

Brooklyn Office  
and Residential  
Development

North Brooklyn  
Brooklyn Tech Triangle  
South of Atlantic Ave

The What  
The Why  
The Result

MARKETING  
REPORT  
Q1 2016

# Brooklyn:

## The Bridge to the Future



# Brooklyn: The Bridge to the Future

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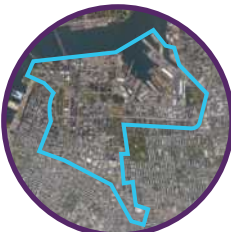
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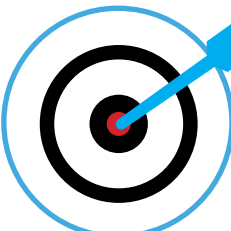
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# A boom in living and working in Brooklyn: What's driving it?

Due to Brooklyn's exponential year-over-year residential and retail growth, combined with the staggering number of units in the pipeline, it's nearly impossible to ignore the development currently taking place in Brooklyn. With the explosive growth of the borough's population, particularly among millennials, and the borough's emergence as an incubator for TAMI (Technology, Advertising, Media and Innovation) companies, we are seeing waves of developers "crossing the bridge" as they seek new investment opportunities.

This trend began in Northern Brooklyn, with the emergence of neighborhoods such as Greenpoint, Williamsburg and Bushwick, and has moved south, particularly in waterfront neighborhoods, to the Navy Yard, Downtown Brooklyn, DUMBO, Gowanus, Red Hook and Sunset Park. As these areas have been revitalized, developers have been steadily acquiring investment properties ripe for office development.



**In 2015, more than \$1 billion was spent on investment in office properties in Brooklyn — a 55 percent increase from the \$644 million spent in 2014.**

From single warehouses to multi-building complexes (plus a few ground-up projects), there are **approximately 16 million square feet of office development either planned or in progress across the borough**. This report will take a comprehensive examination of the intriguing upswing in the development of Brooklyn office space.

## BACKGROUND

For years, officials in New York City have put forth a variety of incentives aimed at expanding Brooklyn office development, but these efforts produced limited results. Historically, developers have been known to view the borough as restricted due to transportation constraints, a lack of neighborhood amenities and a perception that the ROI on Brooklyn office properties could not match that of Manhattan.



**2015  
2,700  
Units**



**By end of 2016  
5,000  
Units**

## A CHANGING BROOKLYN

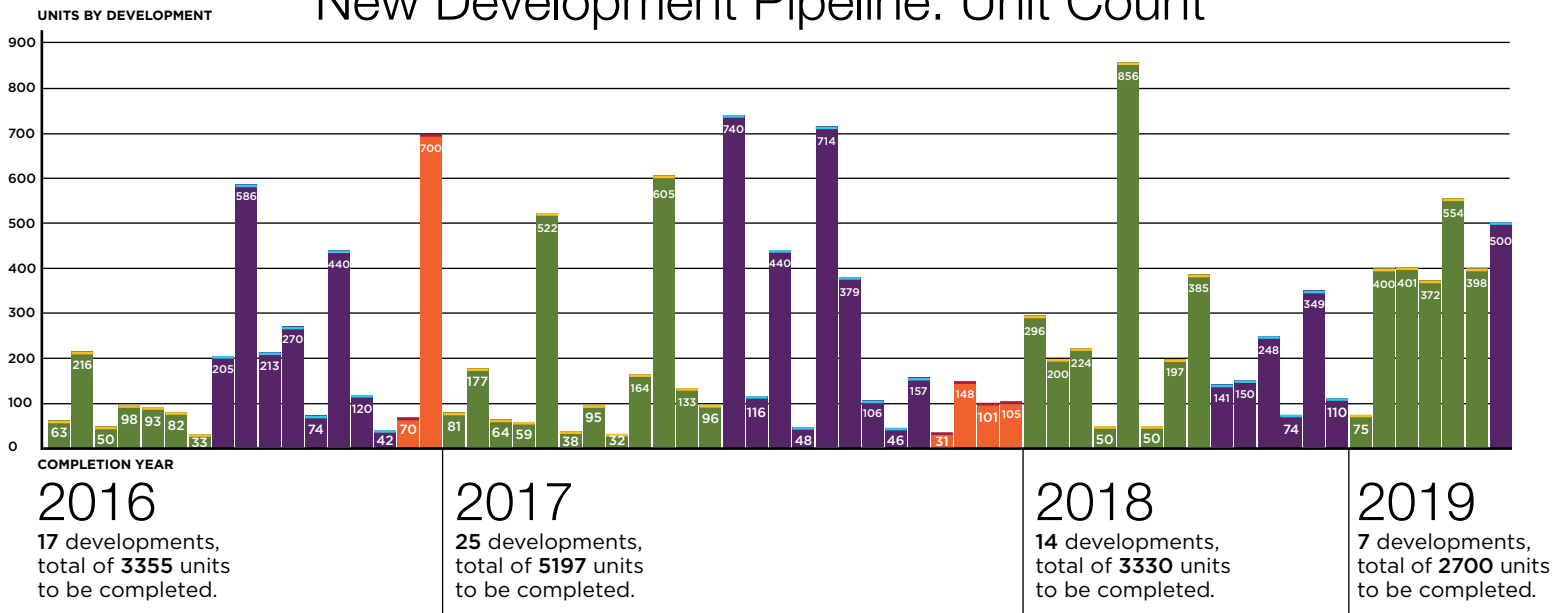
### *Why are we now seeing an influx of capital to Brooklyn's office market?*

Simply, Brooklyn has changed. With a growing population of over 2.6 million, Brooklyn is New York City's most populous borough, and is one of the most densely populated counties in the United States. Further, Brooklyn is leading the entire country, in terms of new multifamily construction. **Brooklyn's development pipeline shows approximately 22,000 new apartments in large-scale (20+ units) buildings slated to hit the market by 2019** — a number that is likely to grow as new projects are unveiled in 2016. This dynamic will begin to take effect this year, with 5,000 units slated to be delivered, compared with 2,700 in 2015.

