

# THE REAL DEAL

NEW YORK CITY REAL ESTATE NEWS

## Brooklyn's building bonanza

Developers in the borough are constructing new (and big) rental towers in force

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A wave of new residential units is slated to hit the Brooklyn market in the next several years — and thousands of them will be rentals.



Jeffrey Levine from Douglaston Development

At 88 Willoughby Street in Downtown Brooklyn, for example, the real estate investment trust AvalonBay Communities is developing an 861-rental-unit apartment tower. A few blocks away on Schermerhorn Street, developer Douglas Steiner is building a 720-unit rental. Meanwhile,

Jeffrey Levine's Douglaston Development, the company behind the Edge condominium, is planning a 40-story, 510-unit rental tower at 1 North 4th Place in Williamsburg, the third Northside Piers building.

Sources say the pipeline for new Brooklyn developments is far fuller than it's been in recent years, due to the revival of stalled projects and the increasing willingness of lenders to finance projects in the outer boroughs.



Developer Douglas Steiner,

The construction of these mega rental projects in Brooklyn offers a clear contrast to Manhattan, where high-end condos make better financial sense for developers faced with ballooning land prices. In Brooklyn, where land is cheaper and lending for condos is still tight, the economics of rentals are more attractive right now, industry experts said.

In Brooklyn, “you buy land for 65 percent less than you could in Manhattan, but the rent [you’re collecting] is not 65 percent less,” explained Andrew Barrocas, CEO of residential and investment sales brokerage MNS. “It might be just 15 or 20 percent less.”

In the recent past, about 70 percent of the city’s new rental development occurred in Manhattan, according to a report by the real estate marketing and consulting firm Nancy Packes Inc. But for projects slated to hit the market in 2013 and 2014, it’s a different story. Indeed, 70 percent of the city’s new rental developments launching this year and next is actually slated for Brooklyn and Queens — with a strong emphasis on Brooklyn.



The Stahl Organization's 378-unit tower at 388 Bridge Street

This month, using data from real estate website StreetEasy, building permit applications from the city's Department of Buildings, news reports and our own research, *The Real Deal* culled together a compendium of new residential projects with 20 or more units in prime Brooklyn neighborhoods. According to our analysis, there are approximately 100 of these buildings — with at least 14,000 units — slated to hit the market in 2013 or later (see accompanying chart).

The flood of new inventory will be concentrated predominantly in Downtown Brooklyn, where, in addition to the projects by Steiner and AvalonBay, the Stahl Organization is building a 378-unit condo-and-rental tower at 388 Bridge Street, and the Dermot Company is developing 326 rental apartments at 66 Rockwell Place.

Williamsburg, of course, also remains a prime location for new development, with at least 3,000 units slated to come online in the next several years. The Chetrit Group, the Manhattan-based developer, is planning a 234-unit residential building at 500 Metropolitan Avenue in that neighborhood. And after securing a \$50 million construction loan last year, the investment and development company LCOR is now erecting a 232-unit rental building at 250 North 10th Street.

The Brooklyn projects in the pipeline tend to be substantially bigger than what's being built in Manhattan. That's partly due to the sweeping 2004 rezoning of Downtown Brooklyn, which allowed developers to build residential towers on a scale impossible in Manhattan, where few viable development sites remain, and the ones that do exist have largely been largely picked over.



AvalonBay CEO Tim Naughton

In wake of the rezoning, developers gobbled up prime sites in the neighborhood quickly and, in many cases, cobbled together lots that can accommodate hundreds of residential units. To assemble its Willoughby Street site, for example, AvalonBay, which is headed by CEO Tim Naughton, paid United American \$125.5 million for 11 properties in a series of sales between 2008 and 2012.

“Bigger projects are happening more and more [in Brooklyn] because of the [lower] price of dirt [compared to Manhattan] and the scale of what you can build there,” said Ken Copeland, a partner at development firm FLAnk, which is building a 200,000-square-foot residential building at 71 Smith Street in partnership with private equity firm the Carlyle Group. “Also, the city seems to be a little bit more pro-growth [in Brooklyn], allowing for [zoning] variances.”

While the flood of inventory in Brooklyn may please frustrated renters by slowing the steady uptick in rental rates, it will do little to satisfy the increasing appetite for Brooklyn condo product.

“I could sell out a 30-unit building overnight at record prices if I had a building to do it with,” said David Maundrell, founder of Brooklyn-based brokerage [aptsandlofts.com](http://aptsandlofts.com).

