

# Brooklyn 2023 Mid-Year Commercial Real Estate Trends

by Ariel Property Advisors  
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Investment Sales  
Capital Services  
Research

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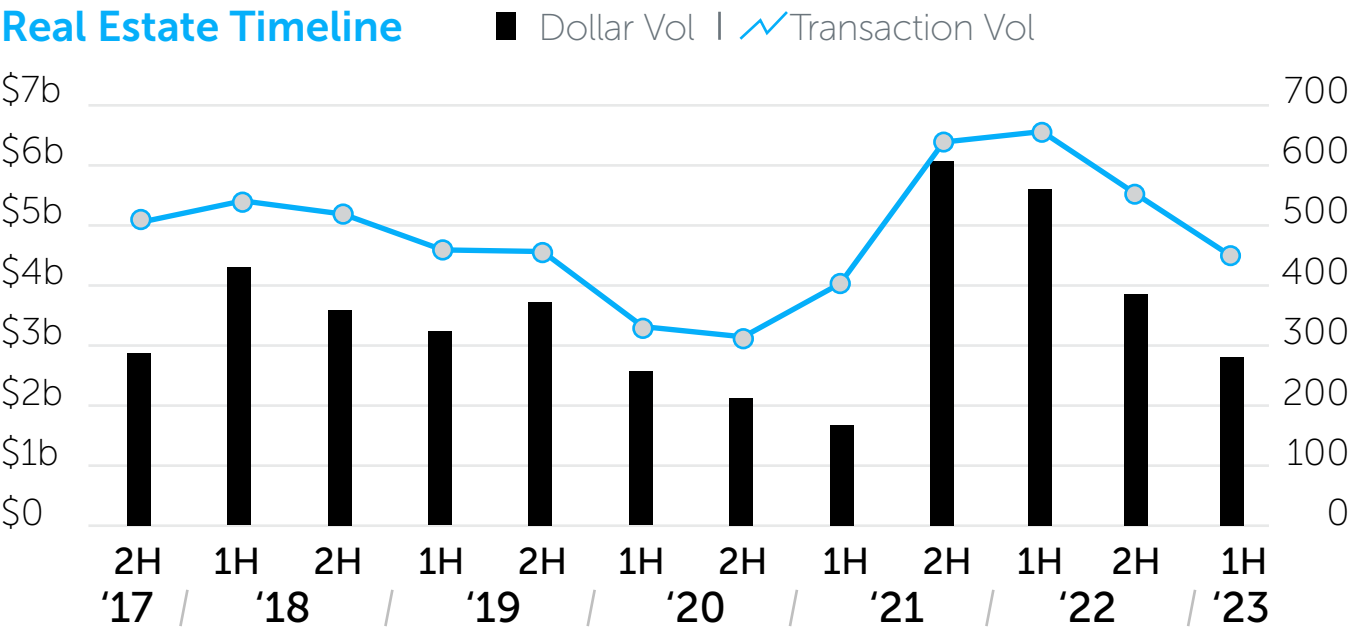
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# 2023 Mid-Year Overview

After a record-breaking 2022 that saw Brooklyn’s investment sales market top \$9.53 billion in dollar volume for the very first time, 2023 has struggled to keep pace. During the first six months of the year, Brooklyn saw 457 transactions totaling \$2.92 billion dollars. This represents 16% and 26% decreases respectively compared to 2H 2022.

The development market received a boost in investment through large development purchases in Gowanus, Brooklyn Heights, and Bedford-Stuyvesant. The commercial asset class, headlined by the foreclosure sale of the Williamsburg Hotel, reached its highest dollar volume since 1H 2020. Overall, activity dipped in the multifamily asset class but affordable multifamily started gaining notable interest from investors. Approximately 30% of the multifamily dollar volume for the borough was affordable housing, the third highest percentage for a half-year in affordable housing since 2010.



Volume  
1H '23 Vs 2H '22

-26%

↓

\$2.92b

Dollar  
Volume

-16%

↓

457

Transaction  
Volume

-17%

↓

564

Property  
Volume

Dollar Volume Comparison

Product Type	1H 2023	1H '23 VS 2H '22	2H 2022	1H '23 VS 1H '22	1H 2022
Multifamily	\$1,312,933,351	-44%	\$2,346,266,620	-51%	\$2,683,038,769
MF-MU 10+ resi units	\$762,155,256	-55%	\$1,682,053,610	-59%	\$1,838,206,698
MF-MU 6-9 resi units	\$204,080,779	-30%	\$293,327,287	-44%	\$365,547,592
MF-MU Small	\$346,697,317	-7%	\$370,885,723	-28%	\$479,284,479
Commercial*	\$394,729,868	102%	\$195,870,383	38%	\$286,824,911
Ind / WH / Sto**	\$235,264,907	-29%	\$331,075,061	-74%	\$901,388,251
Development	\$811,357,096	12%	\$721,540,961	-6%	\$867,718,830
Office	\$46,409,639	-75%	\$187,938,000	-89%	\$408,635,878
Special Purpose	\$123,878,494	-34%	\$187,774,331	-70%	\$416,296,896
GRAND TOTAL	\$2,924,573,355	-26%	\$3,970,465,356	-47%	\$5,563,903,535

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

# 2023 Mid-Year Outlook

Real estate assets are in the midst of a major repricing event across the globe. The sharp rise in interest rates and ever-changing, volatile capital markets are the biggest contributors to this emerging environment and assets with near-term debt maturities are particularly vulnerable. Locally, the uncertain regulatory environment and expired Affordable New York tax abatement program is leading investors to value properties with even more caution, despite tight supply amidst a booming economy with strengthening rents.