**Brooklyn's residential growth has proven strong and shows no sign of slowing.** As Brooklyn has been revitalized and developed its own unique character, many firms have chosen to move across the East River to better recruit the creative and innovative individuals associated with the borough, while giving their employees shorter commutes.



## New Development Pipeline: Unit Count





# North Brooklyn:

## Greenpoint

## Williamsburg

## Bushwick



# North Brooklyn:

## Greenpoint

## Williamsburg

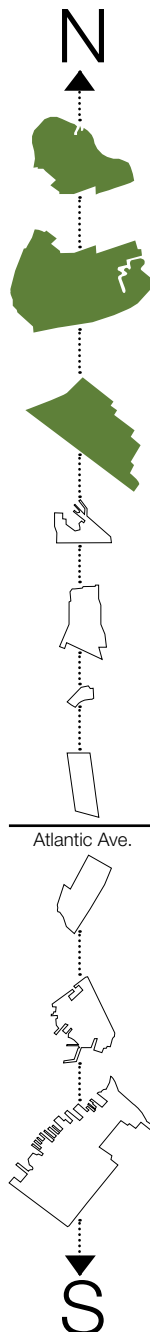
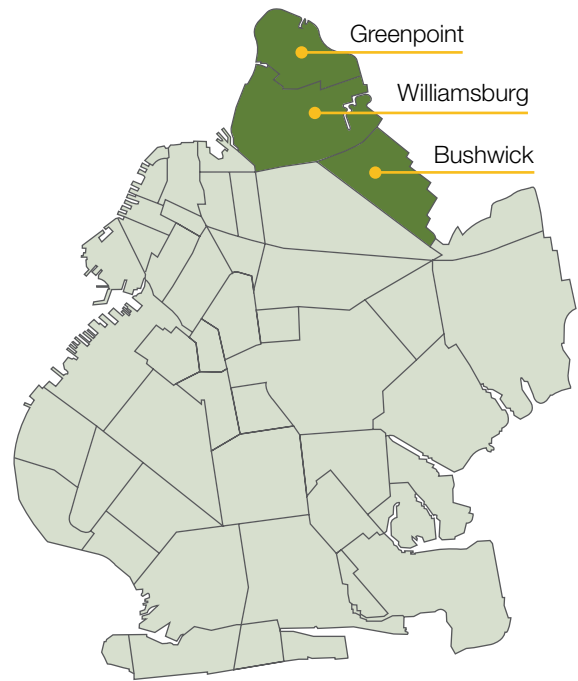
## Bushwick

### GREENPOINT

Kickstarter's corporate move presents an illustrative case study. The tech startup relocated from its Manhattan office, settling in a converted pencil factory in Greenpoint. The waterfront facility is reflective of the new style of office space that tech companies are seeking, with large floorplates and significant exposure to daylight. Notably, 80 percent of Kickstarter's existing employees were Brooklyn residents, and the majority of those enjoyed an abbreviated commute along with the innovative environment.

Developers, taking advantage of Greenpoint's rezoned waterfront, have created a pipeline flush with new apartments; a likely driver of the surge in office development. The most notable, with construction already underway, is Park Tower Group's Greenpoint Landing. Along with co-developers L+M Development and Global Property Partners, Park Tower's 22-acre, 10 building development will bring 5,500 new apartments to Greenpoint.

Known as a residential and retail hot spot, the Williamsburg neighborhood has also become a haven for technology companies. For example, Williamsburg is home to Amazon's photo facility and the New York City outpost of Vice Media, both of which are located in converted industrial buildings. (Notably, Vice Media stated publicly in 2014 that 400 of its 525 employees lived in the neighborhood.) Additionally, shared office space provider WeWork, in 2014 announced



its first Brooklyn outpost, in a 40,000-square-foot space located in a block-thru, mixed-use development on Williamsburg's Bedford Avenue. On Kent Avenue, Heritage Equity Partners has plans in motion for the Williamsburg Generator; a massive, 400,000-square-foot, ground-up office building that will cater to established tech companies and start-ups.

Williamsburg has also been very active on the residential side, with approximately 4,300 new units recently constructed or in the pipeline. Notable among these are 1 N. 4th Place, a 510-unit luxury building, which started leasing in 2015, and the Domino Sugar Factory, which is being redeveloped as a five-building complex that will include 2,200 residential units as well as approximately 600,000 square feet of office space.



The old Domino Sugar Refinery in Brooklyn, New York. With construction underway, the site of the former factory will eventually be home to a massive, luxury style, mixed-use redevelopment project.

