popular submarkets that provide easy access to Manhattan grew fastest: Williamsburg (6.4% to \$3,661) and Downtown Brooklyn (4.4% to \$3,590).

### Brooklyn vs. National Rent Growth (Sequential 3 Month, Year-Over-Year)



### Brooklyn Rent Growth by Asset Class (Sequential 3 Month, Year-Over-Year)





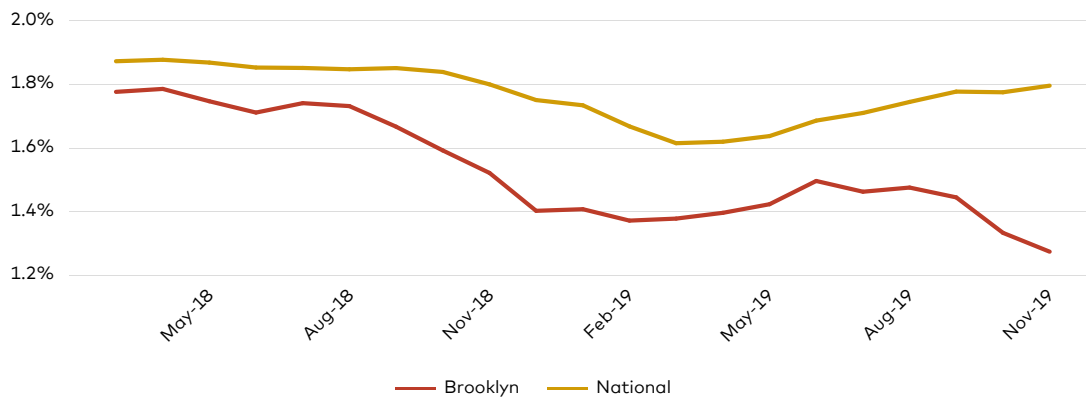
## ECONOMIC SNAPSHOT

- ▶ New York City gained 77,300 jobs in the 12 months ending in November for a 1.3% uptick, 40 basis points below the national rate. Three-quarters of the gains were in education and health services. The sector will likely continue to dominate the metro's employment market. Centers Health Care's \$90 million Brooklyn Center will open this year. The 280,000-square-foot facility is a reconstruction of the vacant St. Mary's Hospital in Crown Heights.
- ▶ The borough's waterfront continues to be a hotbed for construction activity. One of the largest projects underway is Two Trees' Domino Sugar Refinery redevelopment. The 11-acre project

includes Domino Park, four new buildings and the renovation of the 138-year-old refinery. To accommodate growth in the area, the New York City Economic Development Corp. has proposed a \$2 billion streetcar line along an 11-mile corridor from Red Hook to Astoria. Mobility is among the main focuses of the local administration. The City Council passed a \$1.7 billion plan to expand protected bike lanes over a five-year period.

- ▶ Financial activities keeps shedding jobs, with the sector losing 6,400 jobs year-over-year through November. Several banks—including Deutsche Bank, Barclays and Societe Generale—have dismissed part of their New York-based staff.

### New York vs. National Employment Growth (Year-Over-Year)



Sources: Yardi Matrix, Bureau of Labor Statistics (not seasonally adjusted)

### New York Employment Growth by Sector (Year-Over-Year)

Code	Employment Sector	Current Employment		Year Change	
		(000)	% Share	Employment	%
65	Education and Health Services	1586	21.7%	58,800	3.9%
70	Leisure and Hospitality	704	9.6%	16,300	2.4%
90	Government	952	13.0%	5,900	0.6%
60	Professional and Business Services	1182	16.2%	5,100	0.4%
50	Information	258	3.5%	1,700	0.7%
80	Other Services	307	4.2%	1,600	0.5%
30	Manufacturing	206	2.8%	-400	-0.2%
40	Trade, Transportation and Utilities	1227	16.8%	-1,800	-0.1%
15	Mining, Logging and Construction	275	3.8%	-3,500	-1.3%
55	Financial Activities	622	8.5%	-6,400	-1.0%

