

Brooklyn's Endurance

January 2025



Consistent Supply Endures

T3 Rent Growth Negative

Occupancy Tight

BROOKLYN MULTIFAMILY



Short-Term Rent Growth Negative, Supply Strong

Brooklyn's average advertised asking rents were down 0.2% on a trailing three-month basis through November—to \$3,560—in line with U.S. trends. The rate was positive for much of 2024, but turned negative in October, mirroring nationwide trends. Overall occupancy for stabilized assets in Brooklyn was down 30 basis points year-over-year, to 98.6% in October, well above the 94.8% national rate.

New York City's unemployment rate was 4.3% as of September, 20 basis points higher than the U.S. rate, according to data from the Bureau of Labor Statistics. Job growth stood at 1.7% in September, 30 basis points ahead of the U.S. figure. NYC gained 106,700 net jobs in the 12 months ending in September, despite five sectors losing a total of 40,200 jobs. Bolstered by a \$164 million federal grant on top of an initial \$95 million investment, the Brooklyn Marine Terminal is set for a major upgrade. Another project reshaping the waterfront is Empire Wind 1. Equinor started construction on the first phase of the offshore wind project in June.

Brooklyn developers completed 3,935 units in the first 11 months of the year. The development pipeline included 28,007 units under construction and 32,000 units in the planning and permitting stages. Transactions totaled \$709 million, already outpacing 2023's total volume of \$199 million.

Market Analysis | January 2025

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Recent Brooklyn Transactions

DKLB BKLN



City: Brooklyn, N.Y.
Buyer: Atlas Capital Group
Purchase Price: \$203 MM
Price per Unit: \$554,795

The Azure

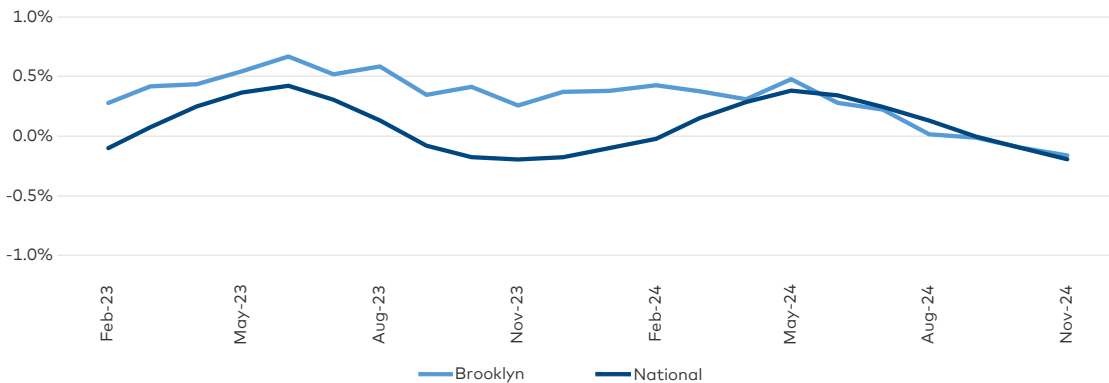


City: Brooklyn, N.Y.
Buyers: Canvas Property Group,
Tokyu Land US Corp.
Purchase Price: \$113 MM
Price per Unit: \$752,000

