



# THE REZONING PROJECT: REMIXING THE NYC LANDSCAPE



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MARKET REPORT | Q2 2018



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# INTRODUCTION

New York — the prototypical cosmopolitan city — is known throughout the world for its global commerce, tourism, entertainment venues, and its unique mix of retailers. But closer to home, the city is known for its ability to reinvent itself.

In recent decades, especially the past 12 years, the city has been constantly adapting, with rezoning driving revitalization in neighborhoods across Brooklyn, Queens, The Bronx and Manhattan. As the city's population continues to grow, areas need to cater to new generations, new demographics and new expectations, and a wide range of rezoning initiatives have supported the evolution and growth of many neighborhoods.

New York's ability to adapt is seen not just within individual neighborhoods; more broadly, it can be witnessed within entire real estate classes. While headlines blare out the story of the "Retail Apocalypse," the story on the ground is much more nuanced. There is no doubt that the retail sector as a whole — ranging from big box retailers to mom-and-pop establishments — is currently struggling, as most pure-product retail tenants are feeling the effects of e-commerce. But while some retailers are closing their doors, others are adapting. One need look no further than Warby Parker to see how an innovative clicks-and-bricks strategy can spell retail success, even in 2018.

While the retail sector's adaptation is largely a response to the e-commerce challenge, rezoning represents a concerted effort on the part of city planners to rethink the city's layout, and spur investment and revitalization. However, despite their differences, the evolution of both the broader retail sector and many rezoned areas within the Big Apple underscore the resilient nature of New York City real estate, and the unbreakable tie between neighborhood revitalization and a robust retail scene.



View of Brooklyn



Photo by John McCarten/New York City Council

# THE BEGINNING:

## WILLIAMSBURG

## PARK SLOPE

## GREENPOINT



## Williamsburg

The current era of New York City began in 2005, as the energy and spirit of the East Village crossed the East River and entered Williamsburg. Williamsburg's rezoning was not Brooklyn's first, but there is little doubt that Mayor Bloomberg's initiative to convert the neighborhood's industrial land to commercial and residential use was the borough's most influential rezoning. **The strong numbers that have come out of Brooklyn are a great example of the rezoning / retail collaboration. Between 2003 and 2011 the number of businesses in Williamsburg outgrew the rest of Brooklyn by 11-percent; Williamsburg's 32% vs. the borough wide growth of 21%. As a result retail rents in Brooklyn, specifically on Bedford Avenue, skyrocketed.**

A true trendsetter, Williamsburg proved that the rezoning of an outer-borough, industrial neighborhood could be successful not only in terms of residential development — which was instrumental to the area's transformation — but on the commercial side, as well. Flash forward to today, and Williamsburg is a vibrant neighborhood with multi-million-dollar homes, luxury hotels, and retailers.

## Park Slope

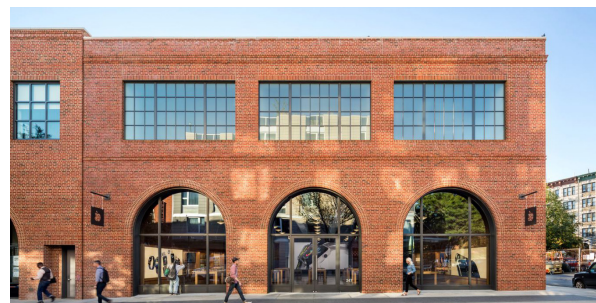
Even before the game-changing 2005 rezoning of Williamsburg, in the Bloomberg administration pushed through the upzoning of 4<sup>th</sup> Avenue in Park Slope and Gowanus. At the time, 4<sup>th</sup> Avenue was an uninspiring thoroughfare, with a combination of low-rise buildings and auto-service and supply stores. Park Slope's transformation did not come as quickly as that of Williamsburg. However, within a few years, developers began re-shaping the neighborhood, putting up large, 11- and 12-story luxury towers along the 4<sup>th</sup> Avenue corridor.