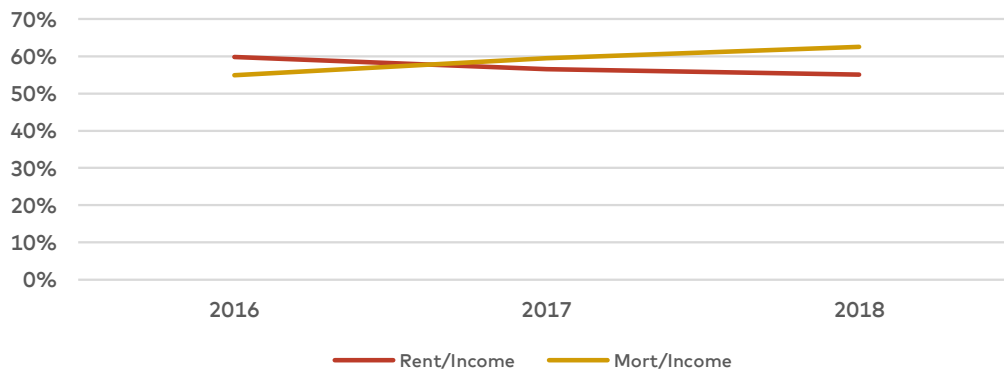
Sources: Yardi Matrix, Bureau of Labor Statistics

## DEMOGRAPHICS

### Affordability

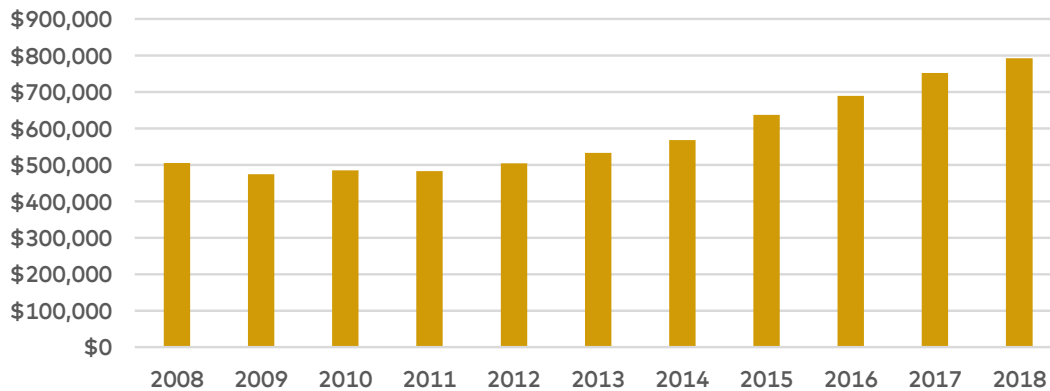
- Median home prices in the borough climbed to \$792,417 in 2018, up 67.2% since the 2009 trough. Renting remained more affordable than owning. The average rent accounted for 55% of the area median income, while the average mortgage payment equated to 63%.
- According to a recent report from New York City's Department of City Planning, the metro's housing market hasn't kept pace with its employment growth, which has led to increasing displacement and homelessness, particularly in Brooklyn and Queens. The same document showed that the tri-state area produced 30% fewer housing units per year after the Great Recession than in the previous decade.

### Brooklyn Rent vs. Own Affordability as a Percentage of Income



Sources: Yardi Matrix, Moody's Analytics

### Brooklyn Median Home Price



Source: Moody's Analytics

### Population

- Brooklyn's population contracted by 13,555 residents in 2018—down 0.5%.
- Between 2010 and 2018, Kings County added 72,953 people. That accounted for a 2.9% expansion, but was only half the national rate.

### Brooklyn vs. National Population

	2015	2016	2017	2018
National	320,742,673	323,071,342	325,147,121	327,167,434
Brooklyn	2,610,607	2,611,232	2,596,385	2,582,830