## BROOKLYN'S NEW DEVELOPMENT PIPELINE

Address	Neighborhood	Total units	Developer	Building type
Avalon Willoughby, 88 Willoughby Street	Downtown Brooklyn	861	AvalonBay Communities	Rental
The Hub, 333 Schermerhorn Street	Downtown Brooklyn	720	Douglas Steiner	Rental
363 Bond Street	Gowanus	700	Lightstone Group	Rental
3 Northside Piers, 1 North Fourth Place	Williamsburg	510	Douglaston Development	Rental
336 Flatbush Avenue	Downtown Brooklyn	440	Brodsky Development	Rental
388 Bridge Street	Downtown Brooklyn	378	Stahl Organization	Hybrid
82 BKLYN, 461 Dean Street	Prospect Heights	363	Forest City Ratner	Rental
66 Rockwell Place	Downtown Brooklyn	326	Dermot Company	Rental
Flatbush Ave, Lafayette Ave and Ashland Pl	Fort Greene	300	Two Trees	TBD
Dock Street Dumbo, 29 Front Street	Dumbo	300	Two Trees	TBD
123 on the Park, 100 Parkside Avenue	Flatbush	270	Chetrit Group	Hybrid
95 Bedford Avenue	Williamsburg	262	Lipa Friedman	TBD
626 Flatbush Avenue	Prospect Lefferts Gardens	254	The Hudson Companies	Rental
70 Fleet Street	Fort Greene	251	Albee Retail Development	TBD
204 Wythe Avenue	Williamsburg	235	AREA Property Partners	TBD
500 Metropolitan Avenue	Williamsburg	234	Chetrit Group	TBD
250 North 10th Street	Williamsburg	232	LCOR	Rental
421 Kent Avenue	Williamsburg	216	Xinyuan Real Estate	Condo
155 Broadway	Williamsburg	216	Juan Figueroa	TBD
1133 Manhattan Avenue	Greenpoint	210	Domain Cos.	Rental
81 Fleet Place	Fort Greene	205	Red Apple Development	Rental
395 Leonard Street	Williamsburg	187	Simon Dushinsky	TBD
755 Kent Avenue	Williamsburg	177	Simon Dushinsky	TBD
246 North Eighth Street	Williamsburg	170	Silverstone Property Group	TBD
90 Furman Street	Brooklyn Heights	150	Toll Brothers	Condo/Hotel

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209-231 McGuinness Boulevard	Greenpoint	140	Paul Pullo	TBD
510 Flatbush Avenue	Prospect Lefferts Gardens	140	Century Building Associates	TBD
33 Lincoln Road	Prospect Lefferts Gardens	133	Tom Anderson	TBD
505 Saint Mark's Avenue	Crown Heights	128	Yosi Cohen	TBD
278 Sixth Street	Park Slope	107	278 6th Street LLC	TBD
248 North Eighth Street	Williamsburg	104	Rieder Holdings	TBD
267 Sixth Street	Park Slope	104	Naftall Group	TBD
30 Washington Street	Dumbo	100	Two Trees	TBD
180 North Seventh Street	Williamsburg	100	Heritage Equity Partners	TBD
The Bradford, 1562 Fulton Street	Bedford Stuyvesant	96	BRP Companies	Rental
544 Union Avenue	Williamsburg	95	Heatherwood Partners	Rental
1373 Lincoln Place	Crown Heights	87	Andrew Struzziari	TBD
316 Bergen Street	Boerum Hill	85	Naftall Group	Rental
129-139 North Third Street	Williamsburg	84	Triton Realty Group	Hybrid
373 Wythe Avenue	Williamsburg	84	Wythe Properties	TBD
482 Franklin Avenue	Bedford Stuyvesant	78	Yosi Cohen	TBD
354-356 Wythe Avenue	Williamsburg	77	BJR Realty Corp.	TBD
22 Caton Place	Kensington	73	Hudson Companies	TBD
226 Linden Boulevard	Prospect Lefferts Gardens	72	Emory Brooks	TBD
53 Broadway	Williamsburg	72	Adamamerica RE	TBD
85 Flatbush Avenue Extension	Downtown Brooklyn	69	Chetrit Group	TBD
172 Montague Street	Brooklyn Heights	66	Eli Stoll and Charles Dayan	TBD
277 Heyward Street	Williamsburg	65	Joseph Templer	TBD
341 Eastern Parkway	Prospect Heights	65	Bluejay Management	TBD
785 Dekalb Avenue	Bedford Stuyvesant	60	Sam Klein	TBD

