



WIRE

WORLDWIDE INVESTMENT IN REAL ESTATE

Brooklyn Real Estate Market

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WIRE CONSULTING STUDY CENTER



Real Estate Market in NY

To buy a house in New York means to buy a house in the economically safest city in the world, New York could be defined as the real estate safe par excellence.

New York represents the worldwide capital city of business and will maintain this status over time. Investing in New York means to protect the capital and watch it increasing over time.

New York comprehends five different administrative divisions called boroughs: Manhattan, Queens, the Bronx, Staten Island and the Brooklyn.

Overview of Brooklyn

Brooklyn is the most populous borough in New York, it is estimated that more than 2.6 Million people live in the area.

It is surprising to learn that Brooklyn is about five times larger than Manhattan in terms of area.

People in Brooklyn rely heavily on public transport, as it is estimated that 65% of the population commutes by public transport (trulia.com), this happens as public transport is considered relatively efficient and inexpensive.



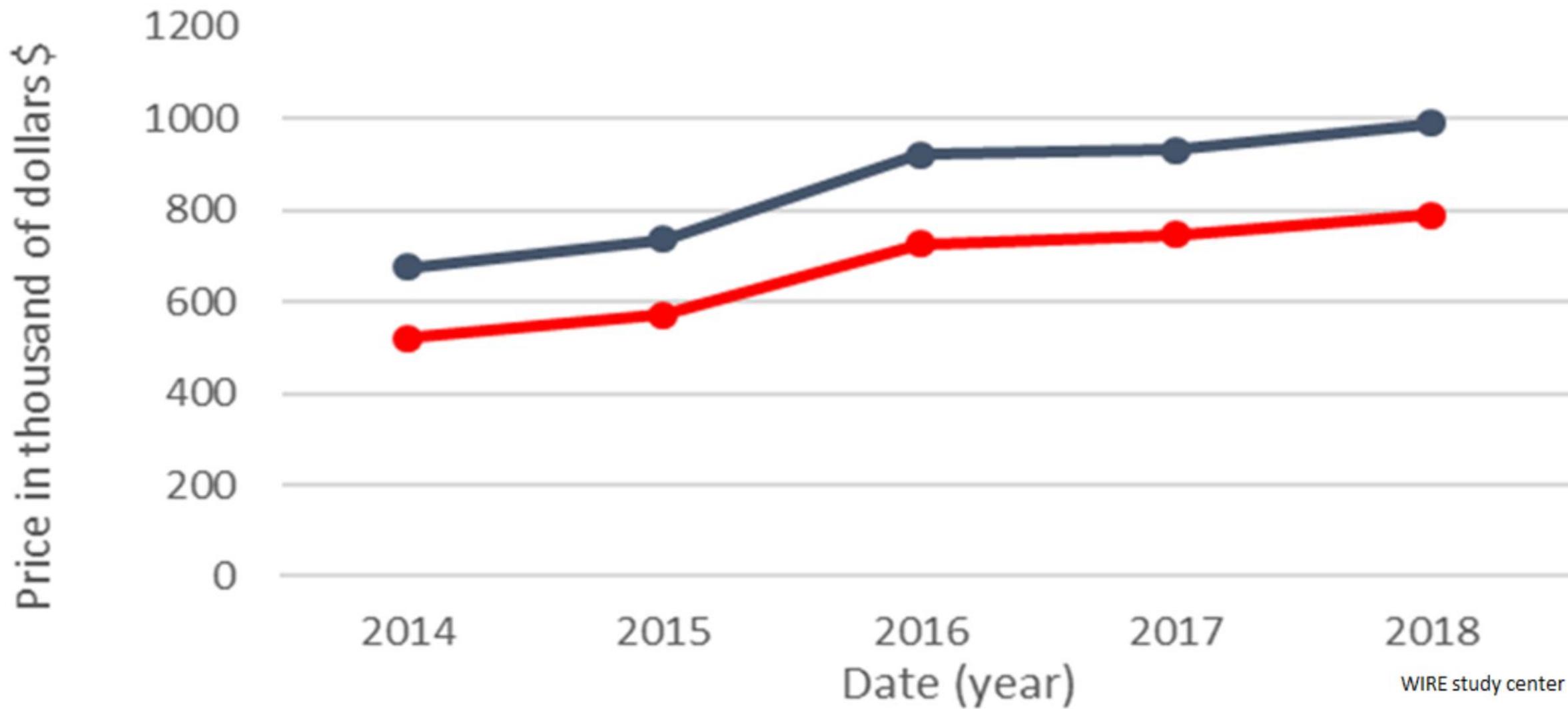
Properties in Brooklyn

Purchasing values of properties in Brooklyn are almost half of those in Manhattan, the trends of the market bring us to think that we will assist in an alignment of values in the next decade.