The mandatory inclusion of ground-floor retail space was not in the 2003 rezoning plan for 4<sup>th</sup> Avenue. As a result, instead of building retail space, many developers used the ground-floor space for parking garages, discouraging foot traffic. In light of this, it's no surprise that the rezoning initially had a much more modest effect on area retail than it did on residential.

However, with new apartments driving up both population and median income, the retail corridor of 5<sup>th</sup> Avenue has more recently seen growth in its caliber of tenants as well as average lease rates, and the corridor's **average price-per-square-foot climbed by 21 percent** last year, when compared with 2016. Developers on 4<sup>th</sup> Avenue are now eagerly creating retail spaces at new properties, and as the city has rezoned other areas — with more in the pipeline — we can expect to see the provision of inclusionary retail space become increasingly common.



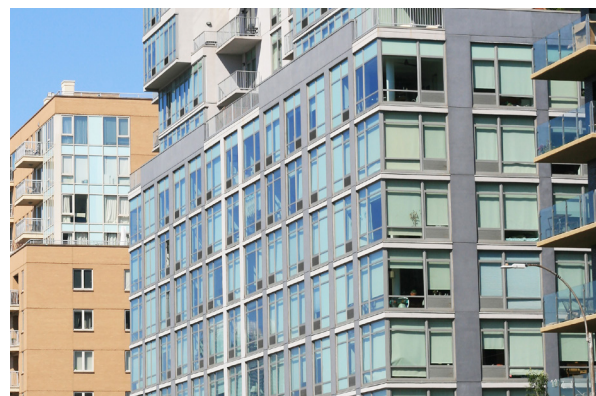
Whole Food Market in Williamsburg, Brooklyn



Apple Store in Williamsburg, Brooklyn | Image by Peter Aaron



Park Slope — 4<sup>th</sup> Ave, residential buildings



Park Slope — 4<sup>th</sup> Ave, residential buildings

## Greenpoint

Interestingly, the waterfront section of Greenpoint, Brooklyn's northernmost neighborhood, was rezoned by the Department of City Planning along with that of Williamsburg in 2005. But while the area did see some new residential construction, it did not happen as quickly as in Williamsburg. In turn, the retail resurgence, which tends to follow the residential rezoning of a neighborhood, fell short of some expectations. With investors focusing on other neighborhoods and ongoing concerns about transportation, Greenpoint retail did not initially see robust growth.

However, as developers have been bullishly building up the Greenpoint waterfront with large mixed-use towers, that story is changing. In recent years, Greenpoint's retail corridors have thrived, as shown most clearly by the 42-percent year-over-year spike in ground-floor retail rents Greenpoint saw in 2017. Although the market has not maintained that torrid pace in 2018, we expect the massive number of large mixed-use projects in the pipeline to bring increased foot traffic and drive retail rents back in a positive direction.

Large national retailers like Nike, Vans, and Starbucks are already in the neighborhood and, as developers continue to construct projects like The Greenpoint, 18 India, Otto, 37 West Street, and Greenpoint Landing, retail demand should continue to grow.



Greenpoint Dock, Greenpoint, Brooklyn



Retail store on Manhattan Avenue, Greenpoint, Brooklyn



Franklin & Kent Avenue, Greenpoint, Brooklyn



# THE NEW NEIGHBORHOODS:

## EAST HARLEM

## FAR ROCKAWAY

## INWOOD

## JEROME AVENUE

### East Harlem

While East New York's 2016 rezoning was met with great fanfare, rezoning under Mayor de Blasio has not been completely Brooklyn-centric. Rezoning in Manhattan, Queens and the Bronx has also been a focus of this administration. In fact, last November, the City Council approved a much-debated rezoning plan with a focus on encouraging density and mixed-use developments that include retail.