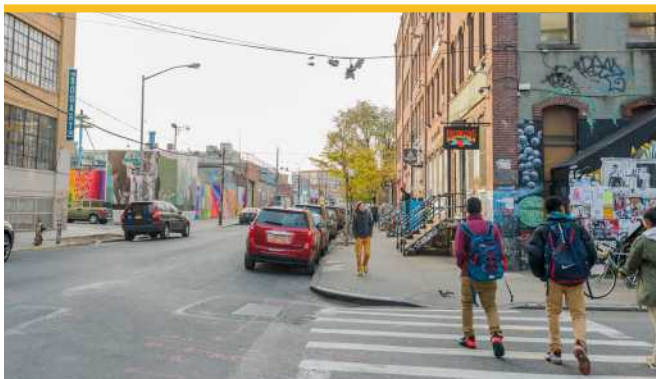


## BUSHWICK

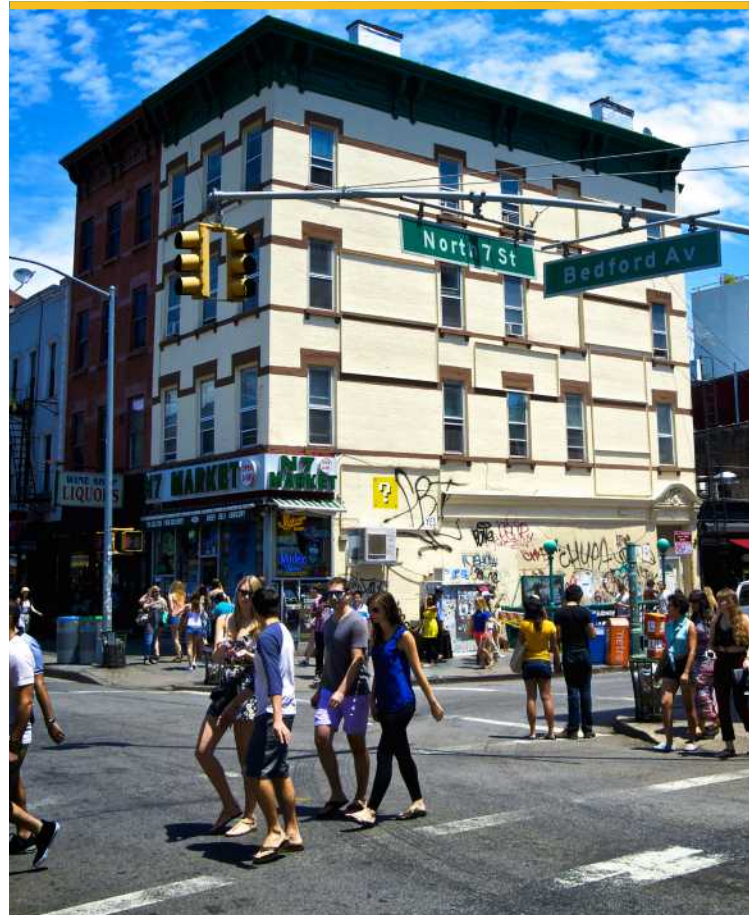
**L**ike its western neighbor, Williamsburg, Bushwick is an area that is primed for new office conversion projects as well as residential development. Recently, rapidly expanding tech company Livestream moved from smaller Chelsea quarters into the converted, reinvented, 3rd Ward Building on Bushwick's Morgan Avenue. As we saw with Kickstarter, the majority of Livestream's employees live in Brooklyn, which was a significant factor in the firm's decision to relocate to Bushwick.

**T**he area is also seeing a variety of other redevelopments, including the former Schlitz Brewery on Evergreen Avenue, which is being converted by Hornig Capital and Savanna into a creative office facility named the EVRGRN; a 100,000-square-foot former warehouse being reimaged by Lincoln Property Management into "The Jefferson," which will consist of tech-based office space; and a 75,000-square-foot converted factory on Moore Street, which is being redeveloped by Heritage Equity Partners into the Bushwick Generator, a home to creative and innovative tech companies.

**A** strong residential pipeline also complements Bushwick's office boom. Over the next few years, the former Rheingold Brewery site will become a major mixed-use development, and two different developers have already filed plans for three buildings on the site, 10 Monticelli Street (395 units), 123 Melrose (385 units) and 115 Stanwix (130 units). Cayuga Capital, which has been a long-standing player in Bushwick, has broken ground on 64-unit conversion/new construction rental project at 600 Bushwick Avenue, which is slated for completion in 2017. Lastly, Upper Class Development has filed plans for a seven-story, 42-unit luxury rental project at 810 Flushing Avenue.