With prices clearly adjusting to this new world, we expect transaction activity to grow towards the end of the year and into 2024.

It is worth mentioning that the FDIC disposition of Signature’s mortgages is expected to take place before year-end and should greatly contribute to overall transaction activity.

Though we are disappointed with the lack of a clarity on New York housing legislation, we are hopeful that housing’s place as a top legislative priority for Governor Hochul will lead to meaningful progress in the 2024 legislative session. Attention to New York housing is urgently needed, especially as we see new rental projects starting to stall and development site sales slow, despite rents hitting historic highs. Political clarity is essential to the New York market’s recovery.

### Transaction Volume Comparison

Product Type	1H 2023	1H '23 VS 2H '22	2H 2022	1H '23 VS 1H '22	1H 2022
Multifamily	264	-26%	355	-39%	435
MF-MU 10+ resi units	40	-42%	69	-53%	86
MF-MU 6-9 resi units	74	-30%	106	-43%	129
MF-MU Small	150	-17%	180	-32%	220
Commercial*	42	-2%	43	-29%	59
Ind / WH / Sto**	49	4%	47	0%	49
Development	78	5%	74	-17%	94
Office	10	-9%	11	0%	10
Special Purpose	14	8%	13	-13%	16
GRAND TOTAL	457	-16%	543	-31%	663

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

# Multifamily Highlights

- After an incredible post-Covid boom that began during 2H 2021 and continued through the record-breaking 2022, the multifamily market in Brooklyn has slowed a bit. In total, Brooklyn finished 1H 2023 with 264 multifamily transactions for \$1.31 billion in dollar volume, representing 26% and 44% declines respectively compared to 2H 2022.
- There continues to be a noticeable shift in focus away from larger residential buildings towards smaller, sub-6-unit buildings that are likely tax class protected and contain free market units with value-add upside. During 1H 2022, 20% of the total multifamily sales had 10+ residential units. In 1H 2023, that number fell to 15%. Meanwhile, the total number of MF-MU small sales increased from 51% to 57%.
- Institutional buyers have slowed down their activity as well. While 1H 2022 saw five transactions north of \$100 million, 1H 2023 only had two. One of which was Arker Companies’ sale of the 816-unit Sea Park affordable housing portfolio in Coney Island to a JV led by Tredway, which was arranged by Ariel Property Advisors. Approximately 30% of the multifamily dollar volume for the borough was affordable housing, the third highest percentage for a half-year in the sub-asset class since 2010.
- Despite transaction and dollar volume being down, the rental market remains red-hot. Median rents in Brooklyn reached \$3,550 in May, an all-time record and a 10% year-over-year increase according to a recent report from Douglas Elliman.