The East Harlem Rezoning Plan, like most of the rezoning plans backed by de Blasio, includes a focus on creating more affordable housing. The plan includes mandatory affordable housing in all new developments and also requires the creation of public green space. Of course, rezoning opens the door for free-market units as well; swaths of investors have been scooping up land and filing permits for new mixed-use developments. We will soon begin to see what changes to the area will be brought about by the impending influx of new residents.

Along with its sizable and growing population, East Harlem has several well-established retail corridors, including 125<sup>th</sup> Street and 2<sup>nd</sup> Avenue, where new retail developments can expect to succeed. Rezoned West and Central Harlem have thrived over the last 10 years and there's every reason to expect that trend to move eastward. The Durst Organization, Blumenfeld Development Group, Extell Development, and The Richman Group partnering with Equity One and Monadnock all have major mixed-use projects in the works that are expected to transform East 125<sup>th</sup> Street. Whole Foods Market opened last year at 100 West 125<sup>th</sup> Street, and it's only a matter of time before more national retailers are attracted by the area's demographic changes and growing population.

E 125<sup>th</sup> Street, East Harlem, New Development2383 2<sup>nd</sup> Avenue, East Harlem





The rezoning calls for increased density with more commercial, retail and community space incorporated into the neighborhood. Photo: NYCEDC



Image via NYCEDC Press Release



Cornaga Avenue, Far Rockaway, Queens



Chase Bank on Mott Avenue (Rezoning area)  
Far Rockaway, Queens

## Far Rockaway

The beachfront communities within the Rockaways are primarily known for their surf and sunshine. Many Manhattan dwellers look at the neighborhood as a summer getaway within the city limits, entirely unaware of the area's downtown. However, the de Blasio administration's push to rezone the Far Rockaway section of Queens is a clear attempt to raise the area's economic profile. Through the overall upswing that should come out of the residential rezoning, as well as financial stimulus from the city, de Blasio hopes to transform the rows of vacant storefronts into a beachfront city outside of the city.

The vision for a "new" Far Rockaway is straightforward: The cash influx brought in through the private sector and the city's **\$288-million investment** into the neighborhood provides for the opportunity to transform Far Rockaway to new levels. The rezoning plan is not just focused on residential, but will use the new residential product and the destination popularity of areas like Arverne, Edgemere and Rockaway Beach to boost the rebuilding of Downtown Far Rockaway.

The revitalization of the tired Far Rockaway Shopping Center exemplifies how this transformation is getting off the ground. The mostly vacant eyesore is being redeveloped into a massive, 700-unit, mixed-use project that will include 90,000 square-feet of retail and commercial space, as well as a public plaza. Dubbed "Far Rockaway Village," the property will not only provide necessary retail for the Rockaway's residents, but will also create local jobs and boost the economy.

With the presence of the Rockaway Ferry Landing and the push to bring back the Downtown Far Rockaway Shuttle (which ran from Downtown to the Pier 11 terminal), a revitalized Far Rockaway seems distinctly achievable. Through affordable and market-rate housing and commercial development, the landscape of Far Rockaway will begin to transform and, with the added transportation options, so will the downtown area.



1920 Mott Avenue (Rezoning area) Far Rockaway, Queens

## Far Rockaway



The Smith Bvlding occupies the NE corner of Mott and Central Avenues, the two most prominent avenues in the neighborhood.



Residential Units, Far Rockaway, Queens



Massive residential development planned for Rockaway Park | Courtesy of the Marcal Group via the Rockaway Times



## Jerome Avenue

Jerome Avenue, an industrial and retail corridor in the Bronx is the de Blasio Administration's most recently rezoned area. Much like Park Slope's 4<sup>th</sup> Avenue of yesteryear, Jerome Avenue is lined with auto repair and auto supply shops; the starkest difference between the two corridors is the elevated 4 train that runs overhead. The 73 blocks of rezoned area stretches across multiple subsections of The Bronx, including Mount Eden, Mount Hope, Morris Heights and Concourse.