Sources: U.S. Census, Moody's Analytics

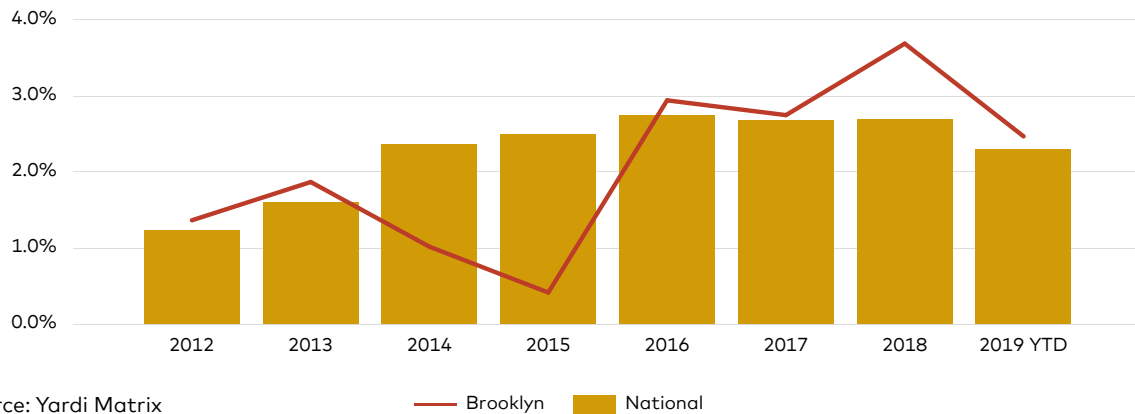
## SUPPLY

- ▶ Developers added 3,519 units to the borough's rental stock in 2019, on the heels of 2018's cycle high of 5,129 new deliveries. High construction costs and land availability issues have inhibited construction activity, despite high housing demand. Only two of the 17 properties that came online last year catered to Renter-by-Necessity residents, putting even more pressure on low-income earners and bringing occupancy rates in the workforce segment to 99.5% as of November, 430 basis points above the national average.
- ▶ Brooklyn had 10,999 units underway at the end of last year, with almost two-thirds geared toward the Lifestyle segment. Half of the proper-

ties under construction are in four submarkets: East New York (1,843 units), Coney Island-Sea Gate (1,435), Williamsburg (1,232) and Downtown Brooklyn (1,030).

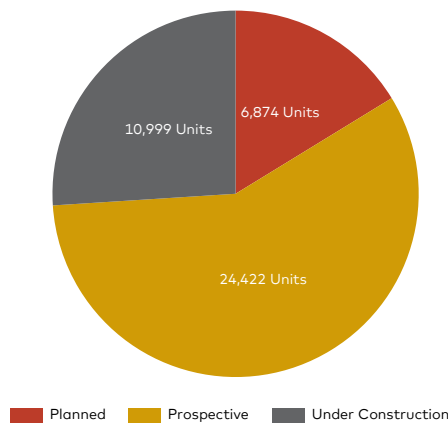
- ▶ The largest project underway is Spitzer Enterprises' 605-unit 420 Kent Ave. The developer took out a \$328.1 million loan from KKR to support the construction of the mixed-use project at the south end of the Williamsburg waterfront. North Brooklyn has been undergoing a recent modernization process, with several large projects underway. Two Trees Management, the developer of the Domino Sugar Refinery site, spent another \$150 million on a nearby parcel, where it plans to build two residential towers.

