HEBRON REALTY

Midyear
REPORT

THE NORTH BROOKLYN MARKET REPORT

Prepared by:
Hebron Realty

2025

347-528-5077
www.HebronRe.com

ABOUT US

Meet the authors
THE HEBRONS

Expert Commercial Real Estate Leasing & Investment Advisory

Results-Driven. Relationship-Focused. Always on Your Side.

2.34MM SF
Total Volume
SOLD & LEASED IN BROOKLYN

37 YEARS
Combined
CRE SPECIFIC EXPERIENCE

Robert **Hebron,** SIOR
Principal Broker

Rob **Hebron -** CCIM, SIOR
Principal Broker

Hebron Realty is a father-son team rooted in Brooklyn, with over 37 years of combined experience and more than 2 million square feet of closed transactions. **We specialize in office leasing, landlord advisory, and property valuation with a focus on long-term planning.** Our mission is to help clients make smart, strategic decisions today—so their properties succeed tomorrow. Grounded in ethics and driven by data, we bring clarity and confidence to every deal.

CCIM SIOR

For clients who expect nothing less than excellence, we deliver. Precise research, unmatched market insight, and an unwavering commitment to execution.

At Hebron Realty, we combine the tools of a national firm with the personal commitment of a boutique shop. Every listing receives hands-on attention from the principal broker, ensuring your property or requirement is guided by seasoned decision-makers.

Our marketing spans professional mailers, SEO-optimized websites, social media outreach, broker email campaigns, direct tenant engagement, and national exposure through platforms like CCIM, SIOR, CREXI, and CoStar. We use trusted data sources—ARGUS, Moody's, Placer.AI, Pictometry, and more—to drive informed decisions, not guesses.

Hebron Realty has built a reputation as dealmakers who get things done. From tenants to institutional landlords, our clients trust us to deliver results with integrity, insight, and hustle.

MARKET **OVERVIEW**

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Brooklyn's commercial real estate market **showed mixed signals in early 2025**, with **office leasing activity rebounding, retail fundamentals holding firm, and multifamily investment facing pressure from regulatory and financial headwinds.** Office leasing in North Brooklyn surged 38% year-over-year, led by public-sector tenants and a tightening supply of quality space. Asking rents in top buildings approached $50/SF, while average time on market declined to 9.5 months. On the retail side, tenant demand remains solid, especially in food and apparel, with **several notable leases inked at over $200/SF in Williamsburg and Greenpoint**. Retail rents have softened overall, but limited new supply and surging foot traffic from rising tourism are supporting continued absorption.

Multifamily investment volumes in North Brooklyn declined nearly 50% from 2023 levels, largely due to reduced activity around rent-stabilized properties. Investors are favoring market-rate assets in prime neighborhoods like Williamsburg, where pricing remains strong. Despite a broader rise in CMBS distress across NYC—particularly in Manhattan—Brooklyn's **multifamily distress rate stood at just 3.2%, signaling relative stability.** Meanwhile, the borough continues to attract development, especially in mixed-use and affordable housing projects. **For landlords and investors, the takeaway is clear: success in this environment depends on proactive pricing, adaptive strategies, and careful alignment with neighborhood-specific demand trends.**

380+

Office Leases

38% year-over-year increase—the highest post-pandemic total.

$237MM

North Brooklyn Multifamily Sales

Down from $442M in 2023, reflecting investor caution—but strong pricing for market-rate assets.

3.2%

CMBS Distress Rate for Brooklyn Multifamily

Significantly lower than Manhattan's 29.8%—a signal of relative market stability.

OFFICE MARKET **OVERVIEW** LEASING

While North Brooklyn office rents have dipped roughly 3% since early 2020, they've begun to climb again over the past year. **With average asking rents around $46/SF,** the area remains a relative bargain compared to Manhattan and even Downtown Brooklyn (+/- $50.00), especially when looking at premium assets.

North Brooklyn ended 2024 with strong momentum and clear signs of stabilization. Over 380 new office leases were signed, up 38% year-over-year and the highest total since the pandemic. Availability dropped to 13.2%, a 200 bps decline and the lowest level since 2018. **In 4-star buildings, availability fell even more sharply, driven by demand for quality space.**

Leasing has been led by government and education users, while the private sector remains selectively active. Asking rents now average $50/SF—among the highest outside Manhattan—with modest growth over the past year.
With limited new supply, strong demand for quality assets, and a stable tenant base, North Brooklyn is well-positioned for continued stability and potential rent growth in 2025.