With The Bronx seeing more investment every day, it seems clear that the corridor would benefit from new residential development and a fresh retail mix, and it was this untapped potential that spurred the city to tap Jerome Avenue for rezoning. While increasing the number of residences along the corridor is a key goal, it is likely that the ground-floor retail in soon-to-be-constructed mixed-use buildings will drive the corridor forward in the coming years.



1697-1705 Jerome Avenue  
Photo Credit: Christopher Bride for PropertyShark



Potential rendering of 1697-1705 Jerome Avenue, rendering via 925 Capital



Inwood neighborhood



Future view from Sherman Creek at Academy St, looking west. A rendering of what the Inwood waterfront of the future might look like. Image Credit: <https://www.nycedc.com>

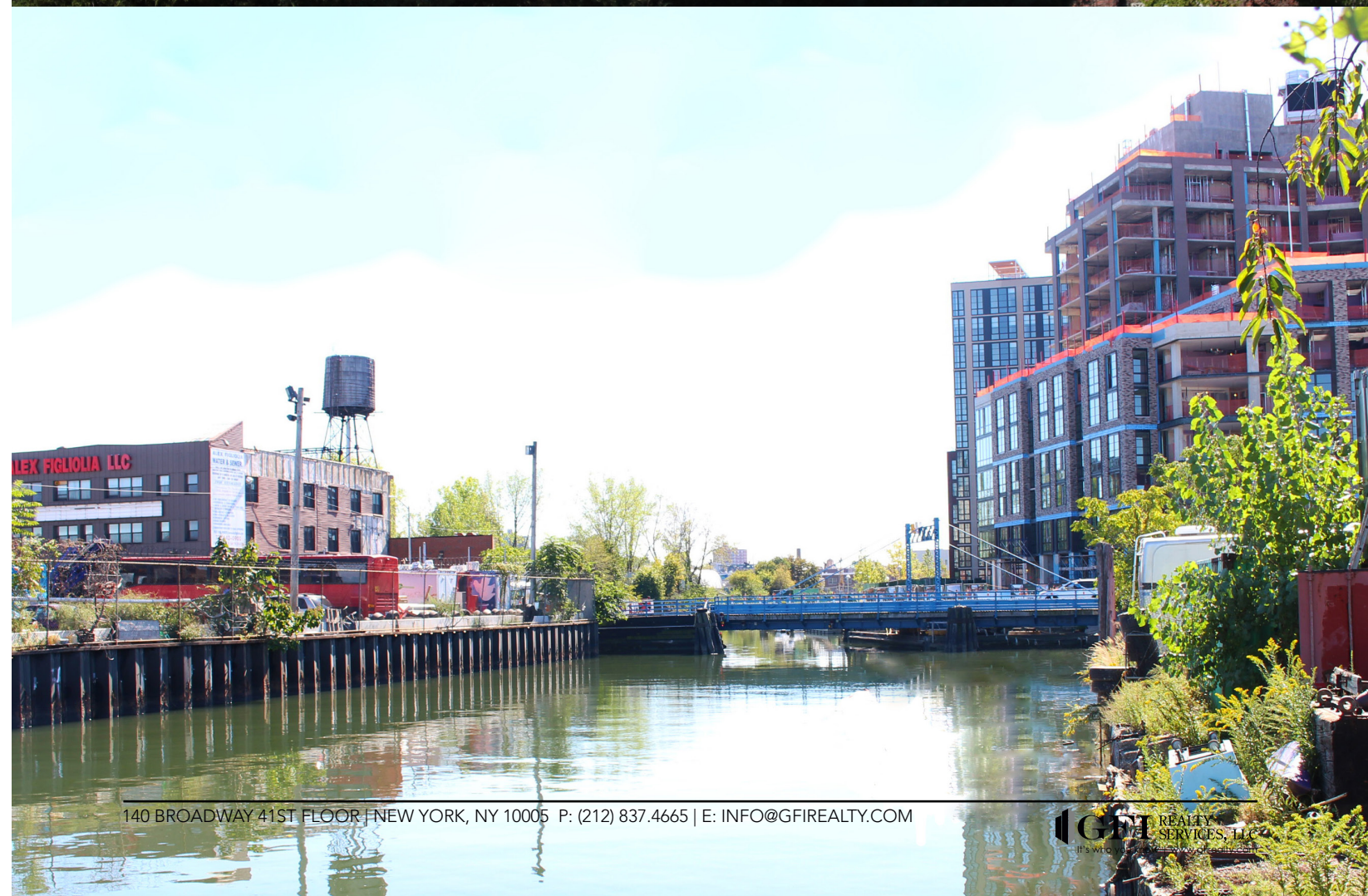
## Inwood

The City Planning Commission's approval to rezone parts of the Upper Manhattan neighborhood of Inwood (the de Blasio administration's fifth rezoning) is one that, after revisions, has been welcomed by members of the community. In July 2018, the City Council will make the final vote on the rezoning, and the Council is expected to give it the green light.

In addition to the affordable housing that rezoning will bring the area, the city's transformative investment will provide more opportunity to residents and visitors. The current proposal not only encourages the creation of more open space along the waterfront, but will lift the previously restrictive approved uses for non-residential ground-floor spaces. This rezoning will open the doors for more retail to come into the neighborhood and help revitalize it.

Situated at the northern tip of Manhattan, Inwood has waterfront on its east, west and northern borders courtesy of the Hudson and Harlem Rivers and Spuyten Duyvil Creek. Situated just south of the highly sought-after Bronx neighborhoods of Spuyten Duyvil and Riverdale, the neighborhood has long been positioned for revitalization. Through the rezoning plan, retail corridors such as Broadway, West 207<sup>th</sup> Street and Dyckman Street will be upzoned, bringing in large-scale, mixed-use developments with ground-floor retail.

# NEXT-UP NEIGHBORHOODS: GOWANUS







Gowanus — Bond Street, residential buildings



