

Brooklyn Investment Sales Turning the Corner

The correction in the New York City investment sales market is now in month 42, but leading indicators are showing signs that the market is going to round the corner in 2019. From the turn of the market at its low point in 2010 through the end of the third quarter of 2015, investment sales were in a 52-month up-cycle, putting it in “bull” territory.

If we look at all sales within the city, we see peaks in volume in 2014 and 2015. In 2014, alone, there were 5,500 properties sold in the city, an all-time record by more than 10 percent. The following year, the dollar value also hit an all-time high, at about \$80 billion. Since those peak years, both volume metrics slid through 2017, when dollar volume dropped to about \$36 billion and the number of properties sold fell to about 3,600.

Last year, the dollar volume was about \$48.7 billion, an increase of 35 percent from the year before but still 39 percent below the 2015 peak.

The number of properties sold rose to 3,799, a 5.5 percent increase over 2017, but still 31 percent below the pinnacle in 2014.

When we look at the higher-valued investment sales market (those over \$10 million), we see slightly different dynamics. The peak of the market for both value metrics—number of deals and pricing—was 2015—when the number of sales reached 513 and the volume of such sales was \$58.6 billion.

By 2017, the number of those deals fell to 288, and that dropped 10 percent by 2018 with 259 sales. Overall, this was 50 percent below the 2015 peak. The overall sums fell to \$23.5 billion in 2017, inching up 18 percent last year to \$27.6 billion, but still 53 percent below the peak.

Brooklyn’s investment sales market showed similar trends.

In Kings County, the peak in terms of dollar volume for all sales was achieved in 2015 at about \$8.4 billion. By 2017 that number had

dipped to \$6.25 billion. But last year, there were \$7.82 billion in sales, a 6.9 percent drop from the top of the market. The number of properties sold hit a high in 2014 when nearly 2,200 properties were sold. In 2018, there were 1,439 properties sold, a 35 percent drop from the peak. Values were down about 3 percent on average in Brooklyn last year, to an average of about \$441 per square foot. By last year, the average price of a property sold in Brooklyn hit an all-time high of \$5.4 million.

Within the over \$10 million asset class, as we observed in the broader market for this size transaction, the peak years for both metrics was 2015. With regard to dollar volume, there was a record of \$4.75 billion in sales in Brooklyn in 2015. Dollar volume hit a cyclical low in 2017 at \$2.94 billion and in 2018 rebounded strongly to \$4.37 billion, a 49 percent increase over the 2017 total. This total remained 8 percent below the peak in 2015.

With regard to the number of properties sold in excess of \$10 million in Brooklyn, a peak of 188 was achieved in 2015. The cyclical

low was in 2017 with 93 sales in this price range. In 2018, the number rose to 107, 15 percent above the 2017 total but still 43 percent below the peak. This trend tells us that volume has turned the corner and there are more positive days ahead.

The reductions in the two-volume metrics in Brooklyn from their 2015 peaks are much sharper than in the rest of the outer boroughs. This is primarily due to the extraordinary rally in Brooklyn running up to the peak. Some of the neighborhoods in Brooklyn have surpassed some neighborhoods in Manhattan in terms of their allure, particularly for millennials, as a destination to not only live, but to work as well. In the 1980s and 1990s, there were neighborhoods in Manhattan that were not nearly as desirable as others (this is still, of course, the case) and certainly not as desirable as they are today. In many ways, Brooklyn is reminiscent of that Manhattan. So, to say that Brooklyn is undergoing a “Manhattanization” is far from an understatement. Who would have ever guessed that would have happened?



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