Beyond the hard data, we're seeing a clear uptick in tenant demand. While average deal sizes have shrunk due to hybrid work trends, landlords offering competitive rents and strong concession packages are seeing minimal vacancy.

The average **time on market is now 9.5 months**—down about 3 months from this time last year. **Free rent concessions are averaging around 2 months,** reflecting a more active and competitive leasing environment.

$46
AVERAGE TAKING RENT.

Rents are forecasted to enjoy a slight uptick. With vacancy levels stabilizing, rents are expected to keep rising, though signs of a reset may be emerging. New owners, acquiring at lower bases, may avoid heavy capital spend and instead offer flexible, below-market leases to boost occupancy, particularly for entrepreneurial tenants.

15%
VACANCY RATE *WEIGHTED

- **Downtown Brooklyn:** 15%
- **DUMBO – Vinegar Hill:** 15%
- **Williamsburg – Greenpoint:** 28%
- **Navy Yard – Fort Greene – Clinton Hill:** 25%
- **Red Hook – Carroll Gardens – Gowanus:** 46%

690K
SF UNDER CONSTRUCTION

About 690,000 SF of office space is currently under construction in North Brooklyn, led by the 400,000 SF project at 2440 Fulton Street. As in much of Brooklyn, government demand remains a key driver—most notably, the Human Resources Administration has signed a 21-year preliminary lease to occupy roughly 275,000 SF upon completion.

OFFICE MARKET
OVERVIEW
SALES

The North Brooklyn office investment market continues to face challenges due to a difficult financing environment and uncertainties surrounding rent growth and leasing activity. **Over the past 12 months, approximately $191 million** in office assets have traded hands. Cap rates are trending higher and are increasingly dependent on asset quality and location. **Stabilized Class A assets are trading above 7%**, while lower-quality assets are approaching double-digit cap rates.

Despite a recent decline in the federal funds rate, which has slightly boosted investor appetite, many buyers remain cautious. **Opportunistic investors are waiting for capital events**, such as loan maturations, to acquire properties at discounted prices. Some buyers are focusing on vintage buildings with potential for residential conversion, especially in submarkets with weak office demand.

Distress remains a central theme in the market. Office loans are receiving credit downgrades, properties are selling in foreclosure, and owners are increasingly handing keys back to lenders due to the inability to compete in today's leasing environment.

Landlords who are not properly advised—or who resist offering competitive incentives—are increasingly struggling to retain tenants and stabilize occupancy. As market conditions evolve, those unwilling or unable to structure compelling deals are finding themselves at greater risk of distress.

6.25%
AVERAGE
CAP RATE.

19%
VACANCY RATE
AT TIME OF SALE.

10.5%
UNDER
ASKING PRICE

6
Months
ON MARKET.

Glossary:

Cash Trap:

- A lender-imposed mechanism that redirects excess property cash flow (after debt service) into a reserve account, rather than to the borrower. It’s typically triggered when the property's performance falls below a certain threshold, such as a low DSCR.

Special Servicer:

- A third-party firm assigned to handle troubled or at-risk loans in CMBS (commercial mortgage-backed securities). They manage loan workouts, modifications, foreclosures, or sales when the borrower defaults or the loan is in distress.

DSCR (Debt Service Coverage Ratio):

- A financial metric that compares a property’s net operating income (NOI) to its total debt service (principal + interest).
- Formula: DSCR = NOI / Debt Service
- A DSCR below 1.0 means the property isn't generating enough income to cover its debt obligations, signaling risk to lenders.

RETAIL OVERVIEW LEASING

Summary

New York's retail sector entered 2025 with strong momentum, driven by steady tenant demand, limited new supply, and rising foot traffic. **Net absorption has remained positive for eight consecutive quarters**, totaling over 3 million SF metro-wide. In North Brooklyn, availability has declined year-over-year with virtually no new development, and 18,000 SF of positive absorption in 2024.

