

Brooklyn 2022 Mid-Year Commercial Real Estate Trends

by Ariel Property Advisors
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Investment Sales
Capital Services
Research

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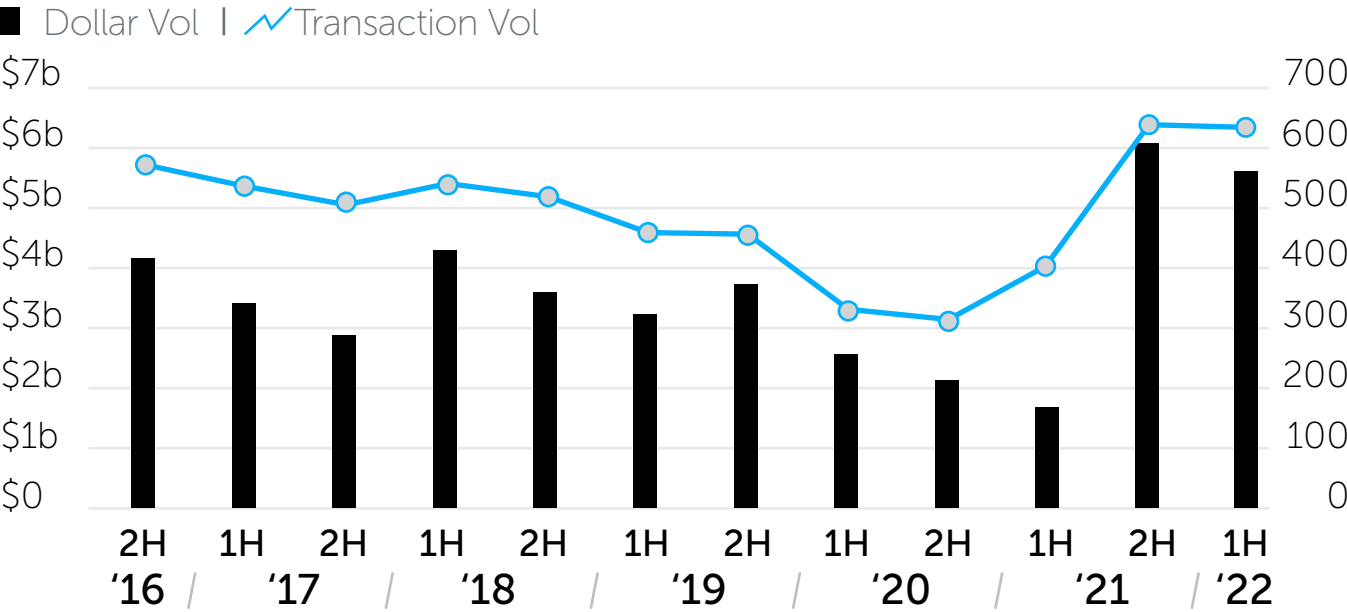
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2022 Mid-Year Overview

During the first six months of 2022, the Brooklyn investment sales market experienced both volume and pricing growth compared to the first half of 2021. The market came off a strong 2021 and the economic drivers were advantageous from a demand perspective. The dollar volume in Brooklyn totaled \$5.56 billion in 1H 2022, a slight dip of 8% from 2H 2021, mainly because December 2021 saw record activity, but was up 213% year-over-year. Transaction volume followed a similar pattern with 619 transactions in 1H 2022, roughly the same as 2H 2021, however, a 55% increase compared to 1H 2021. While each asset class saw year-over-year gains, only industrial, office and special purpose assets showed increases in dollar volume in 1H 2022 compared to 2H 2021. However, two large Amazon warehouse sales in industrial totaling \$560.5 million in 1H 2022 and one large partial interest multifamily sale of \$1.3 billion in 2H 2021 skew those numbers a bit. The activity was robust as the deals that went into contract in the fourth quarter of 2021 closed in 2022 and borrowers sought to transact before anticipated interest rate spikes.

Real Estate Timeline



Volume
1H 2022 vs 2H 2021

-8%

↓

\$5.56b

Dollar

0%

↕

619

Transaction

-2%

↓

768

Property

Dollar Volume Comparison

Product Type	1H 2022	VS 2H'21	2H 2021	VS 1H'21	1H 2021
Multifamily	\$2,699,392,946	-34%	\$4,091,556,835	254%	\$762,476,522
MF-MU 10+ resi units	\$1,910,115,224	-42%	\$3,293,273,174	465%	\$338,116,120
MF-MU 6-9 resi units	\$339,230,765	-2%	\$346,171,491	64%	\$206,526,604
MF-MU Small	\$450,046,957	0%	\$452,112,170	107%	\$217,833,798
Commercial*	\$270,557,617	-12%	\$306,678,251	65%	\$163,969,914
Ind / WH / Sto**	\$934,339,500	66%	\$563,887,550	420%	\$179,509,750
Development	\$772,988,827	-9%	\$845,601,167	96%	\$394,517,210
Office	\$463,817,975	135%	\$197,075,000	1526%	\$28,525,000
Special Purpose	\$423,854,717	622%	\$58,699,853	70%	\$249,450,430
GRAND TOTAL	\$5,564,951,582	-8%	\$6,063,498,656	213%	\$1,778,448,826

*Commercial includes retail and hotel properties
**Ind / Wh / Sto: Industrial / Warehouse / Self Storage

2022 Mid-Year Outlook

The first half of 2022 continued the momentum built during the last few months of 2021 as New York City looked to put the pandemic fully in its rear-view mirror. The influx of renters back into the Brooklyn helped push pricing back to pre-pandemic levels and lower vacancy rates. The Rent Guidelines Board rent increase was finally some good news for rent-stabilized landlords who have faced several hardships over the past 2-3 years through the rent moratorium and inflation. But while there are many positives to reflect back on, looking ahead there are causes for concern looming. The Federal Reserve’s aggressive monetary policy to curb inflation is rapidly increasing interest rates and supply chain shortages drastically affect material costs and expenses for owners. For those reasons, we’re expecting a slowdown in the investment sales market by the end of 2022.