Considering the efficiency of New York public transport, many people working in Manhattan decided to live in Brooklyn.

WIRE study center decided to use median prices instead of average as a unit of analysis so that the outliers that would result in distortion of the result will not be considered. Average prices values will be still displayed.

Average and Mean Price change in Brooklyn



Investments in Brooklyn



We can see that the average and median price per property increased significantly in the considered period



The median price per property was \$520,000 in 2014 and increased up to \$788,000 in November 2018



This resulted in a net average increase of value of \$268,000 per property, resulting in an increase of 51% in a period of 5 years



These values represent an incredible opportunity for those looking for an investment in the medium term

Different types of properties

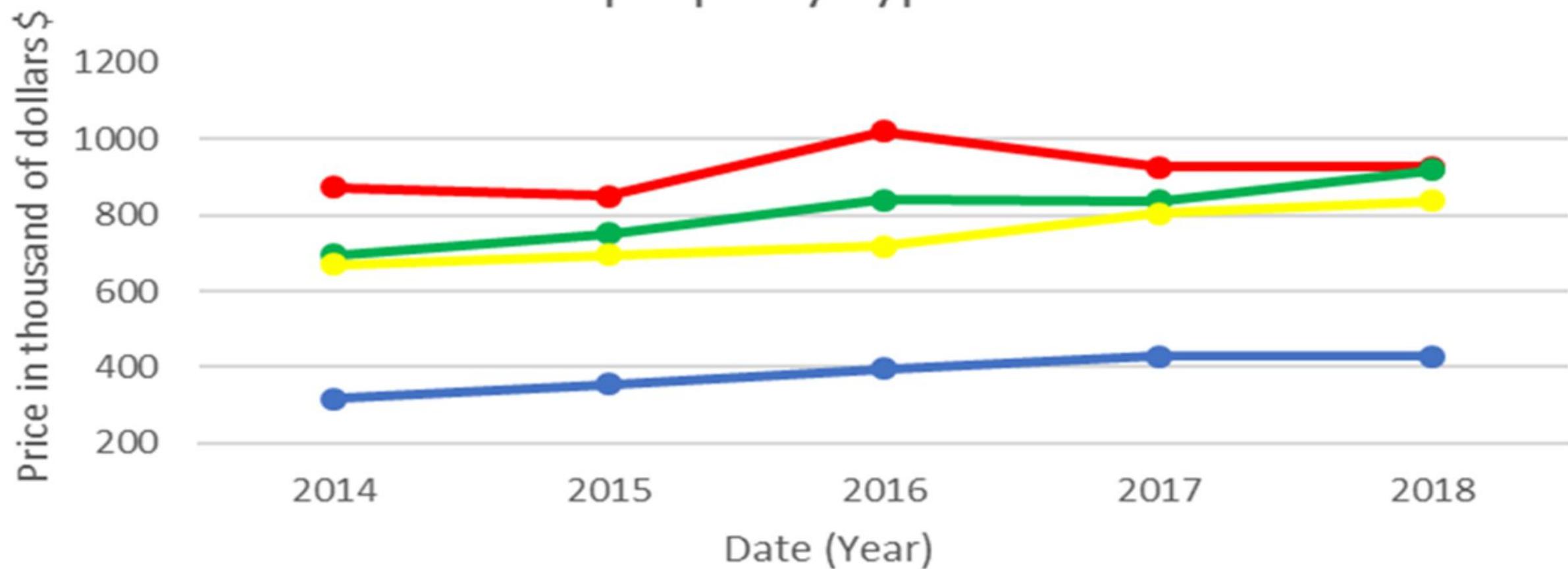
The Brooklyn real estate market is mostly composed by condominiums and co-operative buildings. However, a considerable number of multi-family houses and new developments are present.