Volume  
1H '23 Vs 2H '22

-44%

↓

\$1.31b

Dollar  
Volume

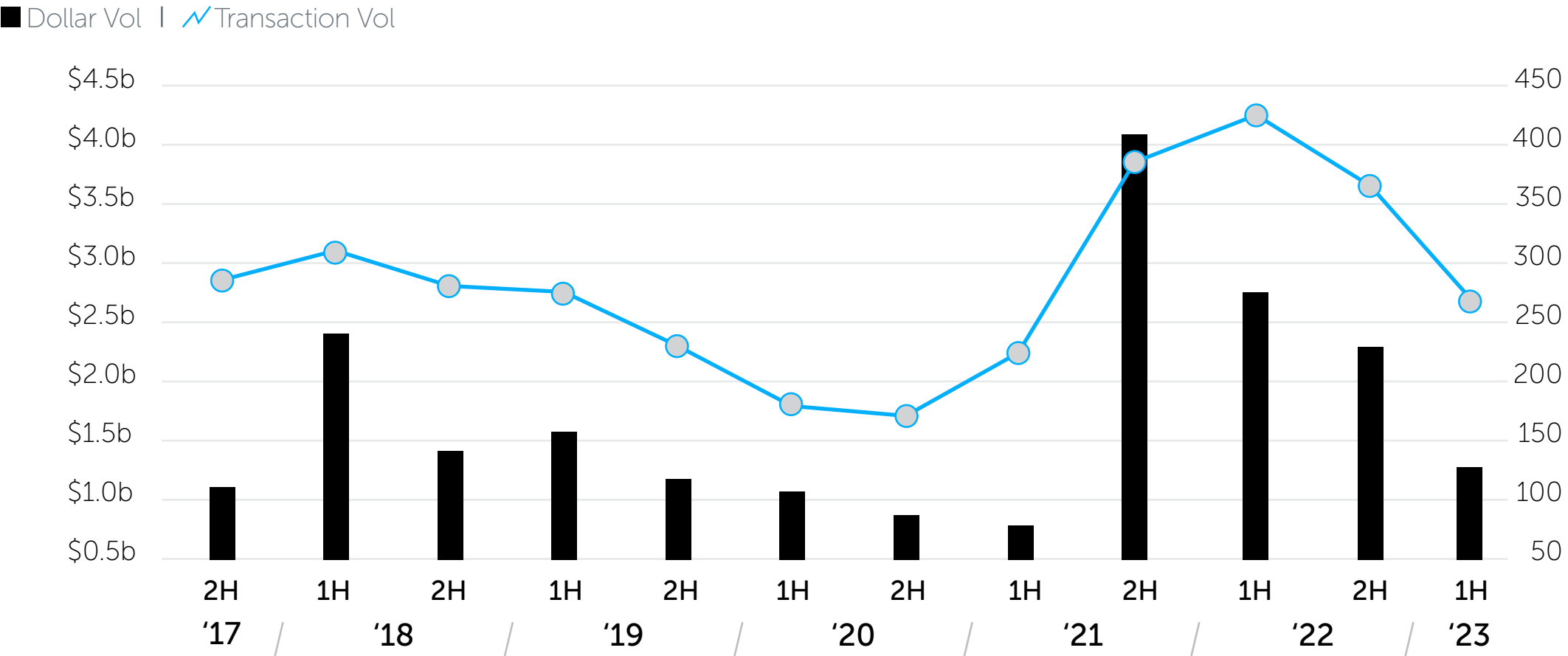
-26%

↓

264

Transaction  
Volume

Real Estate Timeline



Property Value Metrics - Multifamily\*

Year	2017	2018	2019	2020	2021	2022	1H 2023
\$/SF	\$388	\$389	\$420	\$397	\$357	\$459	\$372
\$/Unit	\$316,692	\$335,109	\$372,284	\$335,146	\$309,817	\$396,734	\$326,526
Cap Rate	4.43%	4.65%	4.70%	5.27%	5.51%	5.24%	5.77%
GRM	15.39	15.44	13.56	12.60	11.46	12.64	9.79

\*reflects multifamily transactions of 10+ residential units

## 1H'23 Featured Transaction



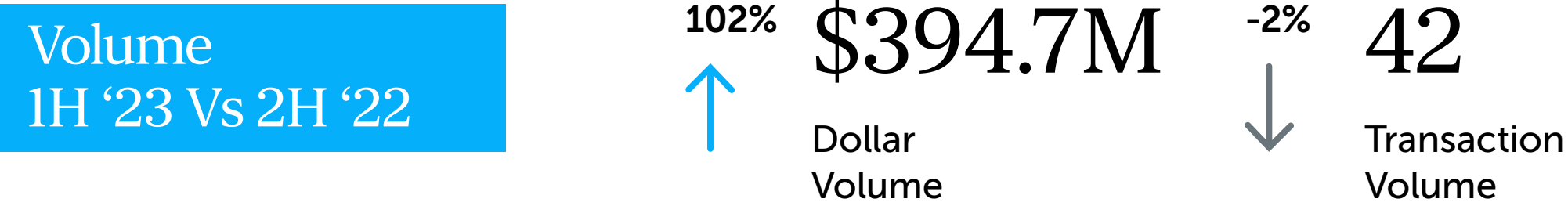
Coney Island  
Sea Park

Sale Amount:  
**\$150,000,000**  
\$/SF:  
**\$156**  
Buyer:  
**Tredway**  
Seller:  
**The Arker Companies**  
  