Transaction Volume Comparison

Product Type	1H 2022	VS 2H’21	2H 2021	VS 1H’21	1H 2021
Multifamily	410	4%	394	78%	230
MF-MU 10+ resi units	83	14%	73	118%	38
MF-MU 6-9 resi units	120	-2%	123	56%	77
MF-MU Small	207	5%	198	80%	115
Commercial*	51	-15%	60	28%	40
Ind / WH / Sto**	49	-21%	62	17%	42
Development	84	2%	82	25%	67
Office	9	-31%	13	50%	6
Special Purpose	16	45%	11	7%	15
GRAND TOTAL	619	0%	622	55%	400

*Commercial includes retail and hotel properties
**Ind / Wh / Sto: Industrial / Warehouse / Self Storage

Multifamily Highlights

- After being hit hard during the COVID-19 pandemic, the multifamily market in Brooklyn began a strong bounce back during 2H 2021 that has continued into 2022. The 410 total transactions were the most ever recorded through the first half of a year in Brooklyn’s history. While the total dollar volume for 1H 2022 dropped 34% compared to 2H 2021, removing the \$1.3 billion partial interest sale of Starrett City gets Brooklyn multifamily dollar the same dollar amount as the active second half of 2021.
- Several market indicators point to the continued success of the multifamily market. Rent and vacancy rates have not only returned to pre-pandemic levels but have surpassed them. In June, the Rent Guidelines Board approved the largest increase on rent-stabilized housing in almost a decade, with a 3.25% increase on 1-year leases and a 5% increase on 2-year leases. In addition, the hotly contested “Good Cause Eviction” bill was not passed by the NY State Legislature in its last session.
- Institutional buyers are aggressively pursuing deals. Six months into the year we have seen nine \$100+ million transactions, a number that matches the total for the entirety of 2021. Avanath Capital Management’s purchase of 38 6th Avenue and 535 Carlton Avenue for \$314.5 million led the way during 1H 2022. It was the 4th largest multifamily transaction ever in Brooklyn, only behind the aforementioned Starrett City Portfolio (twice) and Atlas Capital Group’s purchase of 28 Stanwix & 123 Melrose Streets for \$506 million in December 2021.

Volume
1H 2022 vs 2H 2021

-34%

↓

\$2.70b

Dollar

4%

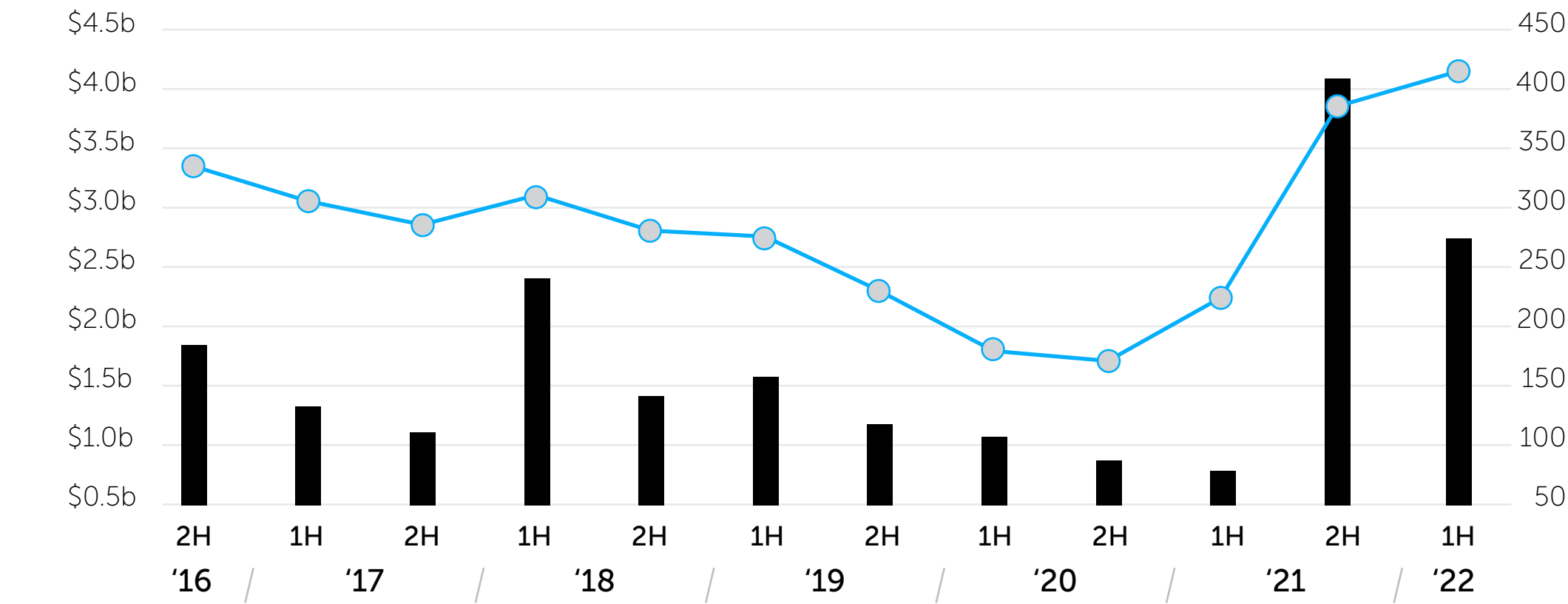
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410