RENT TRENDS

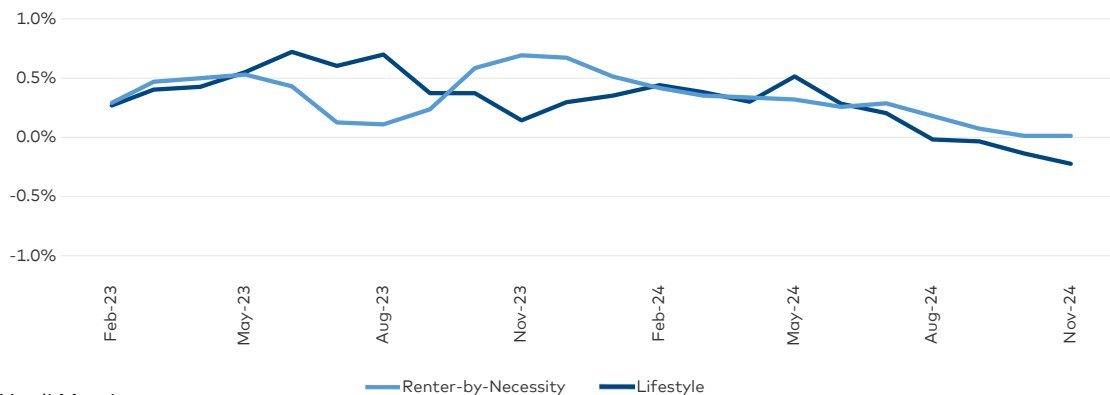
- ▶ Brooklyn’s average advertised asking rents were down 0.2% on a trailing three-month (T3) basis through November, on par with the national figure. Despite growth hovering between 0.3% and 0.5% in the first half of the year, the momentum turned negative in October, on par with national trends. Rents in the borough were up 2.3% year-over-year through November, surpassing the 0.9% national rate. Other boroughs performed even better—5.1% in Manhattan and 5.9% in Queens.
- ▶ As of November, Brooklyn’s average advertised asking rent was \$3,560. The T3 figure for the borough’s working-class Renter-by-Necessity segment was flat through November, at \$2,196. The upscale Lifestyle segment mirrored the overall trend, down 20 basis points, to \$4,202.
- ▶ As of October, Brooklyn’s occupancy rate was a tight 98.6%, even after the figure saw a 30-basis-point drop year-over-year. The borough’s average was well above the 94.8% national rate. Occupancy in the RBN segment was down 10 basis points, to 99.2%, while the Lifestyle figure slid 40 basis points, to 98.0%.
- ▶ Of the 40 Brooklyn submarkets tracked by Yardi Matrix, 23 registered significant advertised asking rent growth year-over-year through November. Williamsburg led gains, with rates up 3.1%, to \$4,657. It was followed by Fort Greene (up 3.0% to \$3,870) and Downtown Brooklyn (up 2.1% to \$4,310).

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 was 4.3% as of September, 20 basis points higher than the U.S. figure, according to data from the BLS. The rate dropped 20 basis points from the start of the year. NYC's rate was also 10 basis points below the state's.
- NYC employment growth was at 1.7% year-over-year through September, outpacing the 1.4% national average.
- The city gained 106,700 net jobs in the 12 months ending in September. Education and health services led growth, with 114,700 jobs added. At the other end of the spectrum, five sectors shed a combined 40,200 jobs, led by professional and business services, which lost 17,200 positions.
- The U.S. Department of Transportation issued a \$164 million federal grant to the Brooklyn Marine Terminal project. This funding, along with an initial \$95 million investment from NYC and the state will be used to rehabilitate 122 acres of waterfront. The modernization plan includes revitalizing and repairing piers, adding a new cold storage facility, as well as updating infrastructure. Another project transforming the borough's waterfront is Equinor's upcoming offshore wind hub in South Brooklyn, which will provide 810 megawatts of renewable energy.

New York Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
65	Education and Health Services	1798.8	24.2%
70	Leisure and Hospitality	705.8	9.5%
90	Government	920.6	12.4%
80	Other Services	294.5	4.0%
55	Financial Activities	670.2	9.0%
30	Manufacturing	193.2	2.6%
40	Trade, Transportation and Utilities	1144.2	15.4%
50	Information	253.8	3.4%
15	Mining, Logging and Construction	257	3.5%
60	Professional and Business Services	1188.6	16.0%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- NYC lost 103,217 residents from 2021 to 2022, marking a 0.5% drop, mostly due to outmigration.
- During the same time frame, the U.S. population rose by nearly 1.4 million citizens, accounting for a 0.4% increase.

Brooklyn vs. National Population

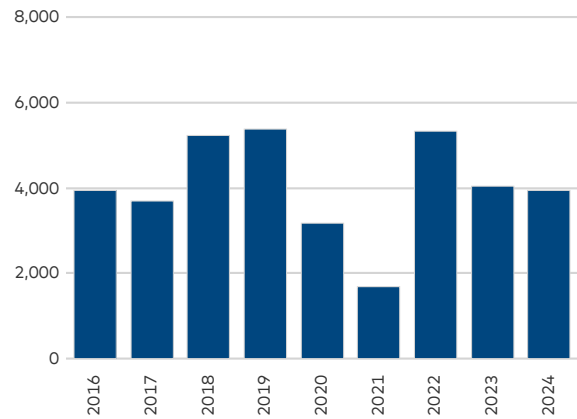
	2019	2020	2021	2022
National	324,697,795	326,569,308	329,725,481	331,097,593
NYC Metro	19,294,236	19,261,570	20,011,812	19,908,595

