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# 'The Market Is Saturated': Brooklyn's Rental Boom May Turn Into a Glut

By CHARLES V. BAGLI AUG. 29, 2016

From the roof of a building near the Atlantic Terminal transit hub in Brooklyn, the formerly expansive views of Manhattan are now blocked by a rising forest of towers, radiating off Flatbush Avenue. The sign for Junior's restaurant, once impossible to miss, can be glimpsed only between the new construction.

There are 19 residential towers either under construction or recently completed along the 10-block section of Flatbush stretching from Barclays Center north to Myrtle Avenue. When all of them are finished, they will have added more than 6,500 apartments — overwhelmingly rentals — to New York City's housing stock. Another four buildings on Myrtle Avenue will add almost 1,000 more units.

There are so many new apartments in the neighborhood — roughly one-fifth of all rental units expected to become available in the city in 2016 and 2017, according to Nancy Packes Data Services, a research firm — that the Brooklyn rental market seems poised to zoom right past boom, to glut.

"The market is saturated," said Sofia Estevez, executive vice president at the developer TF Cornerstone, which will begin offering apartments in a 25-story, 714-unit rental building at 33 Bond Street next spring. "I think it'll take a couple years to stabilize."

And just as overbuilding along Billionaires' Row around 57th Street in Manhattan has caused prices to soften in the highest-end market, the construction boom in this stretch of Brooklyn has prompted landlords to strike deals to fill their buildings, which dwarf the surrounding brownstones, rowhouses and tenements.

At 7 DeKalb, a new 23-story tower atop the City Point mall complex, the landlord is offering two months of free rent with a 14-month lease, and use of the building's fitness center and other amenities for a year without charge. That means a one-bedroom, one-bathroom place can be had for \$3,428 a month; a two-bedroom, two-bath apartment goes for \$5,057.

The Gotham Organization, the developer of 250 Ashland Place, a 52-story tower with 586 units, and Two Trees Management, which is building 300 Ashland Place, a 32-story tower near the Brooklyn Academy of Music, are offering similar "free rent" periods: one and two months gratis, respectively, with a new lease. With the discount, a one-bedroom at 300 Ashland Place is being offered at \$3,375. Elsewhere, landlords are offering as much as four months free of charge.

In at least one older building — meaning it went up in 2011 — the landlord is offering existing residents three-year leases with no increase in rent for the first year in order to keep tenants who may be drawn to newer buildings.

"It's pretty astonishing," said Gabby Warshawer, director of research at CityRealty, a research firm. "Clearly there's a lot of supply right now. We're seeing longer lease terms, which is fairly new. And months of free rent."

Free rent is hardly what you would expect in Brooklyn, where demand for housing has been rising for a decade, driven by the borough's reputation as a haven of youth, hipness and do-it-yourself entrepreneurialism. But the original hip neighborhood, Williamsburg, is now expensive. And with the pending temporary shutdown of the L subway line in 2019 lengthening the commute into Manhattan, that neighborhood is no longer as appealing.

The boom in this corner of Brooklyn, which has one of the biggest transit centers in the city, owes a lot to the city's 2004 rezoning of the downtown area to encourage the development of office towers and some residential buildings that

could compete with Jersey City for back office operations. At first, there was little activity because the city was offering tenants and developers enormous subsidies to rebuild and move to Lower Manhattan after the Sept. 11 terrorist attacks. But the creation of an arts district around the Brooklyn Academy of Music and the Barclays arena at Flatbush and Atlantic Avenues, and the adjoining Atlantic Yards development, now known as Pacific Park, inspired interest in the area. And the city's population has swelled, to an estimated 8.6 million people a year ago from 8.2 million people in 2010, setting off a seemingly unquenchable thirst for housing, especially given job growth in Brooklyn, which outpaces the city over all.

Developers and consultants are not predicting that rents will plunge, but they do expect them to stagnate and perhaps ease in the short term.

"We've had a big run-up in rents," said David Schwartz of Slate Property Group, which is developing a building at 1 Flatbush Avenue with 160 rental apartments, "but I don't think we'll see any significant growth in the next couple of years."

Jonathan J. Miller, president and chief executive of Miller Samuel, a real estate appraisal and consulting firm, contends that the problem is not so much "too many units."

"It's too many units skewed to the upper end of the market," above \$3,500 a month in rent, he continued. "The top of the market is soft for both rentals and condos. That's where the bulk of the new supply is coming."

Gary Barnett, founder of Extell Development Company, plans to start the third tower at City Point by the end of the year, but he is unsure whether it will be rentals or condominiums. The units, he said, will not be "superluxury." The Brodsky Organization, another developer, is finishing the second tower at the City Point complex with 440 apartments.

Indeed, in a study of Brooklyn rents, Mr. Miller found that while median rents on entry-level apartments had climbed by 50 percent to \$2,481 from 2009 to 2016, those at the borough's highest end had fallen by about 4 percent, to a median of \$4,783.

But nearly one-quarter of the apartments — a total of 1,654 units — in the Flatbush corridor are reserved for low-, moderate- and middle-income tenants under the city's 421-a housing program, which offered developers generous property tax breaks for setting aside 20 percent of a project's apartments for such tenants.

At the Hub, a 56-story tower at 333 Schermerhorn Street with 750 apartments, 150 units are subsidized for poor and working-class families, while 76 of the 379 rentals at 300 Ashland Place and 200 of the 250 units at 7 DeKalb Avenue are set aside for below-market tenants.

Roughly half of the subsidized apartments are connected to the first four buildings now under construction at the vast Pacific Park project next to Barclays Center and just south of Atlantic Terminal. That complex benefits from an enormous public investment.

Some housing advocates, however, say there are still not enough apartments for the low-income tenants being driven out of the area by gentrification. They point out that the developer Forest City Ratner got 80,000 applications for 181 subsidized apartments at 461 Dean Street in Pacific Park.

Others complain that developers are not building the infrastructure required for such a large influx of residents.

Developers are taking solace from a coming slowdown in the construction of rental buildings, with the number expected to fall to almost zero in 2018. That is partly because of the demise in January of the 421-a program.

And now 12 years after the Downtown Brooklyn rezoning, some developers are finally moving forward with plans for several office projects as well.

“People really want to be living and working in Brooklyn, and that's why you've seen so many developers flocking to this area,” said Amy Rose, co-president of Rose Associates, which is putting up a 26-story building with 369 apartments at 210 Livingston Street with its partner Benenson Capital Partners.

Mr. Schwartz, who is building the Slate tower at 1 Flatbush Avenue, said he was not worried about the number of buildings going up. Brooklyn, he said, is still “the

coolest place on the planet.”

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