Sale Date: **5/24/2023**



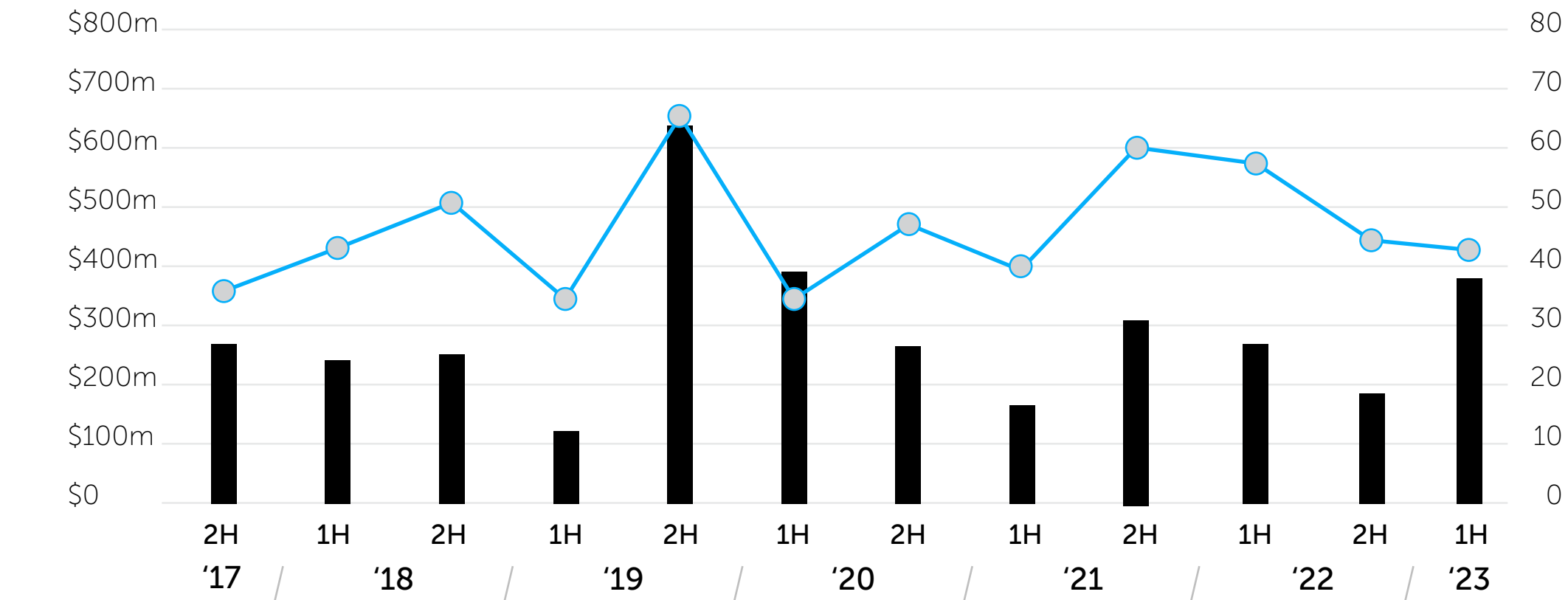
# Commercial Highlights

- The commercial/retail market was the only asset class in Brooklyn to see an increase in dollar volume thanks in large part to institutional capital reentering the space after a quiet three years post-Covid. Despite a 2% decrease in transaction volume compared to 2H 2022, dollar volume doubled.
- London Based hospitality group Quadrum Global’s purchase of the Williamsburg Hotel at 96 Wythe Avenue for \$96 million and EPR Properties’ purchase of 221 N 14th Street for \$43.3 million led the way for the asset class.
- Despite being the two largest sales, these were also the only two to take place in Williamsburg. In 1H 2023, 90% of commercial/retail sales took place in south and central Brooklyn, continuing the trend of mom-and-pop retail in low-density areas driving the majority of activity.
- 2022’s average price per square foot was a record-breaking \$666. 1H 2023 is trailing very closely behind, finishing with an average of \$662.



Real Estate Timeline

■ Dollar Vol | ✓ Transaction Vol



Property Value Metrics - Commercial\*

Year	2017	2018	2019	2020	2021	2022	1H 2023
\$/SF	\$616	\$608	\$635	\$577	\$559	\$666	\$662

\*reflects transactions of commercial buildings

## 1H'23 Featured Transaction



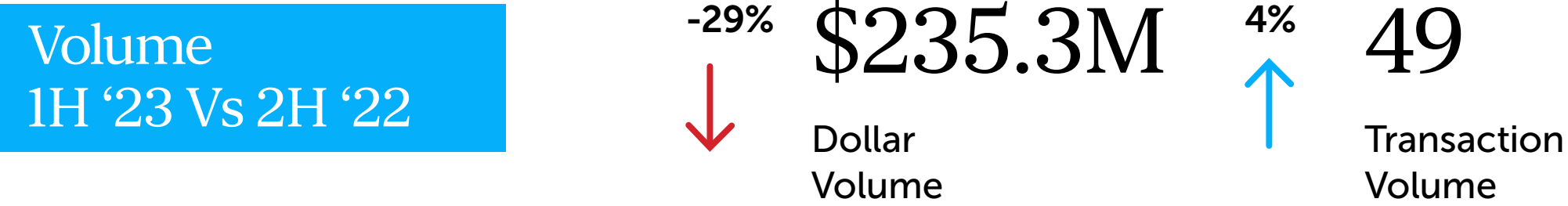
Williamsburg  
96 Wythe Avenue

Sale Amount:  
**\$96,000,000**  
\$/SF:  
**\$1,227**  
Buyer:  
**Quadrum Global**  
Seller:  
**Heritage Equity Partners**