Source: U.S. Census

SUPPLY

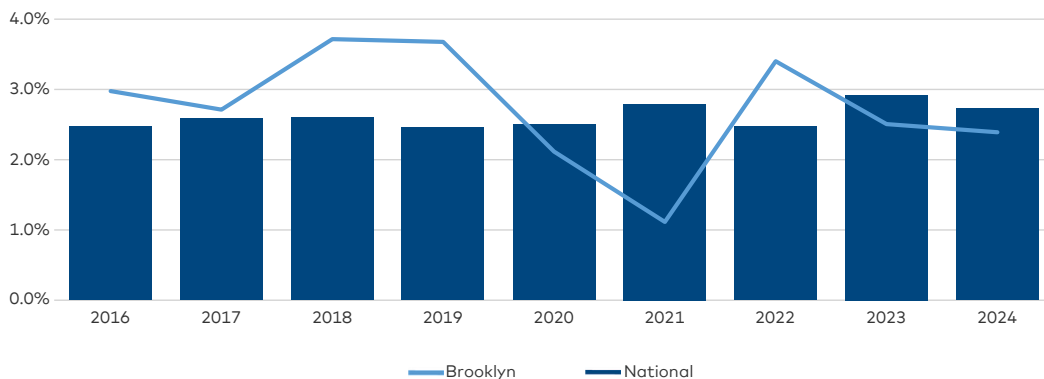
- ▶ Developers completed 3,935 units in Brooklyn during the first 11 months of 2024. That accounted for 2.4% of existing inventory, 30 basis points below the national rate. Completions included eight Lifestyle assets and 10 fully affordable properties. During this time frame, the borough was already in line with the 3,917-unit annual average of the past five years.
- ▶ Brooklyn had 28,007 units underway as of November last year, with an additional 32,000 units in the planning and permitting stages. The borough's under-construction pipeline surpassed the combined units underway in Manhattan and Queens (23,654). More than 75% of units under construction were in Lifestyle projects, roughly 8% were in RBN developments and approximately 16% were in fully affordable assets.
- ▶ Developers broke ground on 8,470 units during the first 11 months of 2024, roughly 2,000 units fewer than the 10,480 that started construction in the same period in 2023.
- ▶ The Boerum Hill-Gowanus submarket led activity, with 4,504 units under construction. Fort Greene (3,504 units), Williamsburg (2,652 units), Greenpoint (2,538 units) and Downtown Brooklyn (2,033 units) rounded out the top five.
- ▶ The 1,098-unit 625 Fulton in Fort Greene was the largest development underway in Brooklyn. Rabsky Group broke ground on the partially affordable project in late 2022 and expects to complete the residential tower by the end of 2026. In June, Madison Realty Capital provided a \$485 million loan to refinance the development. The new note retired a \$450 million construction loan provided by Axos Bank in September 2021.

Brooklyn Completions (as of November 2024)