Citywide, **over 9 million SF of retail space was leased last year.** Foot traffic continues to improve, supported by rising office utilization, high hotel occupancy, and increased transit use. **NYC welcomed 64.3 million visitors in 2024**, with 67 million projected in 2025—on pace to **surpass pre-pandemic levels.**

Retail activity in North Brooklyn is led by **food, beverage, and apparel users,** mostly in spaces under 5,000 SF. Major leases from Tesla (80,000 SF), Lidl (26,568 SF), and Equinox (36,000 SF) underscore continued demand from national retailers. With a population nearing 2.7 million and median household incomes above $100,000, **Brooklyn remains a top target for retail expansion.**

Challenges persist: store closures outpaced openings nationally in 2024, with chains like Walgreens and Rite Aid contracting across NYC. As rents rise and space tightens, tenant flexibility may diminish. Still, limited new supply and continued tourism growth are expected to support stable fundamentals in North Brooklyn through 2025.

Outlook

North Brooklyn is a broad and diverse submarket, and retail rents vary significantly by neighborhood. In high-demand areas like Williamsburg, Greenpoint, Cobble Hill, and Downtown Brooklyn, asking rents regularly exceed $200/SF—**well above the borough-wide average of $55/SF.**
While overall rent growth in North Brooklyn has recently softened—dipping into negative territory—strong foot traffic and consistent leasing activity have made some landlords more confident in pricing premium spaces. Recent high-profile leases, including Walkers Espresso at $260/SF, Linc Cosmetics at $218/SF, and Kaylah Jewelry at $205/SF, reflect this renewed optimism in top-tier retail corridors.

Prime Corridor Rents: In sought-after areas like Williamsburg, Greenpoint, Cobble Hill, and Downtown Brooklyn, asking rents can exceed $200 PSF.
Recent High-Profile Leases: Notable deals include Walkers Espresso at $260 PSF, Linc Cosmetics at $218 PSF, and Kaylah Jewelry at $205 PSF.
Market Dynamics: Despite steady leasing activity and increased foot traffic, annual rent growth has underperformed the U.S. average, recently turning negative in North Brooklyn.
Tenant Negotiations: Outside prime corridors, tenants often retain leverage, securing flexible lease terms and discounts below asking rents.
Future Outlook: While retail fundamentals have improved, a recent wave of store closures serves as a cautionary note. Rent growth in North Brooklyn is expected to remain modest in the coming quarters.

13 OUT OF 17

Retail Corridors
STILL BELOW PRE PANDEMIC ASKING RENT LEVELS.

FASHION & FOOD

Most Active
RETAIL SECTORS IN 2025

Multifamily OVERVIEW SALES

Summary

In Q1 2025, North Brooklyn recorded approximately 72 multifamily transactions totaling $237 million in sales volume—a decline from 108 transactions and $442 million in 2023. While North Brooklyn slowed, Brooklyn overall remained strong, with $965 million in total sales across 369 transactions in Q1, reflecting an 18.8% increase in volume and a 7.3% increase in deal count year-over-year.

Pricing Trends

- **Median Price Per SF (PPSF):** $355
- **Median Deal Size:** $1.9 million
- **Rent-Stabilized PPSF:** $234
- **Market-Rate PPSF:** $552

This pricing gap reflects investor hesitancy toward rent-stabilized assets, which remain burdened by regulatory constraints and lower return potential.

Neighborhood Breakdown

- Bushwick accounted for over 50% of transactions, but just 34.7% of dollar volume.
- Williamsburg represented only 20.8% of sales but nearly 46% of total volume—demonstrating higher asset values and stronger investor demand.
- Greenpoint recorded 19 deals totaling $47 million.

Williamsburg continues to lead in pricing strength, attracting institutional and long-term investors looking for stabilized, high-yield assets.

Market Dynamics

The market is bifurcated:

- **Market-rate buildings** dominate investor interest, accounting for 88% of Q1 multifamily investment across NYC.
- **Rent-stabilized** properties are facing reduced demand and price corrections as many owners seek repositioning strategies or exit opportunities.

Outlook

While sales volume in North Brooklyn has declined from prior years, fundamentals remain sound. Demand is concentrated in quality, market-rate assets, particularly in prime neighborhoods. Rent-stabilized stock may continue to lag unless policy shifts or repositioning unlocks additional value. Overall, North Brooklyn's multifamily market remains a key part of the city's investment landscape, though buyers are increasingly selective and pricing is under pressure in weaker assets.