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Address	Neighborhood	Total units	Developer	Building type
259 Pacific Street	Cobble Hill	60	Quinlan Development Group	TBD
Putnam Court, 40 Putnam Avenue	Clinton Hill	59	Dunn Development	TBD
510 Flatbush Avenue	Prospect Lefferts Gardens	56	Thomas Anderson	Rental
437 Herkimer Street	Bedford Stuyvesant	54	The Bridge	TBD
215 Flatbush Avenue	Prospect Heights	53	Scott Domansky	TBD
64 Bayard Street	Williamsburg	52	Hudson Companies	TBD
487 Keap Street	Williamsburg	51	Chetrit Group	Rental
202 Eighth Street	Gowanus	51	JDS Development	Rental
310 North Seventh Street	Williamsburg	50	Heritage Equity Partners	TBD
Triangle Court, 442 Grand Street	Williamsburg	50	Ideal Development	Rental
59 Frost Street	Williamsburg	47	Simon Dushinsky	TBD
Sterling Terrace, 834 Sterling Place	Crown Heights	46	Eli Karp, Hello Living	TBD
382 Lefferts Avenue	Prospect Lefferts Gardens	46	Tall Realty LLC	TBD
2514 Albemarle Road	Flatbush	43	Abe Caller	TBD
692 Bushwick Avenue	Bushwick	37	Richard Lopez	TBD
1000 Broadway	Bushwick	35	Joe Goodman	TBD
112 Emerson Place	Clinton Hill	32	E&M Realty Holdings	TBD
Sackett Union, 291 Union Street	Carroll Gardens	32	Alchemy Properties	Condo
333 Carroll Street	Park Slope	31	Isaac Fishman	TBD
436 Kent Avenue	Williamsburg	30	Isaac Rosenberg	TBD
329 Sterling Street	Prospect Lefferts Gardens	29	Al Lieber	TBD
196 Macon Street	Bedford Stuyvesant	28	Sharon Hakmon	TBD
65-69 North Sixth Street	Williamsburg	28	Silverstone Property Group	TBD
291 Metropolitan Avenue	Williamsburg	27	Joe Goodman	TBD
132 Ocean Parkway	Kensington	26	Lennard Katz	TBD

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Address	Neighborhood	Total Units	Developer	Building type
168 Kosciuszko Street	Bedford Stuyvesant	26	George Roth	TBD
836 Dekalb Avenue	Bedford Stuyvesant	24	Sam Polatsek	TBD
184 Joralemon Street	Brooklyn Heights	24	United American Land	Rental
392 St. Marks Avenue	Prospect Heights	24	Joe Goodman	TBD
682 Bushwick Avenue	Bushwick	23	Richard Lopez	TBD
207 Skillman Street	Clinton Hill	23	Mier Schweld	TBD
329 Lincoln Road	Prospect Lefferts Gardens	22	Shampa Chanda	TBD
333 Atlantic Avenue	Downtown Brooklyn	22	Michael Tsoumpas	TBD
376 Franklin Avenue	Clinton Hill	20	Tomer Erlich	TBD
260 North 9th Street	Williamsburg	20	Misc Investment Group	Rental
248 Duffield Street	Downtown Brooklyn	TBD	United American Land	TBD
731 Dean Street	Prospect Heights	TBD	October Enterprises	TBD
149 Kent Avenue	Williamsburg	TBD	L+M Development	TBD
85 Fourth Avenue	Boerum Hill	TBD	TBD	TBD
146 South Fourth Street	Williamsburg	TBD	South 4TH Realty	TBD
187 4th Avenue	Park Slope	TBD	168 Realty Development	TBD
71 Smith Street	Downtown Brooklyn	TBD	FLAnk	TBD

Source note: Data is from StreetEasy, the Department of Buildings and TRD's research. Only projects slated to have 20 units or more were included. Projects include those launching in 2013 or later.

**Betting on rental**



A rendering of 88 Willoughby Street, an 861-unit rental AvalonBay is developing

Market-rate rents in Brooklyn have been on the rise for years. In 2006, the average monthly rent for a Brooklyn one-bedroom in a non-doorman building was \$1,924, the Packes report found. In 2012, that figure had jumped to \$2,511.