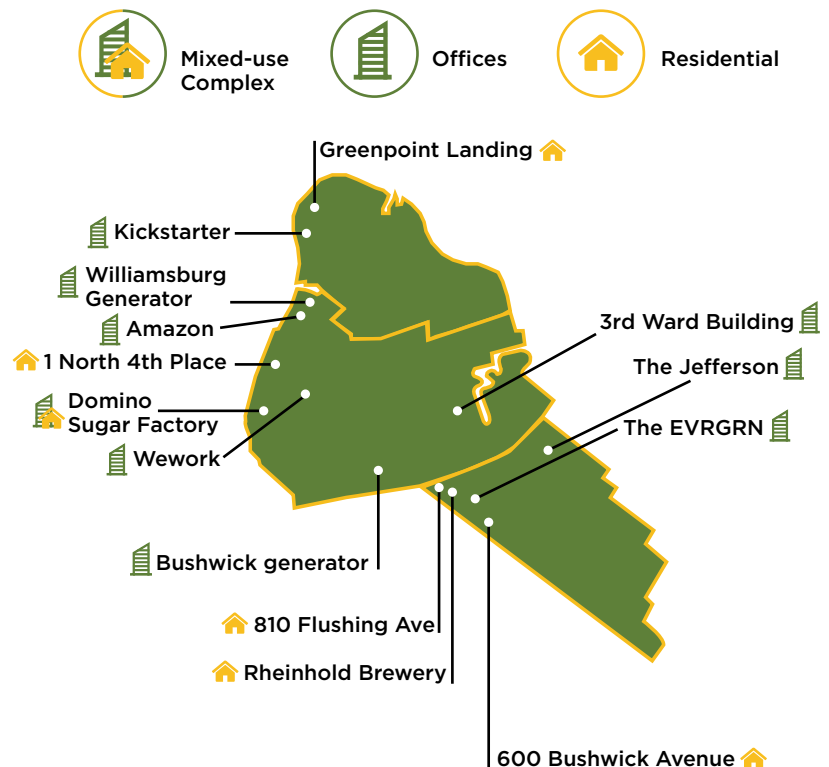


Morgan Avenue, Bushwick



Bedford Avenue and North 7th Street

Map of Dumbo, Downtown Brooklyn, and Brooklyn Navy Yard





DUMBO

BROOKLYN  
NAVY YARD

DOWNTOWN  
BROOKLYN

# Brooklyn Tech Triangle:

Dumbo

Downtown Brooklyn

Brooklyn Navy Yard

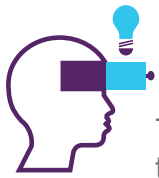


# Brooklyn Tech Triangle:

## Dumbo

## Downtown Brooklyn

## Brooklyn Navy Yard

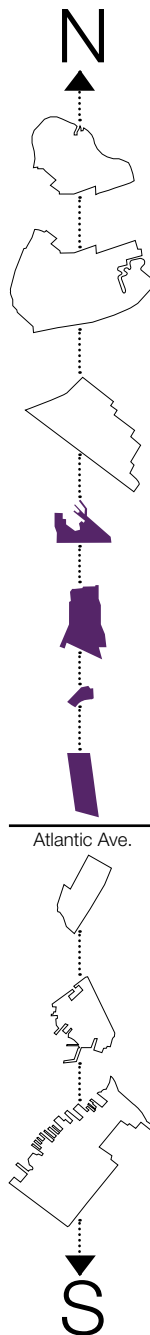
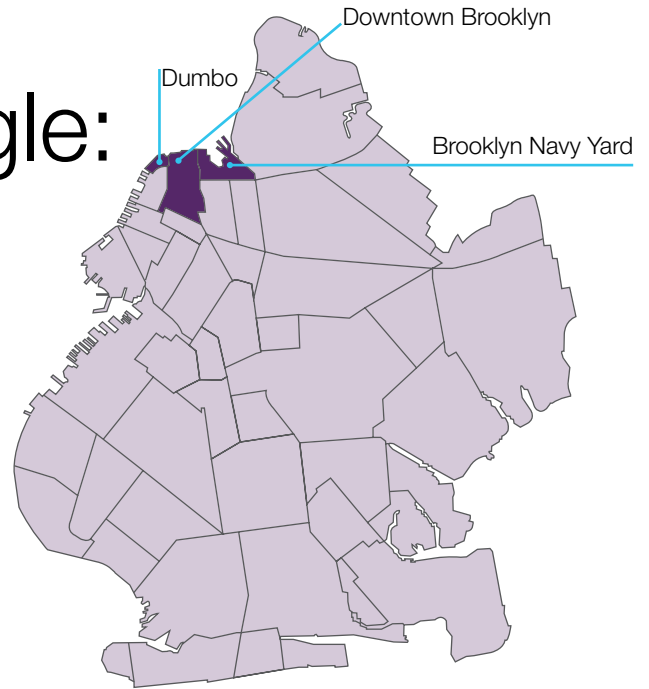


As New York City strives to become a direct rival of Silicon Valley, the Brooklyn Tech Triangle (Dumbo, Downtown Brooklyn, and Brooklyn Navy Yard) is the city's strongest tech magnet, attracting local entrepreneurs and global thought leaders alike.

**In just the last three years, the number of tech/innovation companies in the Tech Triangle has increased by 22 percent, while the number of employees has increased by 45 percent. Further, the area includes more than 500 innovative firms expected to undergo a transformative period of growth, which are expected to create 60,000 direct and indirect jobs within the next two years.**

### DUMBO

Like Williamsburg and Greenpoint, **Dumbo is home to large industrial spaces, which are prime locations for young tech companies to blossom.** The area also has a wide range of digital and creative companies working in close proximity to one another, breeding new innovations and collaborations. This combination has made Dumbo something of a “neighborhood incubator,” which has attracted prominent technology companies like Etsy, Huge, and Amplify to open offices in the area. Looking into the future of Dumbo and its corresponding office space, one project takes center stage: Dumbo Heights. Currently under development by Kushner Companies, LIVWRK and RFR, Dumbo Heights is a five-building,



interconnected complex made up from the former Watch Tower Buildings. Located in the heart of the Tech Triangle, Dumbo Heights is a 1.2 million-square-foot, campus-like conversion project that will be a combination of retail, office, and landscaped rooftop space. A few of the tenants that have already signed leases at Dumbo Heights are WeWork, Etsy, Frog and Prolific Interactive. Meanwhile, Midtown Equities, in partnership with HK Organization and Rockwood Capital, has redeveloped the former warehouse at 55 Water Street into a 500,000-square-foot complex with retail, office space and a landscaped rooftop. Opening under the name Empire Stores, this creative conversion has signed West Elm Furniture as its anchor tenant. Additionally, Dumbo is not just a commercial hub, the neighborhood is filled with residential developments as well. These include 51 Jay Street, Adam America and Slate Property Group's condo conversion that will bring 74 loft-style condos to the area later this year.