$237

MM Q1 2025 VOLUME

$355

MEDIAN PRICE PER SQUARE FOOT

Multifamily

DISTRESS REPORT

CITYWIDE COMPARISON

Summary

The CMBS distress rate for New York City multifamily properties more than doubled in 2024, rising to 14.4%, up from 7% in 2023, according to KBRA. Nearly all of the $1.8B in CMBS-backed multifamily loans last year were tied to rent-regulated units or housing assistance programs like **421a and FHEPS.**
New York City represented 27% of all CMBS multifamily loan volume nationwide—over 4.4x the next-highest city—and accounted for 43% of all distressed multifamily CMBS loans.
Distress was heavily concentrated in pre-1974 buildings, with Manhattan leading among boroughs at a 29.8% distress rate, followed by Queens (7.5%) and Brooklyn (3.2%).
The distress rates vary significantly across New York City's boroughs. Manhattan experienced the highest distress rate at 29.8%, followed by Queens at 7.5%, **and Brooklyn at 3.2% .**

Dominance in CMBS Issuance and Distress

New York City accounted for 27% of the total volume of all multifamily loans securitized in 2024 through CMBS conduit deals, more than 4.4 times the volume of the next-highest city .
Despite this dominance in issuance, the city's multifamily sector also led in distress, with **43% of all CMBS multifamily loans in distress backed by properties in New York City.** *Commercial Observer*

Impact of Rent Regulation and Expired Tax Incentives

A significant portion of the distressed loans are tied to properties subject to rent regulation or housing assistance programs. More than 90% of the $1.8 billion in multifamily loans in New York City in 2024 were associated with such programs, notably the 421-a tax incentive and the Family Homelessness and Eviction Prevention Supplement (FHEPS) .
The expiration of the 421-a program in 2022 has had lasting effects on the market. This program provided property tax exemptions to developers who included affordable housing units in their projects.

Market Fundamentals and Outlook

Despite the rising distress rates, some market fundamentals remain strong.
However, the broader CMBS market is showing signs of strain. The overall CMBS delinquency rate increased to 6.57% by December 2024, up from 4.51% at the start of the year, with the multifamily sector experiencing a nearly 75% increase in delinquent loans, totaling approximately $2.77 billion. *trepp.com - KBRA via Commercial Observer*
As New York City continues to navigate the complexities of rent regulation, expired tax incentives, and broader economic challenges, stakeholders in the multifamily CMBS market will need to closely monitor these evolving dynamics to make informed investment and management decisions.

> *Brooklyn appears to be significantly more stable than its peers—particularly Manhattan—suggesting a healthier multifamily lending environment, at least in terms of CMBS performance.*

What's Next?

THE PIPELINE.

DEVELOPMENT

Overview

North Brooklyn continues to be a focal point for development across residential, commercial, and industrial sectors. While the pace of new groundbreakings has moderated due to financing constraints and regulatory uncertainty, construction activity remains robust in prime neighborhoods such as Williamsburg, Greenpoint, Bushwick, and Downtown Brooklyn. The pipeline reflects a blend of market-rate and affordable housing, adaptive reuse of industrial assets, and large-scale mixed-use projects that are reshaping the borough's urban fabric.

Residential

Residential construction dominates the North Brooklyn pipeline in 2025, though activity is more measured than in the 2021–2023 cycle. Key highlights include:

- Rising Inventory in Williamsburg & Greenpoint: A steady stream of mid-rise residential projects—many with ground-floor retail—are under construction along the waterfront and transit corridors.
- Affordable Housing Push: Brooklyn accounts for 19.2% of the citywide affordable housing pipeline, with over 4,900 fully affordable units under development borough-wide, many in Bed-Stuy and East Williamsburg.
- Notable Projects:
  - 915 & 952 Bedford Avenue (Bed-Stuy): Adding significant multifamily capacity to the corridor.
  - 50 Penn (East New York): A 218-unit affordable housing complex nearing completion.

Commercial/Mixed Use

Commercial development has been more selective but remains strong in key nodes like Downtown Brooklyn and Williamsburg.

