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Brooklyn Real Estate Brokers Offer Predictions for Borough in 2012

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BROOKLYN — The heads of several Brooklyn-based real estate brokerages offered their real estate market predictions for 2012, including Ofer Cohen of TerraCRG, Christopher Havens of CREG, John Horowitz of Marcus & Millichap, David Maundrell of AptsandLofts.com, Doug Perlson of Real Direct and Robert Knakal of Massey Knakal Realty Services.

Brooklyn Market on Track For Active 2012

After a busy year, the brokers at Terra CRG believe the Brooklyn real estate market is on track to be very active in 2012, according to Ofer Cohen, principal of Terra CRG.

The following are among the key elements of Cohen's predictions for 2012:

- Despite several large scale residential developments getting off the ground as rentals, residential rents will continue to rise in Brooklyn. In addition, there will be a tight supply and possibly a shortage of condos on the market, which will in turn push prices of residential condos up.
- The scheduled opening of the Barclays Center/Nets Arena in September 2012 will forever change the commercial and retail landscape of the surrounding neighborhoods with new retailers and new types of developments coming to both Fourth Avenue and Flatbush Avenue.
- As interest rates are expected to stay low, investor demand for quality apartment buildings will continue to be strong. Rising property taxes on larger buildings over the last few years may cause some big landlords to put their property on the market.

2012 Will be Year of the Resale

After an extremely strong fall season for sales, David Maundrell, CEO at AptsandLofts.com believes that 2012 will be "the year of the resale."

Maundrell notes that there are many notable residential buildings that are still in the works and will not be completed until early 2013, but they are mainly rental developments.

This will cause a further decrease in the inventory of new condominium properties, directing

buyers and renters to consider resales. This is very good for the overall health of the market and for current owners who purchased between 2005 and 2007”

The following are more of Maundrell’s predictions for 2012:

- We are seeing a much higher demand for and more development activity in some under-the-radar neighborhoods, which leads me to believe they will be some of the hot spots for 2012, according to Maundrell. Some of these are Bedford-Stuyvesant, Greenpoint and Crown Heights.
- Brooklyn will continue to grow in popularity as a first-rate destination for culture, entertainment and living, both on a local and national level, which will contribute positively to our real estate market. “We are seeing many out-of-state buyers and renters who are relocating to the city for their careers and are eager to settle down in Brooklyn rather than Manhattan,” he said.

Looking back: “Since September, we have been selling condos at a healthy pace after a slowdown in July and August. The reasoning behind this for one, is that consumers are finally growing confident in their finances and employment status. Additionally, interest rates are hovering about 4 percent, inventory in Brooklyn is becoming extremely tight as many developments have elected to go rental and rental rates are at an all time high pushing customers to reevaluate rent-vs.-buy scenarios.”

Bullish on 2012: Demand Will Remain Strong

“I am bullish on 2012,” says Horowitz, regional manager for Brooklyn at Marcus & Millichap. “And I expect the demand for investment real estate in Brooklyn to remain strong and prices to remain at levels that are highest since 2007.

This is primarily due to:

- Real estate remains a desirable asset class especially as compared to the stock market
- Vacancy rate will continue to stay at about 2% in the NYC region (the lowest vacancy rate in the country), thus supporting the apartment market
- Interest rates will stay low. As long as interest rates remain low, investors will continue to look to purchase NYC investment real estate at current pricing, thus increasing demand

Low supply (and high demand, see above). Owners are still reluctant to sell despite the strong local market. The national economic troubles are not having the same affect in this market.

Brooklyn has become an “in-demand” market. Some of the largest NYC real estate owners are looking at Brooklyn for the first time as the rental market is strong but returns are much better than they can achieve in Manhattan.

Commercial Office Space Will be Steadily Absorbed

Downtown Brooklyn commercial office space will be steadily absorbed throughout the new year, according to Christopher Havens, principal of Creative Real Estate Group (CREG), who now is the leasing agent for the office building at 26 Court St.

“This will take place, given the increased activity this past fall, the removal of seven office buildings during 2007-2012 period and the extreme shortage of office space in DUMBO.

Havens’ additional predictions for 2012:

- Area retail prices will continue their rise, as demand outstrips supply in the area. • Residential rents, now hitting \$50 per foot in new buildings, are being underwritten as high as \$60 per foot.
- Condominiums, in shortage in some areas, will be in shortage throughout Northern Brooklyn because of increased sales in the last year or two, very little condo development over the last few years and the termination of the 421-a inclusionary program.

Continued Upward Momentum Expected In Brooklyn Market

“The Brooklyn building sales market performed more positively than other outer borough markets in 2011 with healthy increases in the dollar volume of sales and the number of properties sold, according to Robert Knakal, principal of Massey Knakal Realty Services.

“Generally, the Manhattan market has led all submarkets out of the recession leaving the outer boroughs searching for solid footing throughout 2010 and 2011. However, the performance of the Brooklyn submarket in 2011 bodes well for the future of the borough,” he said. “We expect continued upward momentum in both the dollar volume and number of properties sold metrics in 2012.

- We expect demand for multi-family properties in the borough to remain at elevated levels throughout 2012. In 2011, we saw the most demand from the investment community focused on these properties. Values in this sector remained below peak levels due to lower net operating incomes caused by lower rents and higher expenses. Real estate taxes, in particular, rose tangibly over the past couple of years.
- We expect the demand for retail properties in Brooklyn to remain high throughout 2012. Last year, we observed tremendous demand for retail properties in Brooklyn. This was especially the case in the more prime locations like Downtown Brooklyn, Brooklyn Heights and parts of Bay Ridge. Brooklyn has historically been under-retailed which exerts upward pressure on rents, keeps occupancy levels high and, therefore, produces healthy underlying fundamentals.
- Perhaps the biggest surprise in the Brooklyn sales market in 2011 was the strength of the land market. Development site transactions were on the rise as were average prices per buildable square foot. This trend existed in both established neighborhoods and the more emerging neighborhoods like Williamsburg and Greenpoint, among many others. Recently, we closed a

significant number of development site sales in Brooklyn and have been pleasantly surprised by the prices obtained. As land prices in Manhattan continue to climb, the spillover into Brooklyn will benefit greatly creating exciting opportunities for market participants. All indications are that 2012 will benefit from this momentum and we expect to see land sale activity increase substantially over the encouraging 2011 levels.

- We are very optimistic about the Brooklyn building sales market in 2012, which should benefit from both citywide increases in activity and the submarket's natural return to long-term trend line averages. It should be an exciting year in 2012.

In 2012, Prices Expected To Climb Past Peak of 2007

Says Doug Perlson of Real Direct, which focuses mostly on the Brooklyn resale market:

“Williamsburg is continuing to grow stronger. 2012 will be the year where prices climb past their peak of 2007 and new condo construction will resume for the first time in several years.”

His predictions:

- The high demand of Williamsburg will carry over to the surrounding areas of Brooklyn, including Bushwick and Greenpoint. These neighborhoods will become more popular, with the particularly strong demand in Greenpoint around the McCarren Park area.
- “Fort Greene and Clinton Hill will continue to see a rise in demand during the new year, with new highs set for the Clinton Hill co-ops as well as a continuation of new condominium development in the surrounding areas.”
- “Three-bedroom apartments in brownstone Brooklyn will remain in high demand throughout 2012.”

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