Source: Yardi Matrix

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

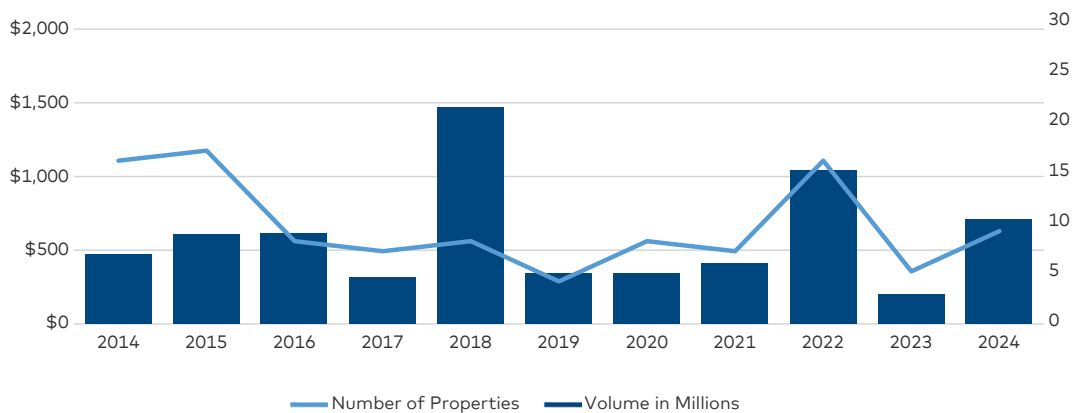


Source: Yardi Matrix

TRANSACTIONS

- ▶ Brooklyn investors traded \$709 million in multifamily assets through the first eleven months of 2024 across nine single-asset multifamily transactions. This volume surpassed 2023's annual total of \$199 million, as well as the past decade's annual average of \$580 million. The average per-unit price in the borough reached \$335,131 for this year's nine sales.
- ▶ Five Lifestyle assets changed hands for a total of \$654 million, at an average per-unit price of \$2 million. Meanwhile, four RBN properties traded for a combined \$55 million, at \$98,876 per unit, highlighting Brooklyn's stark price difference across quality segments.
- ▶ The largest single-asset transaction in the second half of the year was the \$240 million acquisition by a joint venture of Dalan Management and KKR & Co. The partnership picked up The Paxton, a 327-unit community in downtown Brooklyn that includes 96 affordable units.

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



Source: Yardi Matrix

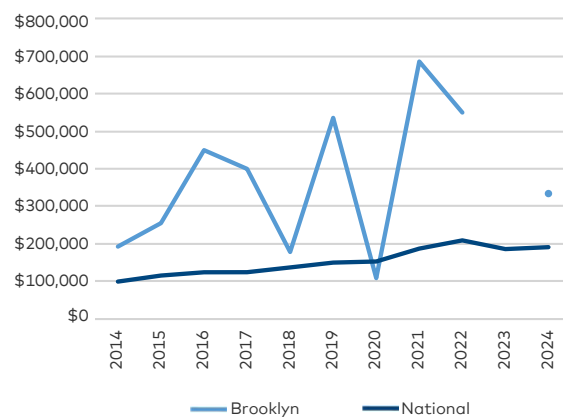
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
Downtown Brooklyn	353
Fort Greene	203
Navy Yard	59
Brighton Beach–Manhattan Beach	42
Bedford–Stuyvesant	40
Prospect Park–Prospect Park South	12

Source: Yardi Matrix

¹ From December 2023 to November 2024

Brooklyn vs. National Sales Price per Unit



Source: Yardi Matrix



Where Opportunities Shine in NYC: Shimon Shkury Weighs In

By Olivia Bunescu

Multifamily transaction volume in New York City declined 16 percent in Q3 compared to the previous quarter, according to a recent Ariel Property Advisors report. "The report also noted the growing trend of real estate-owned properties, note sales and deeds in lieu of foreclosure, indicating financial institutions are actively seeking ways to manage their distressed assets," President & Founder Shimon Shkury told Multi-Housing News.

What are the top trends you're currently seeing in the New York City multifamily investment market?

Shkury: The increase in mortgage maturities throughout 2024 has been a critical driver for multifamily sales, and we expect this trend to continue in the coming years as additional mortgages backed by multifamily properties mature. The second quarter saw one of its strongest recent periods as the dollar volume of sales totaled over \$2.8 billion, representing a 108 percent increase over the previous three months and the best quarter since Q2 2023.

Besides interest rate cuts, what else do you anticipate will drive investment activity in 2025 and beyond?

Shkury: First, the substantial amount of mortgage maturities taking place will remain a key driver of investment sales for the foreseeable future. Approximately \$900 billion will mature in 2024 nationwide, which in many cases



has meant cash-in refinance recapitalizations or forced selling for investors. There is \$4.7 trillion in outstanding debt across the country that will be maturing in the next few years, so we will continue to see that pressure affecting multifamily transaction activity.

What are the key regulatory challenges multifamily investors face in New York City?