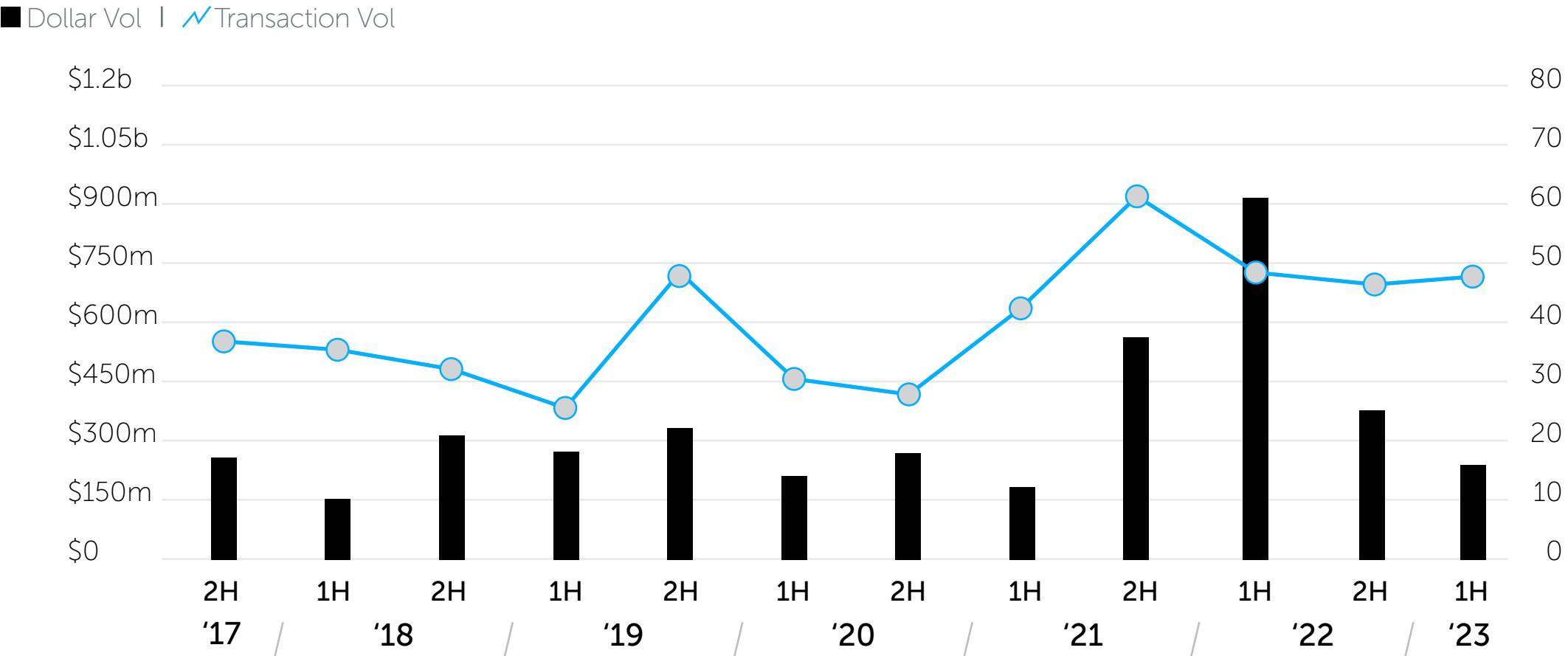
Sale Date: **4/17/2023**

# Ind / WH / Sto Highlights

- Record e-commerce growth during and immediately following the pandemic helped the asset class to be one of the strongest performing in Brooklyn since 2020. In fact, Brooklyn has the lowest overall vacancy rate in New York City outside of Staten Island, according to Cushman & Wakefield leasing data.
- Despite being slightly up on 2H 2022 with 4% more transactions, dollar volume dropped by a significant 29% during 1H 2023. The declining price metric was likely heavily affected by tougher capital markets due to the high-interest rate environment.
- After several years with either Red Hook or Sunset Park leading the way in terms of transaction volume, East Flatbush stepped into the lead during 1H 2023, with eight transactions totaling \$42.6 million.



Real Estate Timeline



Property Value Metrics - Ind / WH / Sto\*

Year	2017	2018	2019	2020	2021	2022	1H 2023
\$/Gross SF	\$383	\$408	\$437	\$396	\$425	\$492	\$437
\$/Lot SF**	\$195	\$170	\$313	\$414	\$240	\$219	\$200

\*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

## 1H'23 Featured Transaction



Canarsie  
909 Remsen Avenue

Sale Amount:  
**\$28,000,000**  
\$/SF:  
**\$329**  
\$/Lot SF:  
**\$295**  
Buyer:  
**Adar YM Holdings LLC**  
Seller:  
**Remsen Realty Associates LLC**  
  
Sale Date: **6/8/2023**

# Development Highlights

- Despite significant concerns regarding the expiration of the 421a “Affordable New York” tax abatement and the increase in construction costs, transaction and dollar volume in 1H 2023 increased by 5% and 12% respectively compared to 2H 2022.
- Institutional capital continues its heavy bet on the Brooklyn market, acquiring assets for both condo and rental development. Seven of the 78 transactions borough-wide accounted for \$475 million of the \$811.36 million total dollar volume. Additionally, 53% of the transactions took place in the Greater Downtown Brooklyn, Park Slope, and Gowanus markets.
- Rents in Greater Downtown Brooklyn and the Williamsburg/ Greenpoint markets have exceeded \$80 per square foot and several projects in the DUMBO market are achieving condo sales north of \$2,000 per square foot.
- Demand for land and conversions in neighborhoods with access to transportation and highly ranked public schools remains strong despite rising interest rates and construction costs.
- With the expiration of the 421a, expect demand to increase for properties where projects can underwrite as affordable housing.