### BROOKLYN NAVY YARD

The Brooklyn Navy Yard, home to Steiner Studios, currently has more than 330 companies and 7,000 workers. The three-acre industrial park is a key segment to the ongoing success and growth of the Tech Triangle. The Navy Yard already has 4 million square feet of office space in use and will be adding an additional 2 million square feet by 2017. Most notable among the area's development projects is Dock 72, the 675,000-square-foot, state-of-the-art, shared office space designed

to cater to tech and creative companies. Though the Navy Yard does not provide any residential space, the immediate surroundings include numerous developments that are either in the pipeline or have recently hit the market. For example, 490 Myrtle Avenue (“The Refinery”) and 504 Myrtle Avenue, both Madison Realty Capital projects, bring a combined 232 units to the adjoining Clinton Hill neighborhood.

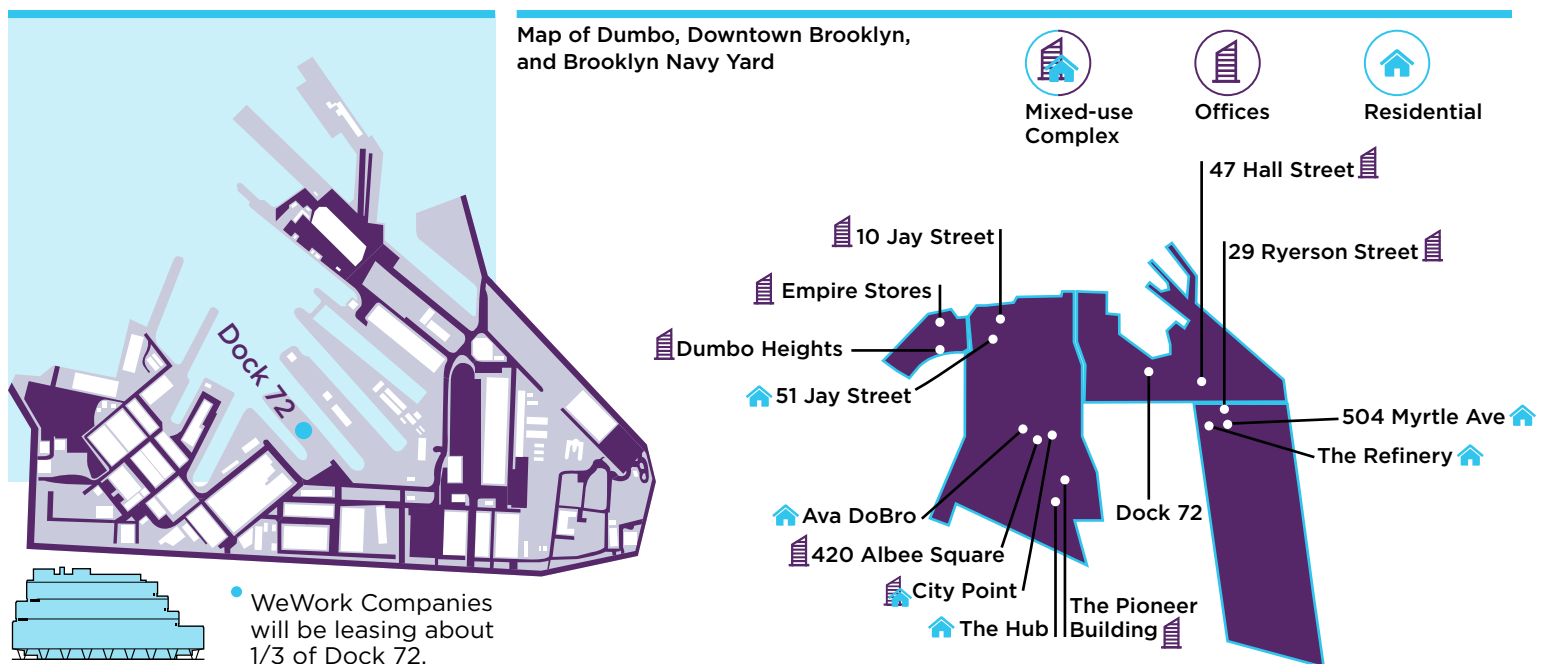
### CLINTON HILL

Madison has also recently purchased 29 Ryerson Street, a 215,000-square-foot vacant warehouse, located just outside the Navy Yard and will be converting into tech and creative office space. Joining Madison in expanding the office market in this sub-section of the city is Westbrook Partners and RXR Realty, which are partnering to convert a 700,000-square-foot industrial building into office space for even more tech/innovative companies.

### DOWNTOWN BROOKLYN

The third Tech Triangle area is Downtown Brooklyn, which is home to the borough’s tallest buildings as well as a plethora of residential projects that were recently completed or are at various stages in the construction pipeline. Due in large part to its existing status as a commercial center, Downtown Brooklyn has also seen a robust increase in office development.