Shkury: The main regulatory challenge continues to be HSTPA, which removed incentives to renovate vacant units in rent-stabilized buildings, and invest in capital improvements in these properties. Despite the difficulties,

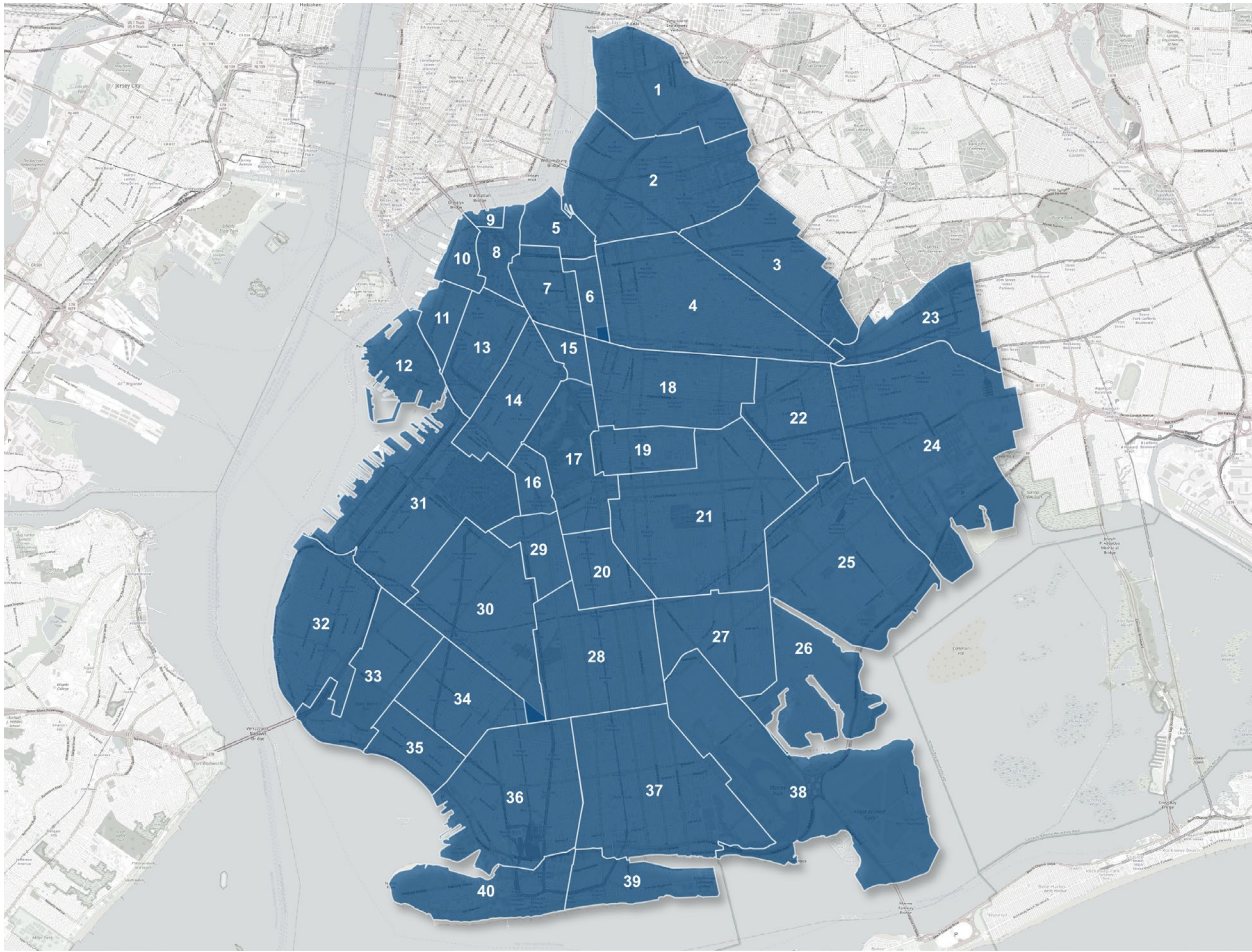
sophisticated buyers with a long-term horizon are buying rent-stabilized assets today. They see opportunity in price declines and believe that the dramatic changes to the rent-stabilized market brought about by the HSTPA regulations are unsustainable.

Are there specific NYC neighborhoods or areas that are of particular interest to investors?

Shkury: In the third quarter we saw increased multifamily sales activity in Manhattan below 96th Street and in Northern Manhattan. Manhattan's multifamily dollar volume in the third quarter rose to \$1.27 billion, a 40 percent jump from the second quarter and a 21 percent increase from last year. Free-market buildings dominated the market, accounting for 57 percent of the dollar volume and 83 percent of the transactions. The \$370 million trade at 20 Exchange Place was the most significant sale in Manhattan.

(Read the complete interview at 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.

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