Volume  
1H '23 Vs 2H '22

12%

↑

\$811.4M

Dollar  
Volume

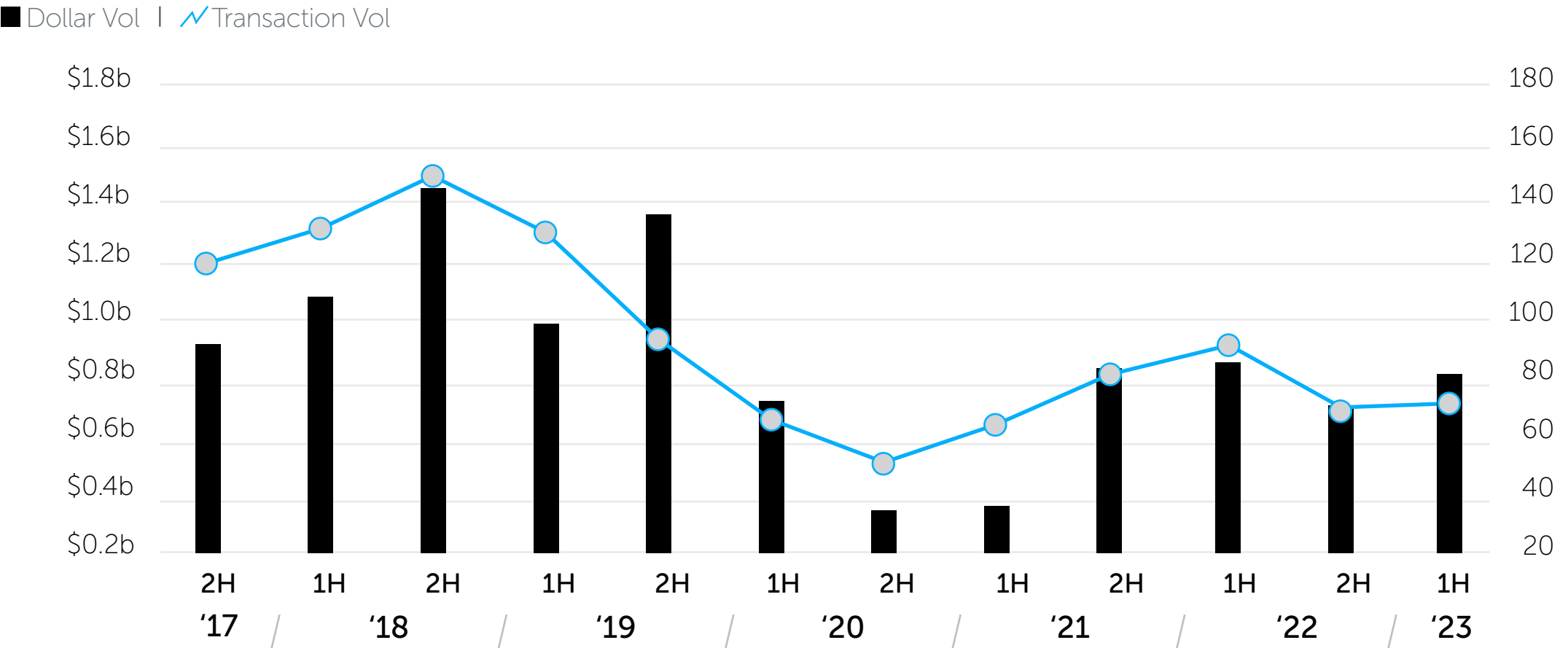
5%

↑

78

Transaction  
Volume

Real Estate Timeline



Property Value Metrics - Development\*

Year	2017	2018	2019	2020	2021	2022	1H 2023
\$/BSF	\$248	\$261	\$251	\$251	\$254	\$278	\$268

\*reflects transactions of vacant land or equivalent development sites

## 1H'23 Featured Transaction



Brooklyn Heights  
180 Remsen Street

Sale Amount:  
**\$160,000,000**  
\$/BSF:  
**\$321**  
Buyer:  
**Rockrose Development Corporation**  
Seller:  
**St. Francis College**  
  
Sale Date: **3/31/2023**

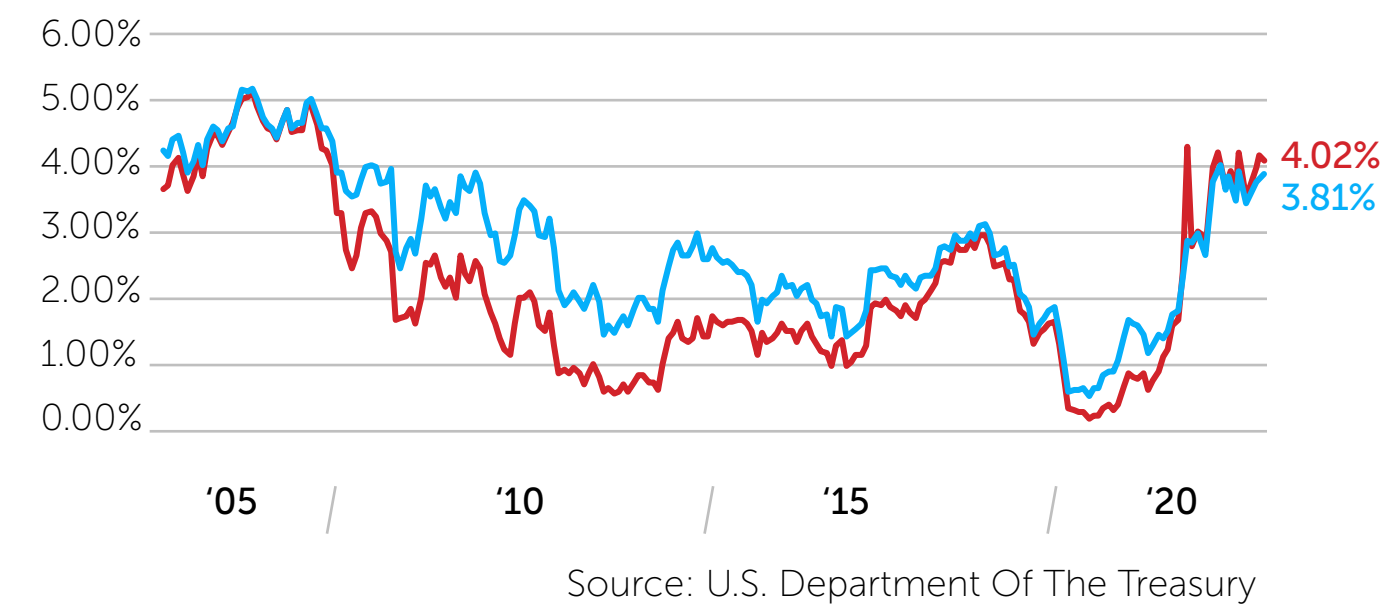


# Macro Economic Overview

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.