### Brooklyn vs. National Completions as a Percentage of Total Stock (as of December 2019)



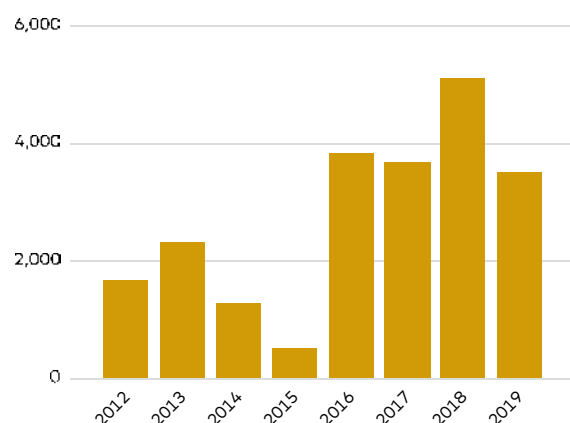
Source: Yardi Matrix

### Development Pipeline (as of December 2019)



Source: Yardi Matrix

### Brooklyn Completions (as of December 2019)



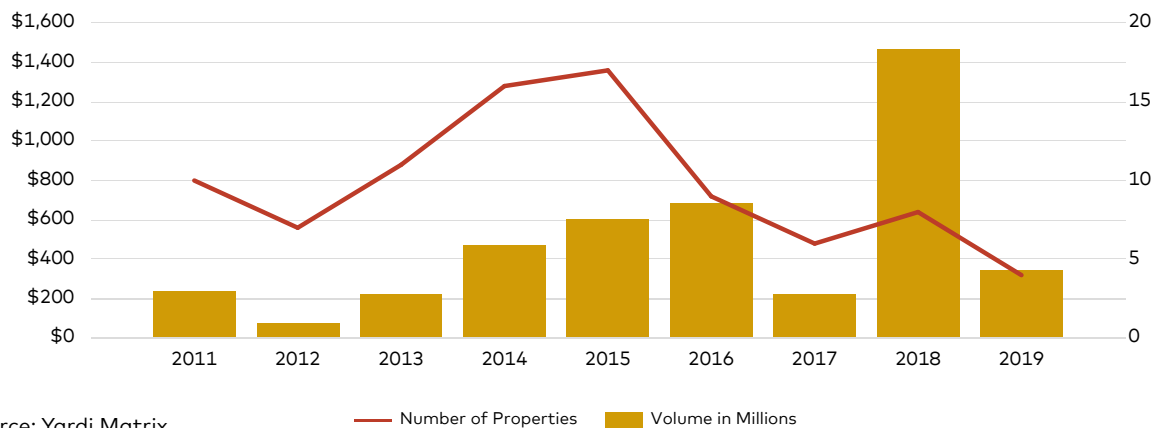
Source: Yardi Matrix

## TRANSACTIONS

► Only four assets of 50 or more units traded in Brooklyn in 2019, for a total of \$343 million, the lowest transaction total since 2013. This follows the previous year's cycle peak of \$1.5 billion. With three of the four properties that changed hands last year in the Lifestyle segment, the average per-unit price in Brooklyn reached \$537,188, the highest this cycle and almost four times the U.S. average.

► In 2019, markets providing easy access to Manhattan were once again the most sought-after, with Williamsburg (\$170 million) leading the way, followed by Crown Heights (\$117 million) and the Navy Yard (\$67 million). The sharp waning in multifamily transaction activity trended in line with the rest of New York City as the state enacted landlord restrictions and extended rent regulation guidelines in June.

### Brooklyn Sales Volume and Number of Properties Sold (as of December 2019)



Source: Yardi Matrix

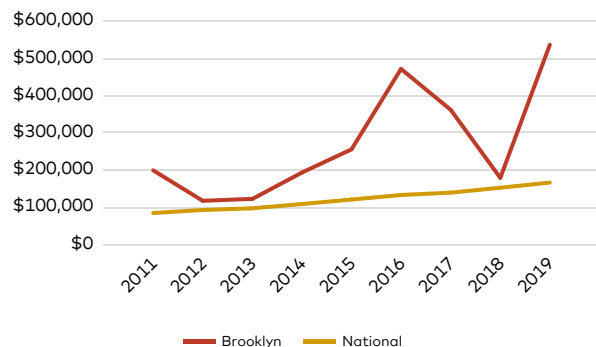
### Top Submarkets for Transaction Volume<sup>1</sup>

Submarket	Volume (\$MM)
Williamsburg	130
Crown Heights	117
Navy Yard	67
Gravesend	28

Source: Yardi Matrix

<sup>1</sup> From January 2019 to December 2019

### Brooklyn vs. National Sales Price per Unit



Source: Yardi Matrix



Get the latest in local real estate news on [Multi-HousingNews.com](http://Multi-HousingNews.com)



JLL Arranges \$64M Refi

A joint venture of SL Development and Local Capital Group received financing for a mixed-use project in Williamsburg.



S3 Capital Funds \$50M for 2 Projects

The developers will use a portion of the financing to remodel a 120-year-old warehouse into condos.



Clipper Realty Secures \$82M Refi

Walker & Dunlop arranged the 10-year loan for the 158-unit luxury property Clover House.



JV Lands \$460M Financing for Tower

The venture secured a construction loan for the 858-unit community—the largest property in the Pacific Park development.



