

# What oversupply? Panelists say Brooklyn's real estate market is starting to reset

Developers and brokers said rentals are filling and prices are correcting

BY EDDIE SMALL

**C**onventional wisdom may say that Brooklyn is dealing with an oversupply of rental properties. But according to panelists at a recent Bisnow event, the reality is much more complex.

Concerns over a glut may stem from a roughly two-year stretch when the borough saw between 2,400 and 3,000 rental units come online, said Sean Kelly, senior director of investment sales at Ariel Property Advisors. He pointed to TF Cornerstone's 33 Bond Street as an example of a large development that had lots of units to fill, but said that projects of such a scale are the exception rather than the rule, particularly in Downtown Brooklyn.

"There's not a lot in the pipeline for rental supply after that," he said during a panel at Bisnow's 2018 State of the Market event for Brooklyn on Thursday. "The next we have is Pacific Park. Those are the next big projects...You don't have a deep pipeline of rentals in Downtown Brooklyn."

Rosenberg & Estis' Michael Feinstein moderated the discussion on Brooklyn's booming population, which also included L&L MAG development head Susi Yu and Meridian Investment Sales director Rich Velotta.

Yu echoed Kelly's point that Brooklyn's oversupply problem has been overhyped. She said the vast amount of new developments have given tenants extra leverage for securing concessions even on lease renewals, but the apartments themselves are still getting filled.

"I actually don't think it's an oversupply



Left to right: Sean Kelly, Rich Velotta, Susi Yu, and Michael Feinstein

issue," she said. "I think it's about a lot of product being delivered during the same very short time period, and people have now options of actually negotiating and leveraging."

Overall, Brooklyn's real estate market is starting to see a bit of a reset, the panelists said. Yu attributed this to first-time developers initially overpaying for opportunities to invest in Brooklyn and said prices in the borough have since started to correct themselves downward.

Velotta described this as a softening in the market, which has become increasingly driven by price points.

"Someone can't pay \$6,000 a month for a one-bedroom," he said, "and so over time — in the last two years I've seen at least — there's been all this pushback from people

in the multifamily rental space, in the condo sales space and obviously in the retail space."

More and more neighborhoods have become increasingly competitive in Brooklyn over the past few years, and the borough has seen a general split between younger people buying more in its emerging neighborhoods and older people buying more in its established neighborhoods. However, some longtime residents are simply swapping out one type of famed Brooklyn real estate for another.

"I've seen a lot of people in the Park Slope neighborhood in particular...who are now empty nesters who are selling a five-story brownstone for \$4 or \$5 million dollars and putting \$2 million in the bank," Kelly said, "and then going and buying a beautiful condo in one of the new luxury buildings." **TRD**