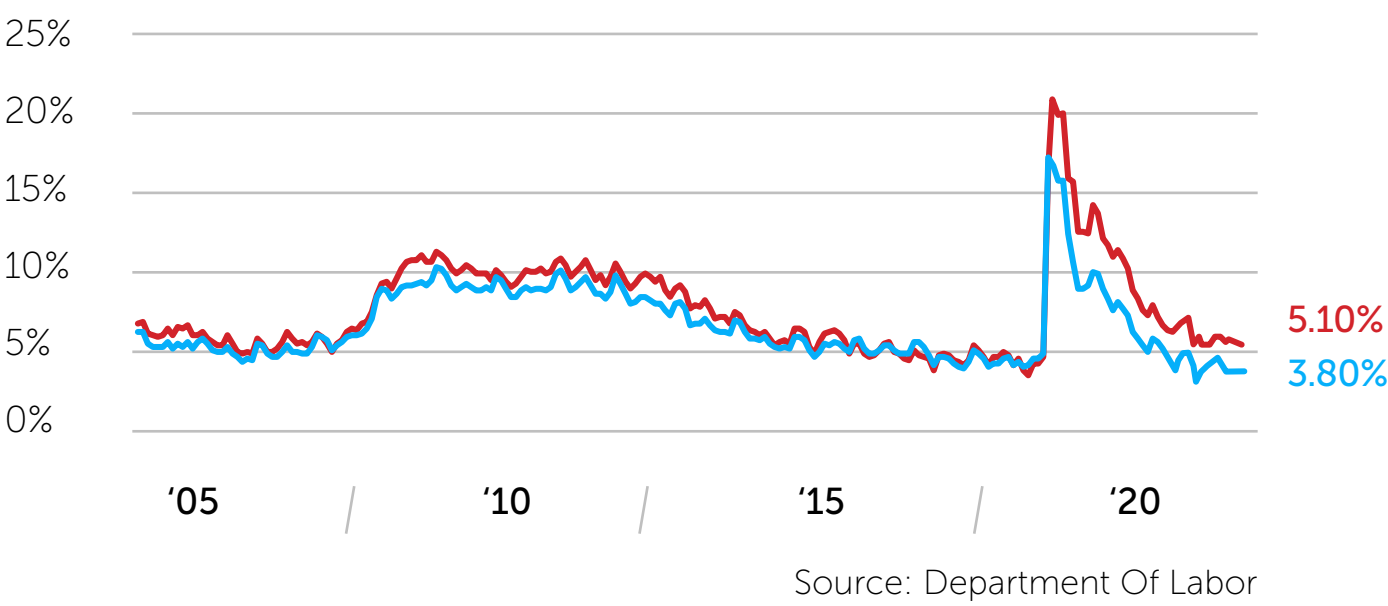
## Financing:

10-Year: 3.81% | 5-Year: 4.02% | As of July 17th, 2023  
Treasury Yield Curve Rates 10-year | 5-year



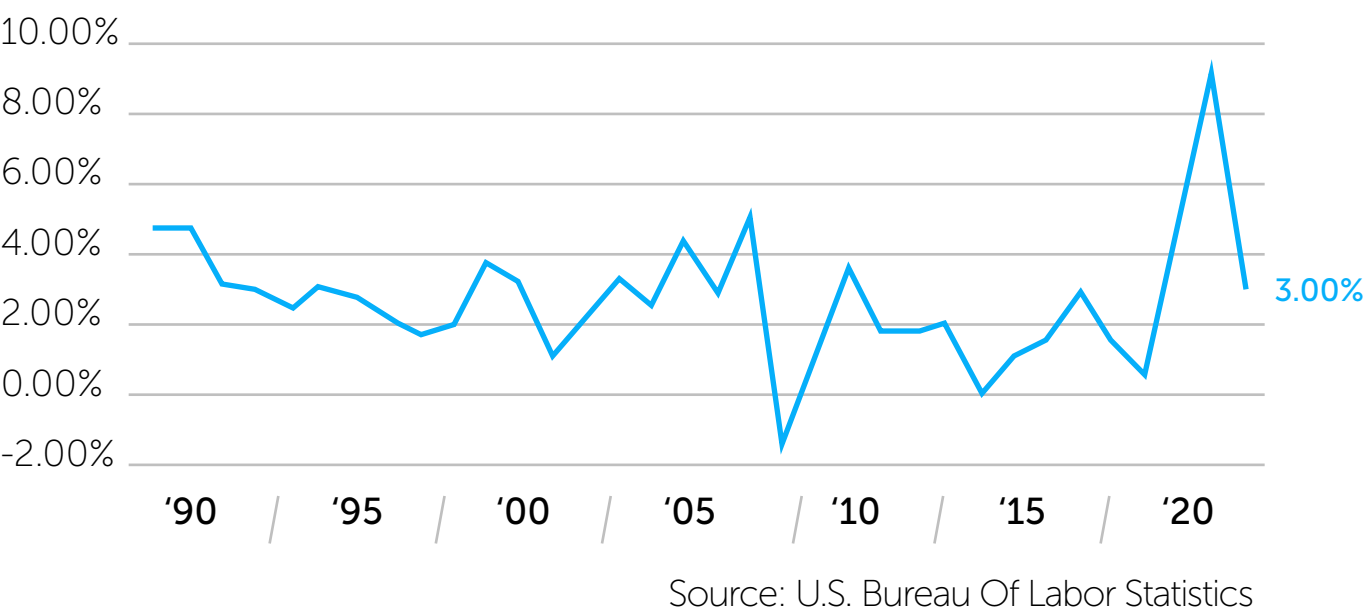
## Unemployment Timeline:

NYS: 3.80% | NYC: 5.10% | As of May 2023  
Unemployment Rate History | NYS & NYC (Not Seasonally Adjusted)



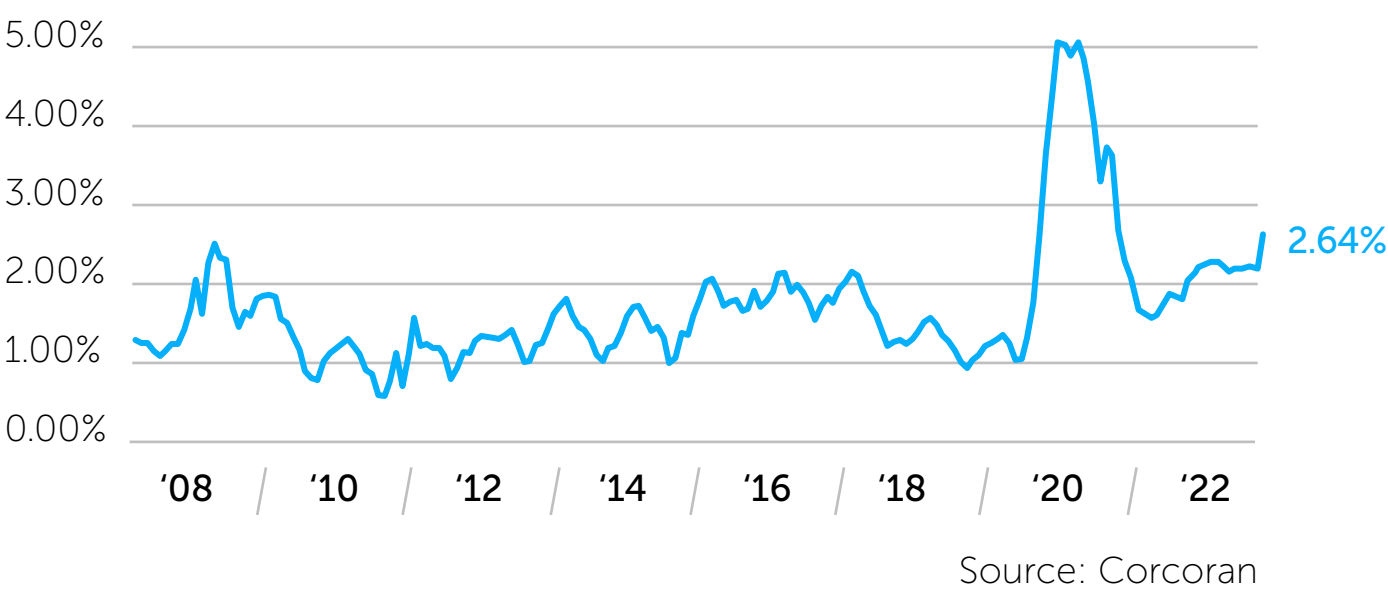
## Consumer Price Index (CPI):

National CPI  
Growth - June 2023 Y-O-Y



## Rental Market / Vacancy:

Manhattan Residential  
Rental Vacancy January 2008 - June 2023





# Thought Leadership Featured in Forbes

Ariel Property Advisors has been a regular contributor for Forbes. Here is the list of the five latest articles.



Mar 14, 2023

‘An Office Is Not For Dying. An Office Is A Place To Live Life To The Fullest...’

NYC office sales in 2022 saw dollar volume citywide jump 60% year-over-year to \$9 billion, a post pandemic high. Who is investing in NYC office buildings and why?



Mar 30, 2023

Distress In New York City Real Estate: The Silver Lining

Although the Fed voted to raise rates another .25%, Chair Jerome Powell indicated significant rate hikes may not be needed going forward, which will bring much needed relief and stability to the commercial real estate market.



May 11, 2023

Still A Bright Spot: New York City Multifamily Q1 2023

Multifamily transaction volume in New York City in Q1 2023 declined to \$2.11 billion, a 39% drop from Q1 2022, Ariel’s Q1 2023 Multifamily Quarter in Review shows.



Jun 9, 2023

Show Me The Money: The Misalignment In Rent Regulation Prevents The Production Of Housing

As housing affordability has become a flashpoint nationwide, state legislatures have introduced over 60 rent control-related bills nationwide.



Jul 5, 2023

New York City Free Market Multifamily: Pocket Of Strength Amid Regulations, Lack Of Housing

Over-regulation and the systemic lack of new housing in New York City have created an opportunity for investors in free-market multifamily assets.

Read More  
On [Forbes Website](#)  
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# About Ariel Property Advisors

## Geographic Coverage System

Ariel’s unique company structure, with separate groups 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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**Michael A. Tortorici**  
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