Transaction

Real Estate Timeline

■ Dollar Vol | ▲ Transaction Vol



Property Value Metrics - Multifamily*

Year	2016	2017	2018	2019	2020	2021	1H 2022
\$/SF	\$376	\$388	\$389	\$420	\$397	\$357	\$437
\$/Unit	\$326,813	\$316,692	\$335,109	\$372,284	\$335,146	\$309,817	\$383,488
Cap Rate	4.58%	4.43%	4.65%	4.70%	5.27%	5.51%	5.66%
GRM	15.96	15.39	15.44	13.56	12.60	11.46	11.98

*reflects multifamily transactions of 10+ residential units

Featured Transaction



Prospect Heights
38 6th Avenue
& 535 Carlton Avenue

Sale Amount:
\$314,531,281
\$/SF:
\$496
Buyer:
Avanath Capital Management
Seller:
TF Cornerstone

Sale Date: **5/13/2022**

Commercial Highlights

- While the commercial/retail asset class was the hardest hit during the pandemic, 1H 2022 marked the return of small local neighborhood retail. Of the 51 transactions in Brooklyn, 70% traded for less than \$5 million and 45% traded for less than \$3 million. Because of the small scale of these transactions, the average price per foot increased to \$683, which, if it holds to the end of the year, would be the highest average price per square foot ever recorded in Brooklyn.
- The pandemic greatly changed the way we think about boutique brick and mortar retail. The vacancy is still high in areas that typically command \$100+ per square foot rents as more businesses have continued to move into the online space. At the same time, small, independent businesses in low-density neighborhoods that were able to survive the pandemic are still heavily relied upon by the local population and are performing well.
- While “prime” neighborhoods like Williamsburg, Greenpoint, and Downtown Brooklyn typically see the majority of activity, only 2 commercial sales occurred in those locations during 1H 2022. All the other sales occurred in Central and South Brooklyn, with Sheepshead Bay and Borough Park leading the way.