- Domino Sugar Redevelopment (Williamsburg): This massive, multi-phase mixed-use project continues to deliver residential, office, and retail space alongside a new waterfront park.
- Alloy Block (Downtown Brooklyn): A 1.6M SF project featuring residential units, two public schools, and ground-floor retail—one of the city's most ambitious passive-house-certified developments.
- 2440 Fulton Street (East Brooklyn): A 400,000 SF office building under construction with the Human Resources Administration signed to occupy 275,000 SF.

Outlook

Despite macroeconomic challenges, North Brooklyn's development pipeline remains active, with more than a dozen significant projects either under construction or in pre-development. Investor and tenant interest remains focused on mixed-use environments, transit-accessible corridors, and neighborhoods with strong demographic trends. The borough is expected to deliver a healthy volume of new inventory through 2026, with an emphasis on resilience, affordability, and adaptive reuse.

Shift Share Analysis
KINGS COUNTY

What is a shift share analysis?

Shift-share analysis breaks down job growth into three parts: national trends, industry trends, and local advantages. It shows whether a region is growing because of broader economic forces or unique local strengths. For landlords, it helps identify which sectors are driving demand and where future leasing and investment opportunities may exist.

Brooklyn Employment Trends (2015–2023 Shift-Share Summary)

Brooklyn added over 200,000 jobs from 2015 to 2023, outperforming regional trends in several sectors. Growth was driven largely by local economic strength rather than national or industry-wide momentum.

Top-Growth Sectors:

- Health Care & Social Assistance: Largest gains; strong local demand.
- Education: Outpaced regional growth; driven by school and institutional expansion.
- Professional & Technical Services: Strong startup and creative sector activity.

Lagging Sectors:

- Manufacturing: Continued decline, below regional and national levels.
- Retail: Modest growth, showing resilience despite national retail contraction.
- Transportation/Warehousing: Underperformed despite regional strength.

MOODY'S ANALYTICS

esri THE SCIENCE OF WHERE®

GIS Geographic Information System

Why This Matters to Brooklyn Landlords

Brooklyn's employment base is **not only growing—it's diversifying toward stable, high-demand sectors that support long-term tenancy.** Health care, education, and tech jobs bring reliable income and consistent demand for housing, office, and flex-use space. For landlords, this means:

- Stronger tenant retention in buildings near employment centers or transit-accessible zones.
- Higher leasing velocity for well-positioned residential and mixed-use assets.
- Ongoing development opportunity in neighborhoods benefiting from construction job growth and infrastructure investment.
- Reduced risk exposure, as leading job sectors are less cyclical and more resilient in downturns.

Brooklyn's shift from industrial to service-based employment supports a real estate strategy focused on modernization, repositioning, and proximity to growing workforce hubs.

Do landlords needs to dive this deep?

No—but we do. Brokerage is more than just advertising space and negotiating deals. Working with an established, data-driven advisor ensures your asset receives the level of research, strategy, and dedication it deserves.

In the End
OUTLOOK

Looking ahead, Brooklyn's multifamily and mixed-use markets will continue to experience turbulence as interest rates remain elevated and distressed CMBS loans create pricing dislocation. While fundamentals like demand and long-term growth potential remain intact, landlords face increasing pressure from lenders, rising operating costs, and cautious buyers. The investment landscape will favor owners who are proactive—those who understand their assets' unique value and are willing to adapt their marketing, pricing, and leasing strategies to meet the moment.

This is where we come in. As a Brooklyn-based advisor with deep experience across office, multifamily, and retail sectors, I help landlords stabilize income, reposition assets, and attract qualified tenants—even in a distressed cycle. Whether it's navigating CMBS workout situations, rebranding vacant properties, or structuring lease deals that hold up under scrutiny, I partner with ownership to maximize performance. If you're not sure how to move forward, let's talk—because doing nothing in this market is the most expensive option of all.

"

Rob and Robert Hebron were instrumental in helping me find the right space. They showed me several quality options and ultimately negotiated a great lease at 32 Court Street. Their long-standing relationship with the landlord and deep knowledge of the area made the entire process smooth. They were always respectful of the personal weight of the decision and never made me feel rushed. I'm grateful for their support and highly recommend their services.

Sarah **Weeks**
Brain Balance of Brooklyn
Spring 2025