Three notable projects warrant mention. The first is City Point, a 1.8-million-square-foot complex that will have residential, retail and office components. Under construction directly across from City Point is 420 Albee Square — the neighborhood’s first ground-up commercial development in over a decade — whose 40 stories of offices will tower over the neighborhood. Finally, 41 Flatbush — “The Pioneer Building” — is a 10-story former storage facility that Quinlan Development Group and Building & Land Technology are transforming into a 261,000-square-foot, Class A office building. With giant residential towers currently rising throughout the neighborhood, Downtown Brooklyn is immersed in construction, and there will be at least 6,400 new residential units coming online by 2020. Buildings such as Ava DoBro, The Hub, and 340 Flatbush Avenue Ext. are just three more examples of Brooklyn’s changing skyline.





# South of Atlantic Ave: What's Next?

Gowanus

Red Hook

Sunset Park



# South of Atlantic Ave: What's Next?

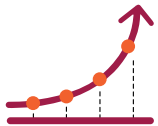
## Gowanus

## Red Hook

## Sunset Park



Despite all of the space The Brooklyn Triangle has provided, the borough still has a need for more office space as a result of the rapid job growth. With a vacancy rate of approximately 3.3 percent, developers have started looking to other neighborhoods to continue attracting creative/tech firms.



Median  
Sales  
Pricing

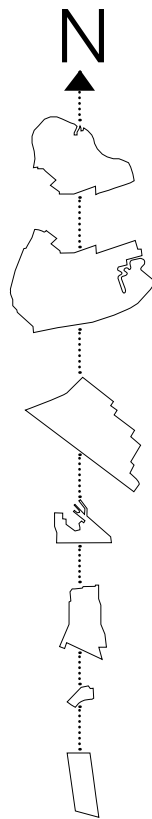
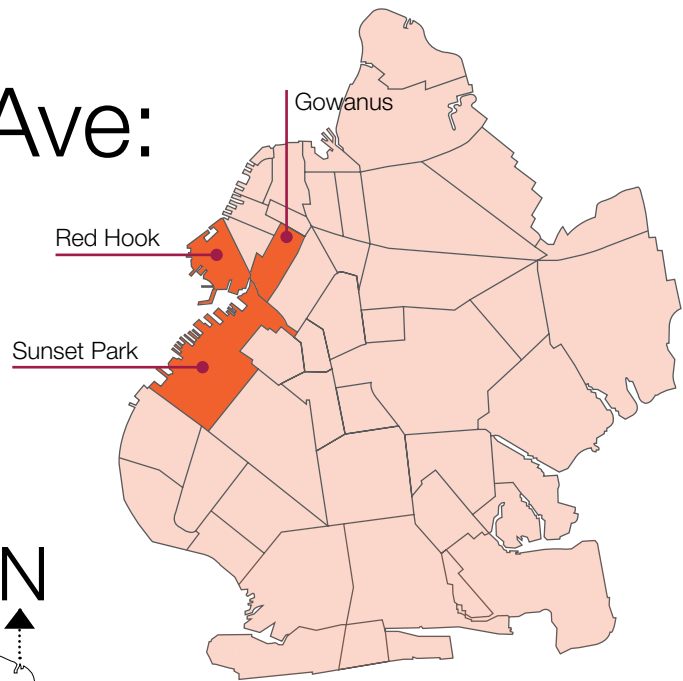
↑  
**20%**

Rental  
Pricing

↑  
**6%**

### GOWANUS

Gowanus is ideally suited to meet this need. An industrial neighborhood with many buildings prime for conversion, the area has recently experienced impressive growth. In 2015, Samson Management purchased a 90,000-square-foot rehabbed industrial building on 3rd Avenue that has been fully leased and includes tenants such as Cowork.rs and Genius Media. Capitalizing on the neighborhood's relatively low office rents, technology startups and other businesses are coming in droves, fundamentally changing the neighborhood's character. **The growth in Gowanus is not just tied to office space, as the neighborhood has experienced residential and retail growth, and the area has seen impressive year-over-year spikes in median pricing for both sales (+20 percent) and rentals (+6 percent).**



Atlantic Ave.



With development projects like 363-365 Bond Street, the Lightstone Group's 700-unit rental complex, combined with area investment by industry heavyweights including LIVWRK, Kushner Companies, SL Green, Slate Property Group, Adam America and Hudson Companies, Gowanus is clearly on track for a major transformation.