Volume
1H 2022 vs 2H 2021

-12%

↓

\$271M

Dollar

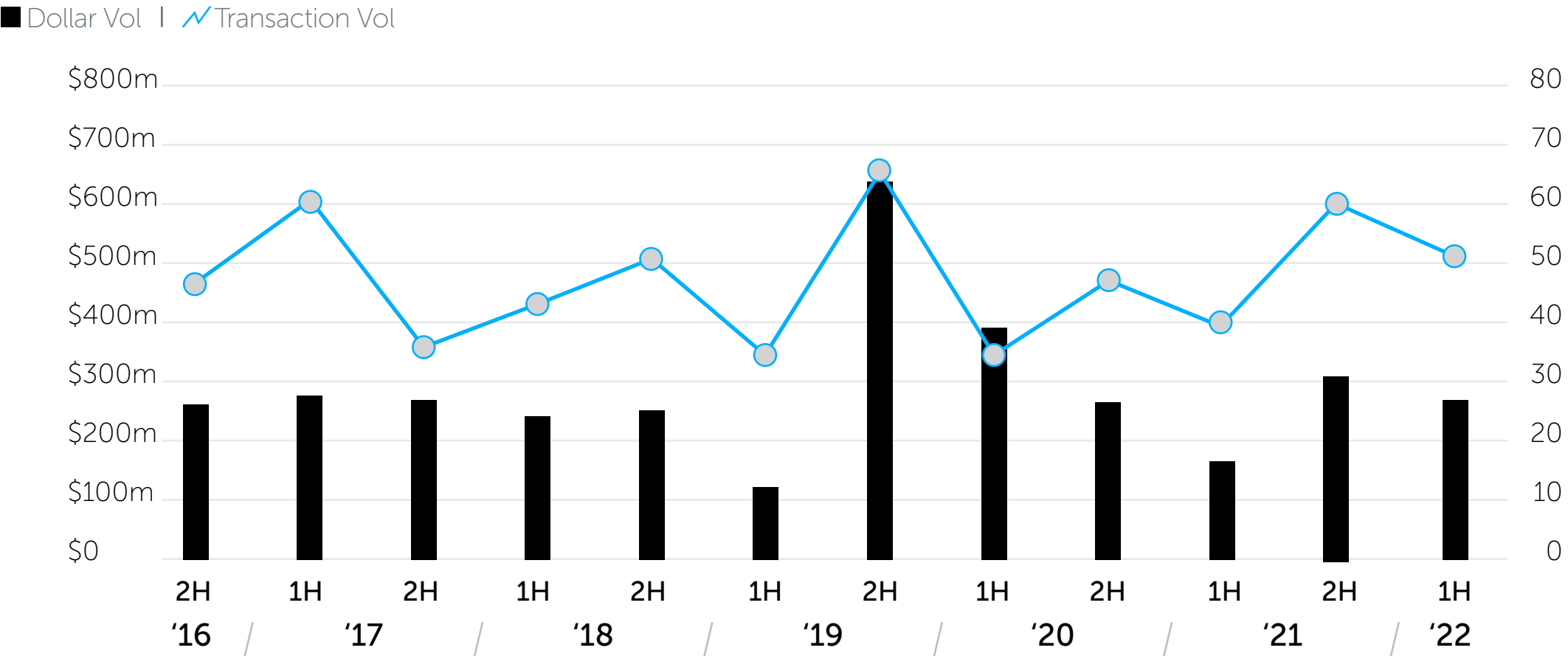
-15%

↓

51

Transaction

Real Estate Timeline



Property Value Metrics - Commercial*

Year	2016	2017	2018	2019	2020	2021	1H 2022
\$/SF	\$665	\$616	\$608	\$635	\$577	\$559	\$683

*reflects transactions of commercial buildings

Featured Transaction



Williamsburg
60 North 6th Street

Sale Amount:
\$25,000,000
\$/SF:
\$2,500
Buyer:
Thornton Capital, LLC
Seller:
ASB Real Estate Investments

Sale Date: **2/28/2022**

Ind / WH / Sto Highlights

- The industrial asset class was the one that benefitted most from the pandemic as demand for e-commerce skyrocketed. Companies such as Amazon that require last mile distribution centers have stepped into this space and are actively expanding. Institutional investors and owner-users drove demand and helped to keep vacancy rates low.
- Despite a 21% drop in transaction volume during 1H 2022 compared to 2H 2021, the 49 transactions during 1H 2022 equals the second most transactions the borough has seen during the first half of a year since 2016.
- Dollar volume jumped 66% compared to 2H 2021 (and a whopping 420% year-over-year) thanks to the \$332 million sale of 640 Columbia Street in Red Hook and the \$228.5 million sale of 554-578 Cozine Avenue in East New York. Both properties are fully leased to Amazon. These sales are the two largest industrial/warehouse sales ever in Brooklyn. Removing those 2 transactions net the Brooklyn industrial market roughly even with 2H 2022.

Volume
1H 2022 vs 2H 2021

66%

↑

\$934M

Dollar

-21%

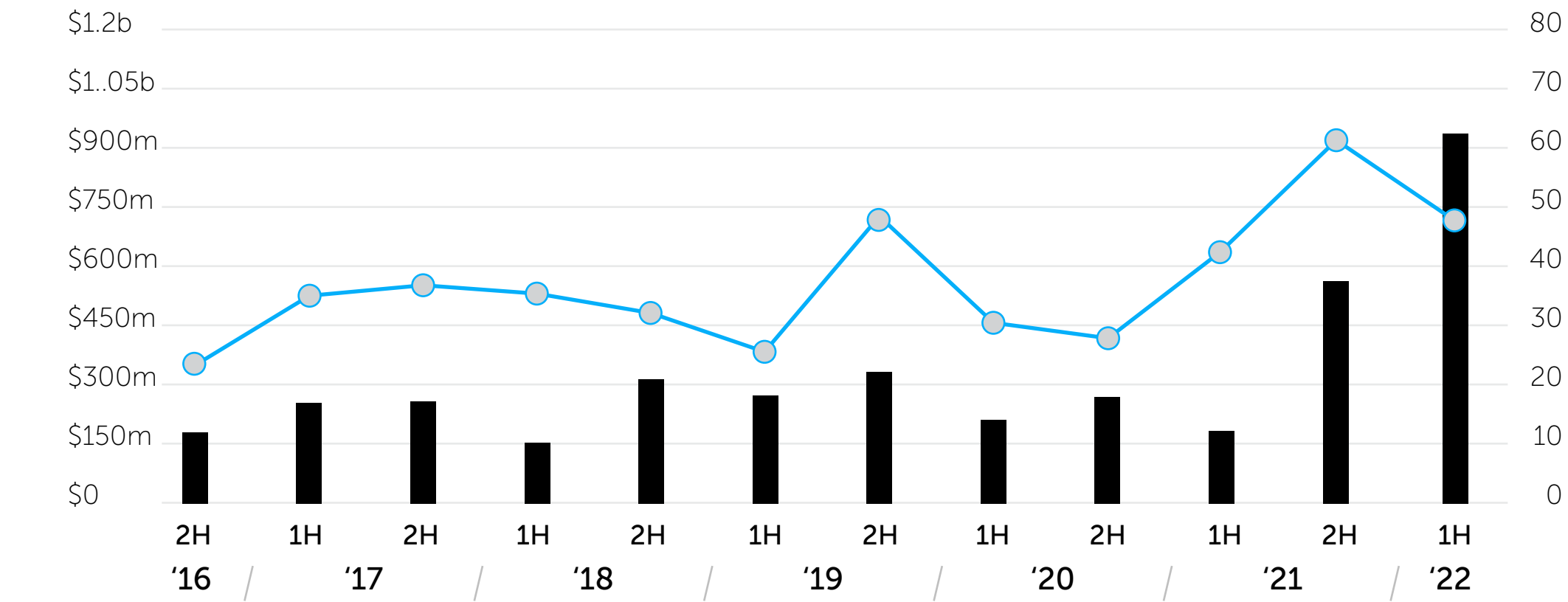
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49