Over the past several years, that rental market strength, combined with low interest rates, has prompted Brooklyn developers to build rentals rather than condos, especially since banks are still reluctant to finance condo projects in the outer boroughs. (With the economy improving, lending standards for Manhattan condos have loosened, but banks are still somewhat wary of large projects in Brooklyn, sources said.)

“Banks are just more comfortable with rentals on the large-size scale,” said Barrocas. “With construction loans over \$100 million, it does become a lot more challenging to have the numbers make sense on a condo basis [in Brooklyn], especially when it comes to putting in the amount of equity that is required in today’s market.”

Meanwhile, some developers of Brooklyn projects that were originally intended as condos switched to rentals after the recession, many with an eye toward selling their leased-up buildings to REITs or institutional investors, which have been snapping up rental projects in the borough. These big-time players have been scouring the market to purchase completed rental buildings in the city, viewing them as a safe haven for capital, experts said. And they see Brooklyn rentals as likely to appreciate over time.



the Arias Park Slope, a 95-unit rental at 150 Fourth Avenue

In 2011, for example, the Dallas-based investment management firm Invesco paid \$57.5 million for a 95-unit leased-up rental building called Arias Park Slope at 150 Fourth Avenue, said Ofer Cohen, founder and president of Brooklyn commercial brokerage TerraCRG. Then in March 2012, Invesco bought a 74-unit rental at 75 Clinton Street in Brooklyn Heights for \$50.8 million. (Invesco bought the building after it went from condo to rental and was leased up.) And in May 2012, American Realty Advisors bought a 62-unit rental project at 111 Kent Avenue in Williamsburg from developer Laurence Gluck of Stellar Management for \$55.5 million, or \$895,000 per apartment — a record for a multi-family building in Brooklyn. Gluck had purchased the stalled condo project from Garrison Investment Group for \$24.6 million in 2011 and put the finishing touches on the building, launching it as a rental.

Given the appetite for these types of properties, it's not surprising that trading volume for multi-family properties was heavy in Brooklyn in 2012.

Indeed, there were 323 multi-family transactions for the year, totaling \$1.4 billion, according to investment sales firm Ariel Property Advisors. Compared to 2011, that's a jump of nearly 50 percent in both dollar and transaction volume.

Multi-family properties in prime neighborhoods such as Williamsburg and Park Slope saw prices reaching \$1,000 per square foot — around the same prices condo buyers pay in those areas, according to Ariel's data. Deals for Brooklyn development sites also nearly doubled year-over-year in 2012, with 109 transactions totaling \$523 million.

For developers, the fact that these transactions are yielding roughly the same profit as selling individual condos is an added incentive to build rentals.

“If you can sell the rented buildings for the same price or close to the same price for which you would sell the condos, and you can exit your investment much quicker, why would you even

bother [with a condo]?” Cohen said, noting that renting a 100-unit building in Brooklyn takes around three months, but selling out a building of the same size usually takes more than a year.



Two Trees’ Jed Walentas.

Maudrell said Brooklyn condo prices would need to increase significantly for this trend to stop. “Until the end-user starts paying a lot more, developers are going to continue to build rentals,” he said.

And of course, some developers simply prefer to build rentals. For example, longtime Brooklyn developer Two Trees has “an internal philosophy to build as many rentals as we possibly can,” said Jed Walentas, a company principal.

“We like to own our real estate long-term,” he added. “Wherever we can afford to do rentals, that’s what we’re going to do. That’s our strategy in general and it’s not related to the market.”



111 Kent Avenue

### **The players**



Douglaston Development's third Northside Piers tower in Williamsburg

Major national and Manhattan-centric developers have ramped up their involvement in Brooklyn in the last year.

Sources attribute that to high Manhattan land prices and the greater availability of large parcels in Brooklyn.

“Larger developers don’t want to do 30,000-square-foot buildings,” Maundrell said. “They want to start at 100,000 square feet.”

Manhattan developers FLAnk and the Brodsky Organization, as well as national players like the Lightstone Group, are gearing up to launch their first Brooklyn projects in the next two years, joining established Brooklyn players like Douglaston Development, the Hudson Companies, Two Trees and Forest City Ratner.

FLAnk — the developer behind Manhattan projects like the Abington condo in the West Village — is still determining whether to do condos or rentals at its newly acquired Smith Street site, Copeland told *TRD*. The company had been considering entering the Brooklyn market for more than five years before partnering with Carlyle, he said.