Whole Food Market in Gowanus, Brooklyn



Dinosaur Bar-b-que in Gowanus, Brooklyn

Sharing a name with the polluted canal that runs down its center, Gowanus, like East Williamsburg and Bushwick, is spotted with artist studios, hip bars, trendy cafes, and large industrial buildings. A portion of Park Slope's 4<sup>th</sup> Avenue rezoning falls inside the boundaries of Gowanus, but a much larger section of Gowanus is still waiting on a seemingly inevitable rezoning plan to be finalized.

Many expected the city-initiated rezoning to have already passed, but opponents have several reasons to try to prevent it. For example, some opponents note that rezoned areas tend to see their cost of living climb rapidly, while others fear the artistic culture and worry that mom-and-pop establishments they frequent will be replaced with residential towers and national retailers. Unique to Gowanus, residents are also concerned about the canal cleanup and how it will be impacted by the rezoning.

However, the current provisional plans do call for mandatory inclusionary housing in all new residential buildings, the creation of public green space to run along the canal and improvements to the existing NYCHA projects. These provisions are designed to ensure that affordable housing is accessible, while maintaining the area's character for current and future residents.

The neighborhood has recently seen a Whole Foods Market come in, along with a waterfront promenade, as well as The Lightstone Group's two-building residential project at 363-365 Bond Street. There are also a handful of trendy restaurants and a few commercial developments already in the neighborhood. With mixed-use developments and public promenades along the waterfront — in a neighborhood that will potentially adopt a look similar to DUMBO — we could see a major uptick in foot traffic lead to a big draw from retailers seeking out space in another rezoned Brooklyn hot-spot.



420 Kent Avenue, Residential towers in South Williamsburg

The global prestige of New York is largely tied to the middle and southern portions of Manhattan, but New York's vitality extends well beyond Broadway and the Financial District, and rezoning has given new opportunities to neighborhoods in Northern Manhattan and across the five boroughs.