### RED HOOK

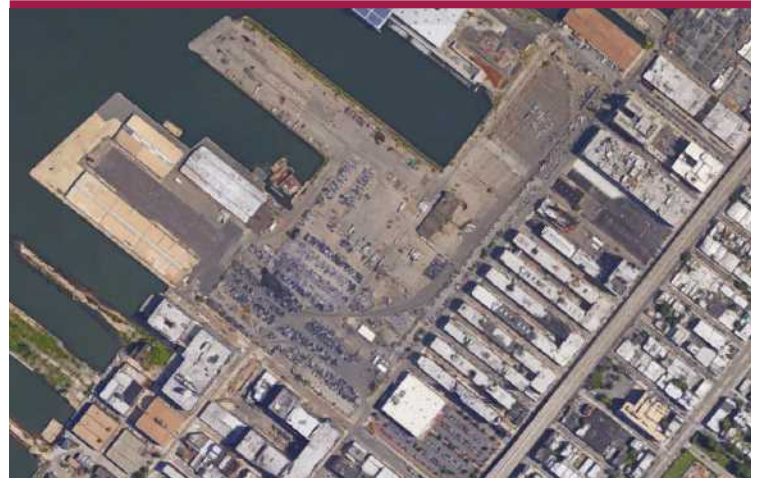
Another section with long overlooked potential is the waterfront neighborhood of Red Hook, an expansive neighborhood with millions of square feet of space ready for conversion and development. Over the past few years Milan-based Est4te Four has been amassing properties along the Red Hook waterfront, with plans to develop Red Hook Innovation Studios, a 1.1-million-square-foot tech complex. Est4te Four plans to break ground on the five-building campus in 2016, and to complete the five-phased project by 2021. Red Hook is clearly poised to cater to this growing need for office space, but residential growth is underway in the area as well. In fact, Est4te Four is in the process of converting the former New York Dock Company building into 70 luxury condos, more than 70 percent of which have already sold, despite their high price tags. The area has also attracted other leading developers, including LIVWRK, which recently purchased a 99,000-square-foot factory that will be converted to creative office space.



## SUNSET PARK

The final neighborhood we will explore is Sunset Park, which, like many Brooklyn neighborhoods, has seen substantial residential and retail growth over the past few years. As a result of this revitalization, we've seen significant activity in the area, including the conversion of One Sunset Park from rental to condo, conversion and new construction set to begin at the former 68th Precinct Station House (4302 4th Avenue), and a ground-up development at 343 44th Street. Although Sunset Park is not traditionally considered as fashionable as other neighborhoods, the area houses a large amount of industrial space ideal for conversion. **Sunset Park's waterfront is sometimes said to be one of the biggest solutions to accommodate the tech and innovative companies that the borough continues to attract.**

**C**urrently, Sunset Park is home to one of Brooklyn's largest office space conversions. Industry City is 6.5 million square feet of dilapidated manufacturing space being redeveloped by Jamestown Properties into a megaproject that will house light-manufacturing, retail and office space. With Time Inc., Pure Reason and Milk Studios already announced as notable tenants, Industry City, which is expected to complete its transformation by 2027, is one complex that proves Brooklyn's office market is going to expand as far as the available inventory allows it to. Not far away from Industry City is Liberty View Plaza, a 1.3 million square foot complex, with big name tenants such as Amazon, Bed Bath & Beyond and buybuy BABY. Finally, Whale Square, the 400,000-square-foot building on 53rd Street was acquired by Madison Realty Capital for conversion into creative/tech space. **With all of the sought-after square footage that this neighborhood provides, it is likely that we have only begun to see what Sunset Park has in store for us.**



Aerial view of Industry City



Gowanus Canal

Map of Gowanus, Red Hook, and Sunset Park



# The Result

With Brooklyn's continual increase in population and the 22,000 plus apartments currently in the pipeline, it's no surprise to see this surge in office construction. From Greenpoint to Sunset Park, developers are collectively capitalizing on the millennial residents and entrepreneurial spirit of Brooklyn to reshape the way the borough is viewed. As we move forward, this fascinating section of the city will continue its growth as a hub for innovative tech companies, transforming into a market where office pricing rivals subsections of Manhattan. Notably, we are already seeing impressive numbers coming out of the high-profile office developments. **Space at the Pioneer Building will average approximately \$55 per square foot (psf); Dumbo Height's offices will average approximately \$60 psf; Dock 72 will be averaging an approximate \$65 psf; and Empire Stores tops the list with an approximate average of \$75 psf.** While these numbers do not quite reach the levels of the Manhattan sub-markets with which they compete, the gap is beginning to close.