Transaction

Real Estate Timeline

■ Dollar Vol | ✓ Transaction Vol



Property Value Metrics - Ind / WH / Sto*

Year	2016	2017	2018	2019	2020	2021	1H 2022
\$/Gross SF	\$319	\$383	\$408	\$437	\$396	\$425	\$465
\$/Lot SF**	\$96	\$195	\$170	\$313	\$414	\$240	\$219

*Ind / Wh / Sto: Industrial / Warehouse / Self Storage
**\$/Lot SF applies only to properties where the gross building square footage is less than 50% of the lot square footage

Featured Transaction



Red Hook
640 Columbia Street

Sale Amount:
\$332,000,000
\$/SF:
\$836
Buyer:
CBRE
Seller:
DH Property Holdings

Sale Date: **6/24/2022**

Development Highlights

- The development market started the year off strong but lost momentum halfway through 1H 2022. Roughly 67% of both the transaction and dollar volume occurred during the first quarter of the year as developers were rushing to get their shovels in the ground before the June 15th expiration of the 421a tax abatement.
- The average price per buildable square foot increased to \$280, the highest level on record in Brooklyn and a full 10% higher than 2021's average of \$254. This shows that the market is still strong as NYC continues to suffer from a housing shortage.
- Looking ahead, inflation, rising rates, increasing construction costs, material and labor shortages along with no concrete framework for a replacement of the 421a tax abatement leaves the development market in Brooklyn on shaky footing. It would not come as a surprise if we see a sharp decline in transaction, dollar and property volume during 2H 2022.

Volume
1H 2022 vs 2H 2021

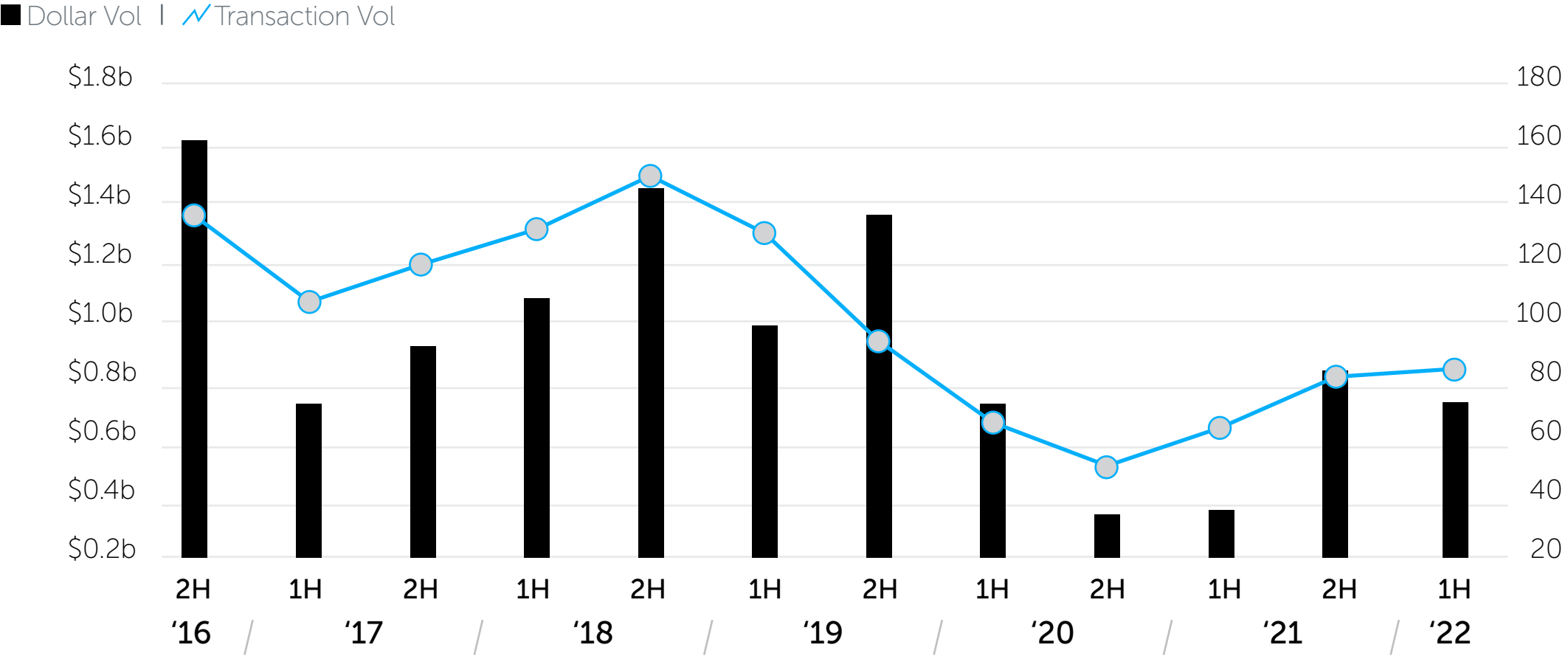
-9%
↓

\$773M
Dollar

2%
↑

84
Transaction

Real Estate Timeline



Property Value Metrics - Development*

Year	2016	2017	2018	2019	2020	2021	1H 2022
\$/BSF	\$262	\$248	\$261	\$251	\$251	\$254	\$280