Affordable Housing For LGBT Seniors

Stonewall House has 145 units and is the first LGBT-friendly affordable housing for seniors in the state.

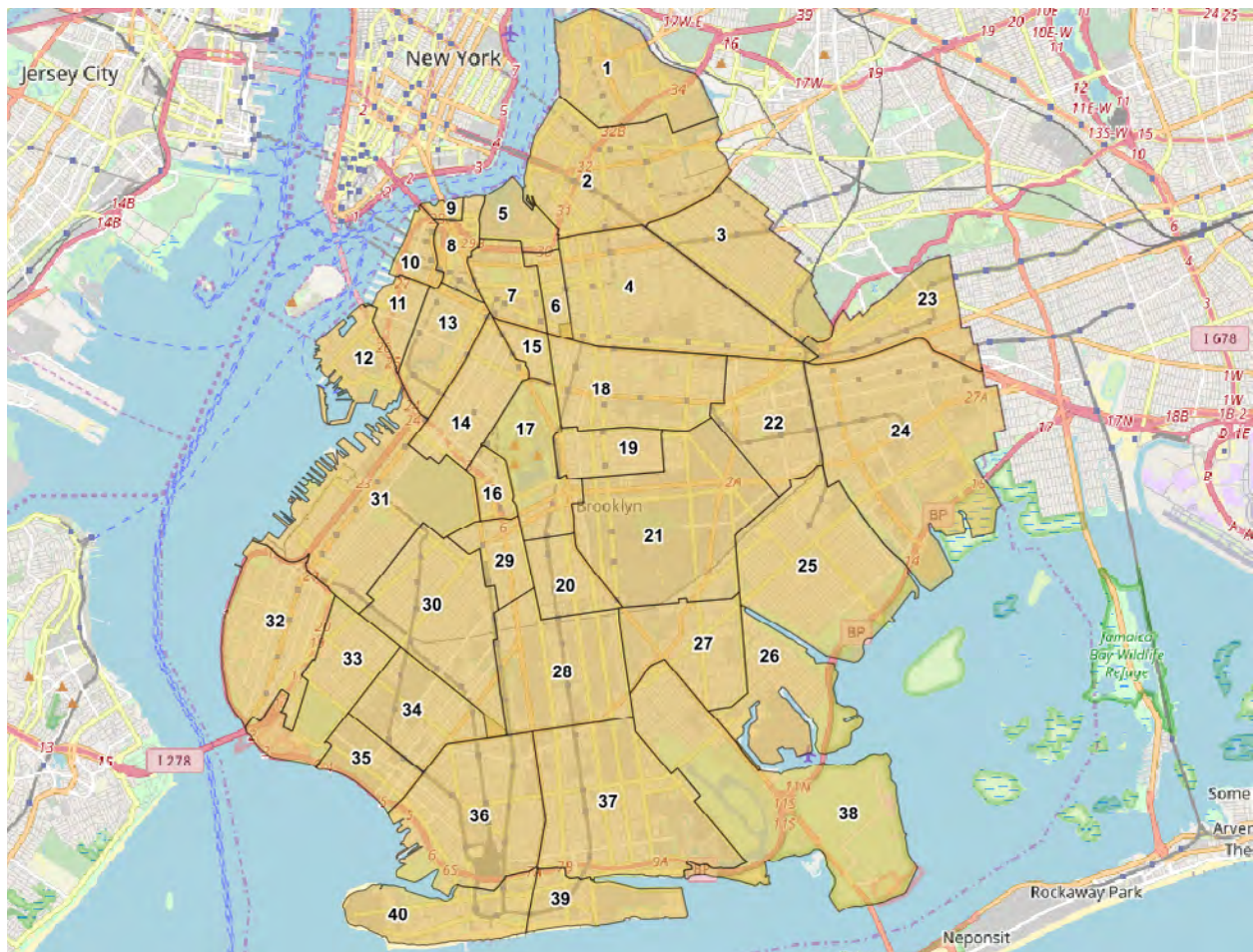


The Collective's New Co-Living Location

The property will include 224 units for students and 127 studios for nightly and monthly stays.



# 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 may 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 may 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, may 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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