“We’ve naturally become more aware of Brooklyn,” he said. “It has emerged as a cultural touchstone. Kids are moving straight to Brooklyn as opposed to Manhattan.”

Brodsky is currently constructing an ultra-luxury condo on Manhattan’s Upper East Side at 135 East 79th Street. But entering the Brooklyn market offered a way to return to its core business: rentals.

“Our primary business has been rental housing for decades,” said Dean Amro, a principal at the company and the grandson of company founder Nathan Brodsky. “We felt that in the last 10 years, it has been getting harder and harder to find what we viewed as good rental sites” in Manhattan.

Brodsky plans to break ground on a 440-unit rental project at 336 Flatbush Avenue Extension in Downtown Brooklyn in the first quarter of 2014, and is currently scouting out other opportunities in the borough.

Meanwhile, Manhattan-based developer the Naftali Group closed on a 90,000-square-foot development site at 316 Bergen Street in Boerum Hill last May, and is slated to build an 85-unit rental there in partnership with real estate investment management firm AEW Capital Management. And Lightstone, which has been ramping up its presence in New York over the last year, is awaiting approval to bring 700 residential units to a site at 363-379 Bond Street near the Gowanus Canal (see related Q&A, [“Gowanus gets ready”](#)).

Despite increased competition, industry experts said local players may still have an edge in the Brooklyn market.

“The players that are currently in the market understand it better than anyone else and they have a huge advantage,” Barrocas said. “You have a good core of developers who have grown and been very successful in Brooklyn.”

Two Trees, for instance, spent 10 years assembling one of the three sites it's currently developing in Brooklyn: the 17-story mixed-use project on Dock Street in Dumbo, which will include a 300-seat school. The company is also planning a 100-unit residential development at 30 Washington Street in Dumbo, as well as a 300-unit rental near Fort Greene's Brooklyn Academy of Music (see related story, ["The next Lincoln Center?"](#)).

Two Trees is developing the 11-acre former Domino Sugar Factory site in Williamsburg, where it has recently floated a plan to build 630,000 square feet of office space plus residential units and open space.

Longer term, also, Forest City Ratner has more than 6,400 residential units coming down the pike at Atlantic Yards over the next two decades, with its pre-fabricated B2 project on Dean Street being the first tower to rise, with 363 rental apartments.



72 Poplar Street

### **Condo crunch**

With few condos in the Brooklyn construction pipeline, would-be homebuyers are growing increasingly frustrated by the inventory shortage.

“We’ve opened five condo buildings in the last five months or so,” Maundrell said. “Each building has had no less than 250 people attend the opening night. Every building has sold out. For the most part, they were sold out within 24 hours of opening.”

Even all-cash buyers are making offers above the full asking prices in order to secure units, Maundrell said.

“People are very frustrated because you have viable buyers — 25 percent down-payment buyers — who can’t find a deal,” he said.

While the end use for a lot of in-the-pipeline projects has yet to be determined, there are a few known condos in the works. Many of those projects tend to be small — usually less than 20 units — so they didn’t make *TRD*’s list. The lower-unit count is likely due to the lack of financing available for larger for-sale projects.

At 72 Poplar Street, for instance, the Daten Group is converting a former police station in Brooklyn Heights into 13 condo units, ranging in size from 1,500 to 4,000 square feet. And at the former home of newspaper the Brooklyn Daily Eagle at 30 Henry Street, Fortis Property Group is developing a condo building with five large full-floor units asking \$3.39 million to \$4.95 million.

More developers are also likely to consider building condos again as land prices start to climb in Brooklyn and lenders become more comfortable with the idea of for-sale product outside Manhattan, experts said.

“There’s a finite amount of land, and people want to hold on to it while land values and pricing in Brooklyn catches up to where it could eventually be,” said Barrocas.

Some are dipping their toes in the water by building hybrid towers — which include both condos and rentals and were popular in Manhattan in 2010 and 2011. Hybrids, Barrocas said, “give developers the flexibility with the bank to make it make sense.”

Stahl’s project at 388 Bridge Street, for example, will have 234 rental units and 144 condos.

Amro said he would consider building a Brooklyn condo as the market continues to evolve. In hindsight, he said, one Williamsburg conversion opportunity he passed up in 2009 now seems attractive.

“As a rental, the price of the building was such that it wouldn’t have led to a good return,” he said. “To make the numbers work, we would really have had to do a condo. This was in 2009, when the world was looking a little more bleak than it is today. If that same building were available today at that same price, I probably would buy it and do a condo.”