*reflects transactions of vacant land or equivalent development sites

Featured Transaction



Flatbush
2307 Beverley Road &
2359 Bedford Avenue

Sale Amount:
\$90,882,000
\$/BSF:
\$162
Buyer:
Clipper Equity
Seller:
**Vornado Realty Trust
ESL Investments INC**

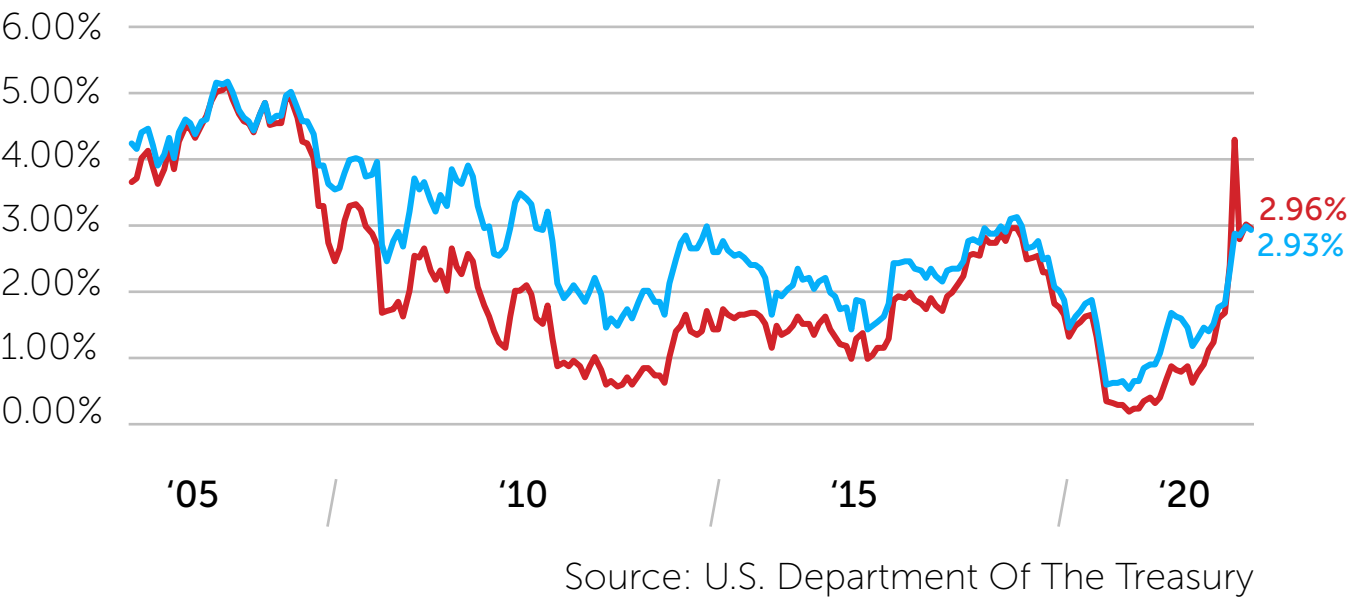
Sale Date: **5/9/2022**

Macro Economic Overview

A number of macro-economic indicators affect the bottom line of commercial real estate investments in New York City and, in turn, the pricing and demand for these assets during any given period. Ariel Property Advisors’ Research Division tracks national and local metrics to identify key market drivers influencing the real estate industry.

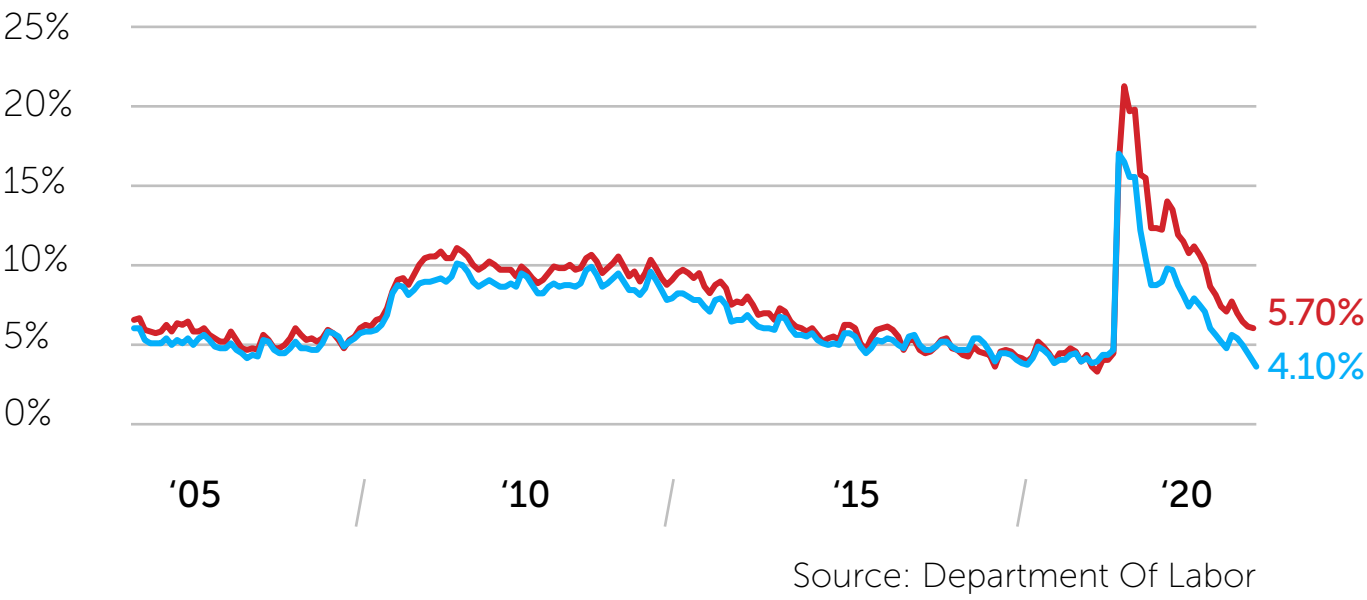
Financing:

10-Year: 2.93% | 5-Year: 2.96% | as of July 6th, 2022
Treasury Yield Curve Rates 10-year | 5-year



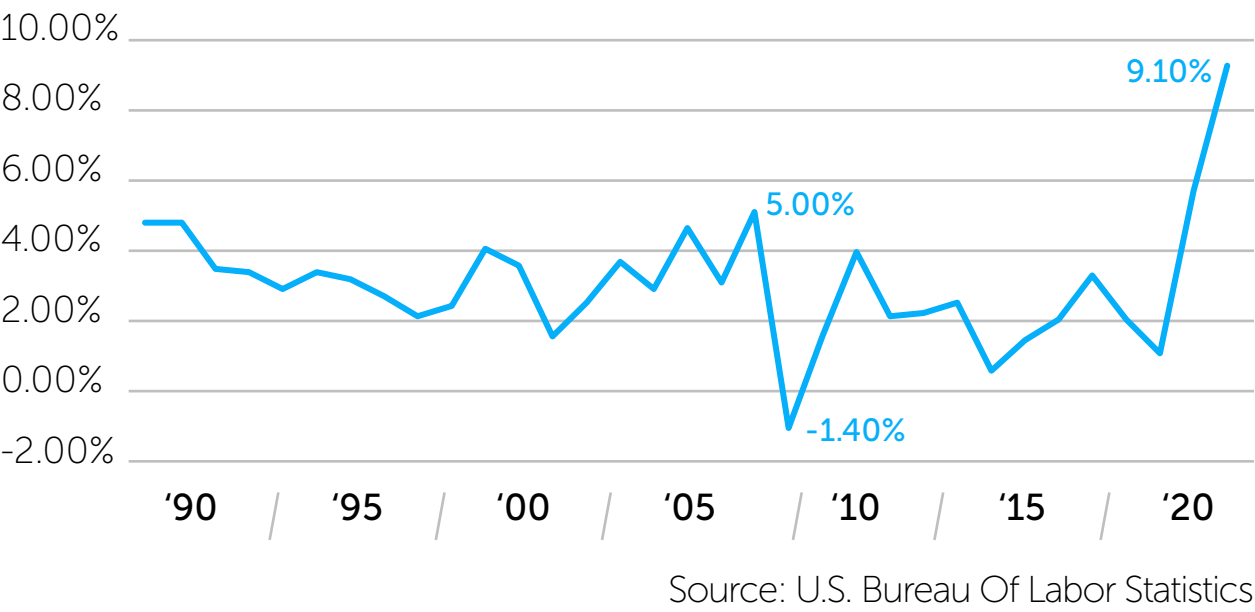
Unemployment Timeline (As of May 2022):

NYS: 4.10% | NYC: 5.70% as of May 2022
Unemployment Rate History | NYS & NYC (Not Seasonally Adjusted)



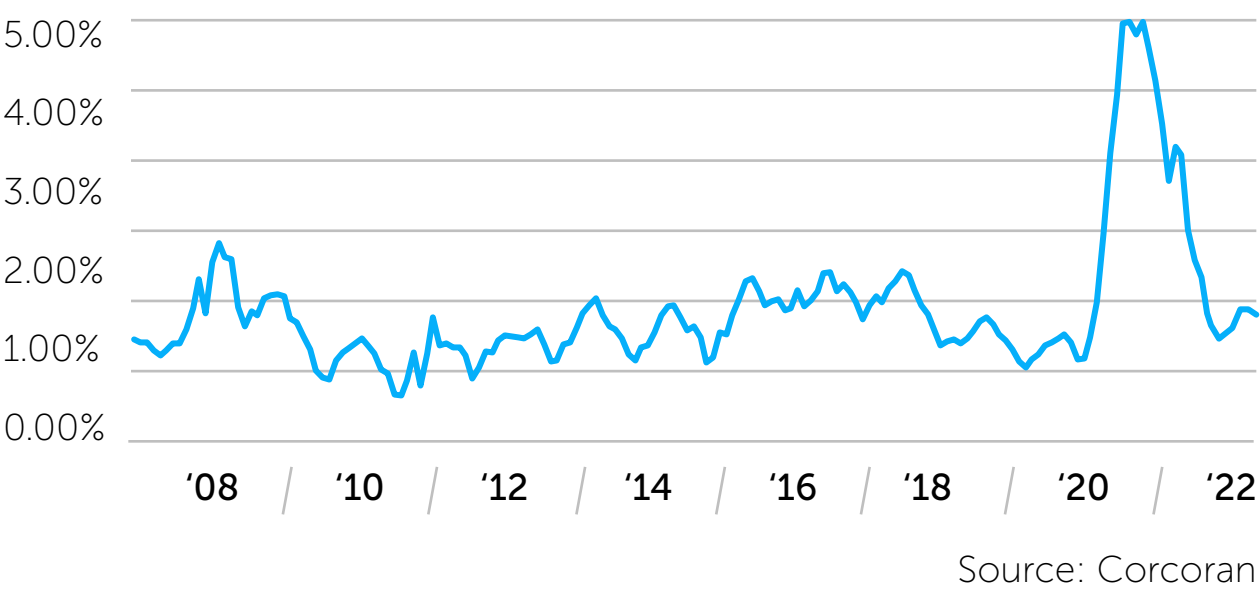
Consumer Price Index (CPI):