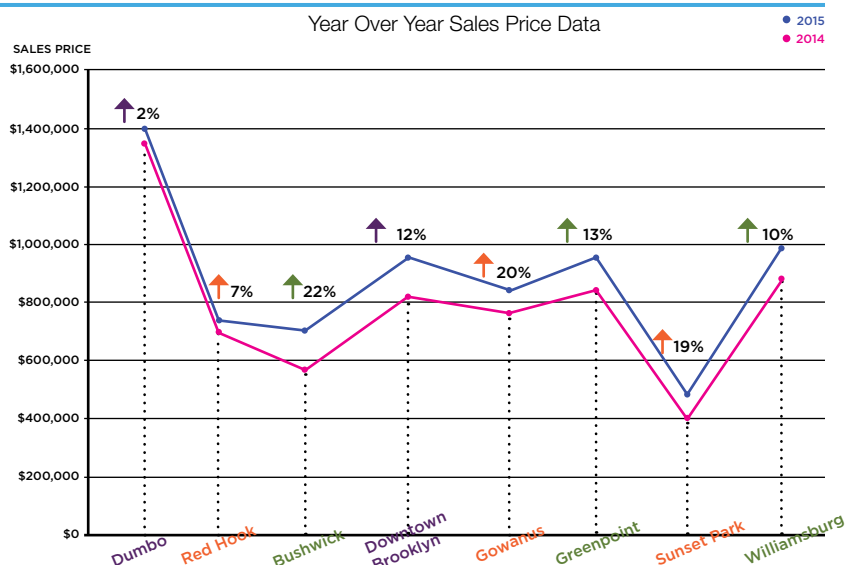
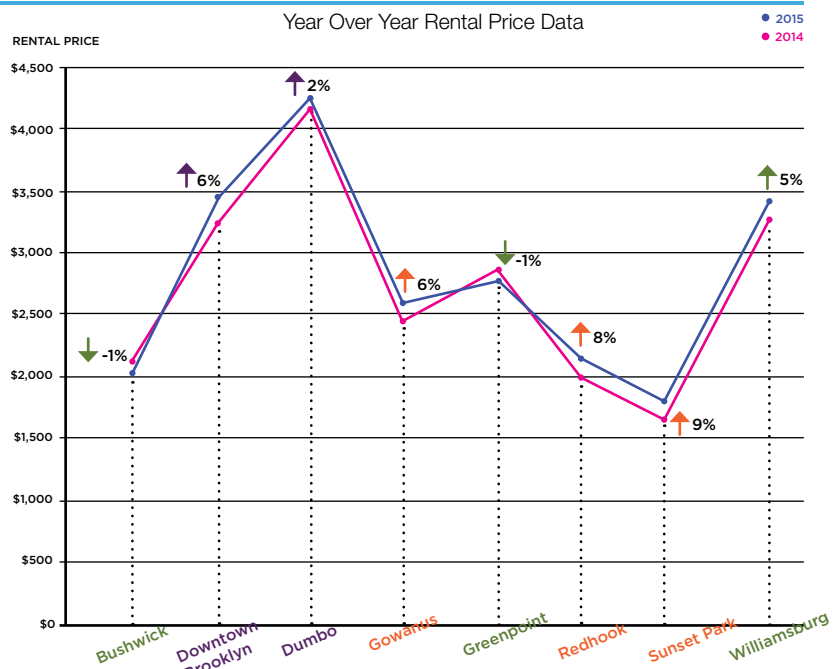
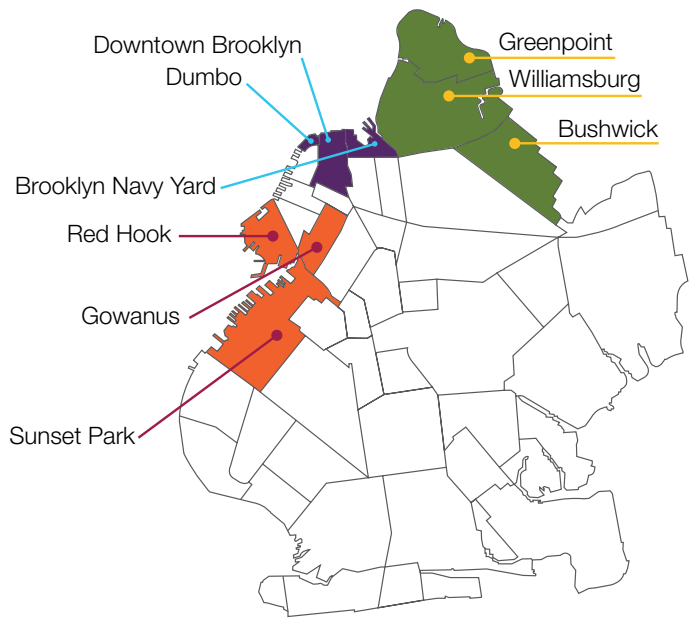
Pricing plays an important role in Brooklyn's transformation; it's just not the only factor driving change and drawing tech companies to the borough. With neighborhoods now bursting with new apartments, Brooklyn has attracted a strong resident talent pool that's young, creative and ambitious. Like the residents that make up the talent pool, tech companies are drawn to these Brooklyn office buildings for the different culture and style they embrace. These buildings provide unique amenities, private and shared outdoor space, and a co-working community that feels different than most of the offices found in Manhattan. **To put it simply, tech companies are flooding to Brooklyn because Brooklyn has changed.**

#### Methodology:

For the purpose of this report new office and residential construction, in conjunction with population growth, were examined in nine different Brooklyn neighborhoods; The Brooklyn Navy Yard/Clinton Hill, Bushwick, Downtown Brooklyn, Dumbo, Gowanus, Greenpoint, Red Hook, Sunset Park and Williamsburg.

All office space and residential developments included in the report met/meet the following criteria:

- Office Space: The buildings or complexes included have either completed construction in the last two years, are still undergoing construction, or construction is planned to begin by the end of 2016. Additionally, each of the properties either contains, or plans to contain, space that's designed for TAMI companies.
- Residential Development: The buildings or complexes included contain more than 20 units and were either completed in 2015, are under construction, or will break ground before the end of 2017. A select portion of the residential properties in the report contain retail, or community facility space that is not included in unit counts.
- Unit count and square footage for all featured buildings "in the pipeline" are subject to change as development progresses.





**\$15,850,000**119-123 Kent Avenue  
Brooklyn, NY  
18 Apts & 3 Stores**\$7,000,000**531 East 22<sup>nd</sup> Street  
Brooklyn, NY  
35 Apts**\$15,000,000**415 Washington Avenue  
Brooklyn, NY  
25 Apts**\$5,850,000**600 Ocean Avenue  
Brooklyn, NY  
24 Apts**\$12,000,000**477 3<sup>rd</sup> Street  
Brooklyn, NY  
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**B**ecause of our many years of service, our professionals have built **long-standing relationships and intimate market knowledge** that render us invaluable to our clients and business partners.

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