The city pushes for residential and mixed-used rezoning not only to increase affordable housing and to spur residential construction but also to increase retail development. As neighborhoods become increasingly vibrant and attract more housing stock and more residents, the increased foot traffic will draw in a growing number of national retailers. Through this influx of marquee brands, the city creates destination spots, which increases tourism in pockets around the city and strengthens the economy.

For years, Williamsburg has been the template that showcases how visionary rezoning can radically re-create a neighborhood, however other Brooklyn locales, such as Park Slope and Greenpoint, are not too far behind. With those templates in mind and developers already beginning to make moves, there's every reason to expect areas like Far Rockaway and East Harlem to make significant strides in the years ahead.



RECENT SALES



\$69,200,000

670 Pacific Street  
Brooklyn, NY  
86 Apts



\$46,000,000

320-328 Ocean Parkway,  
420 Avenue F & 2302  
85<sup>th</sup> Street, Brooklyn, NY  
145 Apts



\$14,650,000

837 East 22<sup>nd</sup> Street &  
754 East 23<sup>rd</sup> Street  
Brooklyn, NY  
64 Apts



\$13,500,000

271 Sea Breeze Avenue  
Brooklyn, NY  
Development Site



\$13,300,000

286-290 Clinton Avenue  
Brooklyn, NY  
35 Apts



\$12,550,000

218 74<sup>th</sup> Street  
Brooklyn, NY  
46 Apts



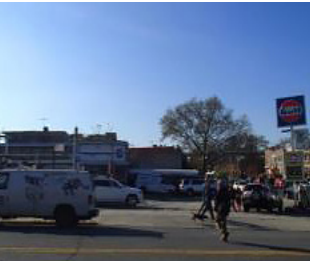
\$11,000,000

25 Pierrepont Street &  
161 Columbia Heights  
Brooklyn, NY  
19 Apts



\$10,200,000

1032-1038 Flatbush Avenue  
Brooklyn, NY  
NNN Lease  
Crunch Fitness & Taco Bell



\$4,325,000

21-02 21<sup>st</sup> Street  
Queens, NY  
Development Site



\$4,310,000

662 Madison Avenue  
Brooklyn, NY  
9 Apts



\$3,950,000

369 Ocean Avenue  
Brooklyn, NY  
17 Apts



\$3,700,000

337 18<sup>th</sup> Street  
Brooklyn, NY  
8 Apts



\$3,300,000

1322 Cortelyou Road  
Brooklyn, NY  
6 Apts & 2 Stores



\$2,100,000

3116 Clarendon Road  
Brooklyn, NY  
Development Site



\$1,750,000

196 Russell Street  
Brooklyn, NY  
Vacant Building



\$1,400,000

3008 Avenue K  
Brooklyn, NY  
5 Apts & 1 Store

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# About GFI Realty Services

For more than three decades, GFI Realty Services, LLC has been one of the most active commercial real estate advisory firms in New York City. Adept at arranging investment sales transactions of all sizes, the firm provides clients with sophisticated strategies at every step of the process. An industry leader in arranging off-market deals, GFI leverages its relationships with a vast network of property owners and investors to identify a customized pool of buyers for each individual property. The firm's experience with a diverse cross-section of real estate transactions has given GFI a deep understanding of niche specialties such as net-leased properties and real estate financing.

GFI's team of 30 experienced brokers possesses an unparalleled knowledge of neighborhoods across the five boroughs, including subsections of Upper Manhattan, Brooklyn, Queens and The Bronx, and its brokers have arranged record-setting transactions in many neighborhoods. The company encourages collaboration among its brokers, ensuring that the firm's combined expertise can be tapped into to fulfill the objectives of any client. GFI was recognized in 2017 as one of the best places to work in Crain's New York Business, and is consistently ranked among the top New York City investment sales brokerages by The Real Deal. For more information, visit [GFIREalty.com](http://GFIREalty.com).

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