National CPI Growth -
Growth - June Y-O-Y



Rental Market / Vacancy:

Manhattan Residential
Rental Vacancy 2008-2022



Thought Leadership Featured in Forbes

Ariel Property Advisors has been a regular contributor for Forbes. Below is a list of five latest articles that appeared in Forbes.



Jun 28, 2022

Mayor’s Plan Will Continue New York City’s Support For Affordable Housing Development

New York City Mayor Eric Adams recently released his affordable housing plan, Housing Our Neighbors: A Blueprint for Housing and Homelessness, and announced \$5 billion in capital funds, bringing the city’s investment to \$22 billion to build and maintain affordable housing over the next ten years.



May 31, 2022

Affordable Housing: Corporate America Can Be Part Of The Solution

E-commerce giant Amazon has launched a \$2 billion Housing Equity Fund to preserve and develop more than 20,000 affordable housing units across three major hubs—Puget Sound, WA, Nashville, TN, and Arlington, VA. .



May 17, 2022

The Sunset Of Rental Construction In New York City (At Least For Now)

Like many American cities, New York City’s demand for housing is staggering. In spite of state laws intended to hold down housing costs, rental prices have increased and low- and middle-income families are finding it even harder to find affordable homes.



May 2, 2022

Today And Tomorrow: A Tale Of NYC’s Multifamily Market

The first quarter of 2022 for the New York City multifamily market experienced robust growth with \$2.87 billion closed, well above the five-year quarterly average of \$1.90 billion, according to research from Ariel Property Advisors.



Mar 8, 2022

The New Queens And Kings Of New York City Real Estate

Brooklyn and Queens have been invigorated by tremendous investor interest and are in many ways more aligned in their market dynamics with the suburbs and middle American cities than with Manhattan.

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About Ariel Property Advisors

Geographic Coverage System

Ariel’s unique company structure, with separate divisions for Investment Sales, Capital Services and Research, ensures outstanding service for our clients. Whether it’s implementing a strategic marketing process, compiling a comprehensive Asset Evaluation, securing financing or providing timely market information, every assignment is served by a team of specialized professionals.

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President
& Founder



Victor Sozio
Founding
Partner



Ivan Petrovic
Founding Partner
/ Operations



Paul McCormick
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Management



Michael A. Tortorici
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Partner



Sean R. Kelly
Partner

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- Mark Anderson - East Harlem
- James Nestor - Washington Heights, Inwood, West Harlem
- Matthew Swerdlow - [Capital Services](#)

Manhattan

- Michael A. Tortorici - Downtown East
- Matthew L. Gillis - Upper East Side
- Howard Raber, Esq. - Midtown East

Brooklyn

- Sean R. Kelly, Esq. - Downtown Brooklyn, Fort Greene, Clinton Hill, Cobble Hill, Carroll Gardens, Boerum Hill
- Stephen Vorvolakos - Park Slope, South Slope, Windsor Terrace
- Dov Chein - Crown Heights, Prospect Heights, Prospect Lefferts Gardens

Bronx

- Jason M. Gold - South Bronx, Melrose, Mott Haven, Morrisania
- Daniel Mahfar - Belmont, Hunts Point, Fordham, Kingsbridge
- Eli Weisblum - [Capital Services](#)

Queens

- Alexander Taic - Long Island City, Sunnyside
- Dorit Pinhas - Ridgewood, Elmhurst, Maspeth, Middle Village, Woodside
- Matthew Davis - [Capital Services](#)



Ariel’s Listing Activity



Development
95 Rockwell Place
Downtown Brooklyn

For Sale: Please Inquire



Development
Brooklyn CB2
Inclusionary Air Rights
Fort Greene

For Sale: Please Inquire



Development
2251 Nostrand Avenue
East Flatbush

For Sale: \$15,000,000



Office
1104 Pacific Street
Crown Heights

For Sale: \$11,000,000



Commercial
178 Court Street
Cobble Hill

For Sale: \$9,250,000

Visit our [Website](#) 
Or scan the code



Development
657-665 5th Avenue
South Slope

For Sale: \$7,250,000



Multifamily
729 Lafayette Avenue
Bedford-Stuyvesant

For Sale: \$6,000,000



Mixed-Use
105 & 153 Wilson
Avenue
Bushwick

For Sale: \$5,600,000



Multifamily
311 6th Avenue
Park Slope

IN CONTRACT



Mixed-Use
884-886 Fulton Street
& 505 Waverly Avenue
Clinton Hill

For Sale: \$5,500,000

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The information contained herein has either been given to us by the owner of the property or obtained from sources that we deem reliable. We have no reason to doubt its accuracy but we do not guarantee the accuracy of any information provided herein. July 18, 2022 8:56 PM

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