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Forget Rentals, Downtown Brooklyn Condos Booming



Michelle Lipchin checks out the view from 388 Bridge St., a new condo/rental hybrid in Downtown Brooklyn. She is buying a one-bedroom there.

“The first two weeks were a gold rush.”

That’s how William Ross of Halstead described the pace of sales at 388 Bridge St., the 53-story rental/condo tower in Downtown Brooklyn that put its condos on the market in June.

Since then, 42 of the 60 units on the market have contracts out. (The building will have a total of 144 condo units when all are released, alongside 240 rentals, which are about 75 percent occupied.) The condos have been moving at around \$1,150 to \$1,200 per square foot — with the unreleased penthouses expected to go for \$1,600 to \$2,100 per square foot.

“We’re thinking of raising prices again,” says Ross. “We’ve raised prices twice already.”

These condos have attracted young and old; families and singles — everybody who wants one elusive thing: To buy in Downtown Brooklyn, where rentals have reigned supreme in recent years.

“There’s very little to buy,” says Michelle Lipchin, who, while living at the Brooklynier, a 491-unit rental, decided she wanted to purchase something in the area. She looked at a few

lackluster resales until she found a roughly 700-square-foot one-bedroom unit at 388 Bridge that she's now in contract for.

"Downtown Brooklyn was largely rental-driven since Lehman Brothers fell," says Doug Bowen of Core. Prior to that, condos like Toren and 110 Livingston took root, but when the market crashed, developers stuck with the safer investment. "Most of the development — especially anything of size like the Brooklyn, or [the upcoming] Avalon Bay — was rental."

But perhaps 388 Bridge signals a change — are developers in Downtown Brooklyn going to start turning once again to condos?

According to a report released this week from the Downtown Brooklyn Partnership, there are 7,800 housing units in the development pipeline; the Partnership told NYP Home that 2,000 of them will be market-rate condos.

Even Downtown Brooklyn's handful of pre-Lehman condos have seen a resurgence of interest and activity.

At BellTel Lofts, which had its first closing in November 2007, Terry Naini of Town has seen six of her listings there go into contract in the last two months (two have closed).

"Everything I have in contract is over asking price," Naini says.

And BellTel's resales have finally begun to appreciate. One of Naini's sixth-floor units sold in 2008 for \$896,135 — but it's currently in contract above its asking price of \$1.35 million (an appreciation of over 50 percent).

"We could see the neighborhood changing," says Gregory Goldstein, who bought a three-bedroom in BellTel with his wife, Hannah, last year after renting in the building. (Naini was his broker.) "We figured at least it would be a steady investment."

Other new condo projects taking shape Downtown include The Boerum at 265 State St., a 315,000-square-foot project from Flank and the Carlyle Group; it will be about one-third hotel, two-thirds condo and should open its sales gallery on Atlantic Avenue sometime this fall.

On Cadman Plaza West, on the border of Brooklyn Heights and Downtown Brooklyn, proposals have been submitted for turning the Brooklyn Public Library into a new space that will include condos atop a rebuilt 20,000-square-foot library. Proposals have ranged from 99 to 167 units, totaling as much as 330,000 square feet of space.

But there's a lot more that hasn't been announced yet. "I'm doing rental and for sale pro formas and comp analysis for five other Downtown [Brooklyn] projects all in the pipeline," says Bowen.

A number of residential buildings in the works have been notably mum about their intentions: Oro 2, the sister building of Oro, which was one of the pioneer condos of Downtown Brooklyn, is well underway even though the developers won't say whether the finished product will be condo or rental.

Back in February, Brooklynites were beating their breasts when they found out that Junior's was selling its location to developers. No deal has been finalized, but "If someone's going to pay the price anticipated, which is \$400 to \$500 buildable, someone's going to choose to do condos," says Stephen Palmese, a partner with Massey Knakal.

JDS Development's 340 Flatbush Ave. Extension, which SHoP is designing and at 70 stories will be the tallest building in Brooklyn when it's finished, will consist of 555,000 square feet of space. But the developers say they still aren't sure whether they're going to make its 495 units rentals or condos.

It should be noted that JDS's founder, Michael Stern, is one of the most outspokenly bullish people in New York real estate when it comes to Brooklyn.

"In Manhattan, land costs are higher than the costs to build a building," says Stern. "In Brooklyn, that's not the case — there's quite a bit of room for growth. And there are a large crop of people who are choosing to live in Brooklyn as their first choice."

Which definitely helps explain why developers have been so focused on Brooklyn. But something else is driving the trend towards condos instead of more rentals — and that is the explosion in land prices.

"In the last 18 months, asking prices have gone from \$75 to \$350 per square foot," says Tucker Reed, president of Downtown Brooklyn Partnership. "That's in the space of 18 months. That's unheard of. And that makes rental development difficult. ... That's why developers have turned continuously towards condo."

Gabriel Saffioti, a director at the investment sales brokerage firm Eastern Consolidated, is currently marketing a parcel of land at 295-309 Schermerhorn St. in the mid-to-high \$50 million range, which comes out to around \$400 per square foot of buildable space. "We've had people who have looked at it from a hotel, a rental and a condo perspective," Saffioti says.

Plus, all of the commercial and retail development in the works is only going to make the area more attractive for buyers.

City Point, for instance, the 1.9 million-square-foot complex (of rental and retail) which will be released in phases and completed in 2020, promises 700,000 square feet of retail, including an Alamo Drafthouse theater and a CityTarget.

“There’s been significant growth in retail in last 7 years, but we still think there’s a tremendous gap,” says Paul Travis, managing partner of Washington Square Partners, which is developing City Point. As for future commercial tenants, “It’s going to be very Brooklyn.” By that he means artisan and local.

Collectively all this development has attracted the kind of buyer who never before would have considered Downtown Brooklyn.

“We’re probably going to retire there,” says Tom Golper, a physician and professor at Vanderbilt University, who is in contract on a unit at 388 Bridge.

Golper and his wife, Lee Ann, began visiting Brooklyn when their son Zachary and his wife Kate moved there and opened a bakery. (A grandchild also swayed them to visit.) “I love it,” says Lee Ann. “I love the neighborhood — the human scale of it. Even though we live in a high-rise.”