The average days that a property stays on sales is 89 days, this means that properties are sold quite rapidly and do not remain in the market for long.

Purchase values in Brooklyn are almost half of those in Manhattan, the trends of the market make us think that we will assist an alignment of values in the next decade

Following, we will analyze the evolution of price over the years for each type of property present in the market.

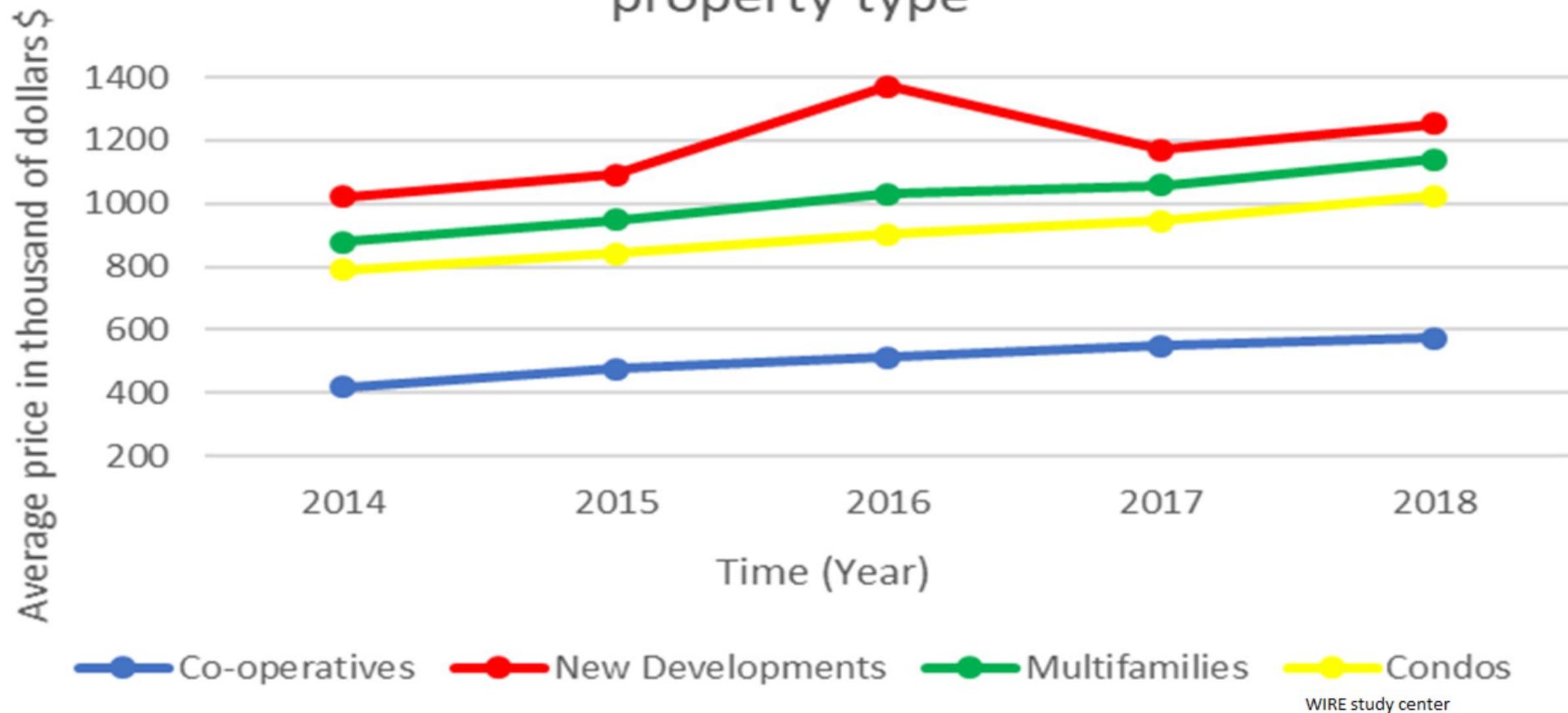
Comparison of Median Price according to property type



Co-operatives New Developments Multifamilies Condos

WIRE study center

Comparison of Average Price according to property type



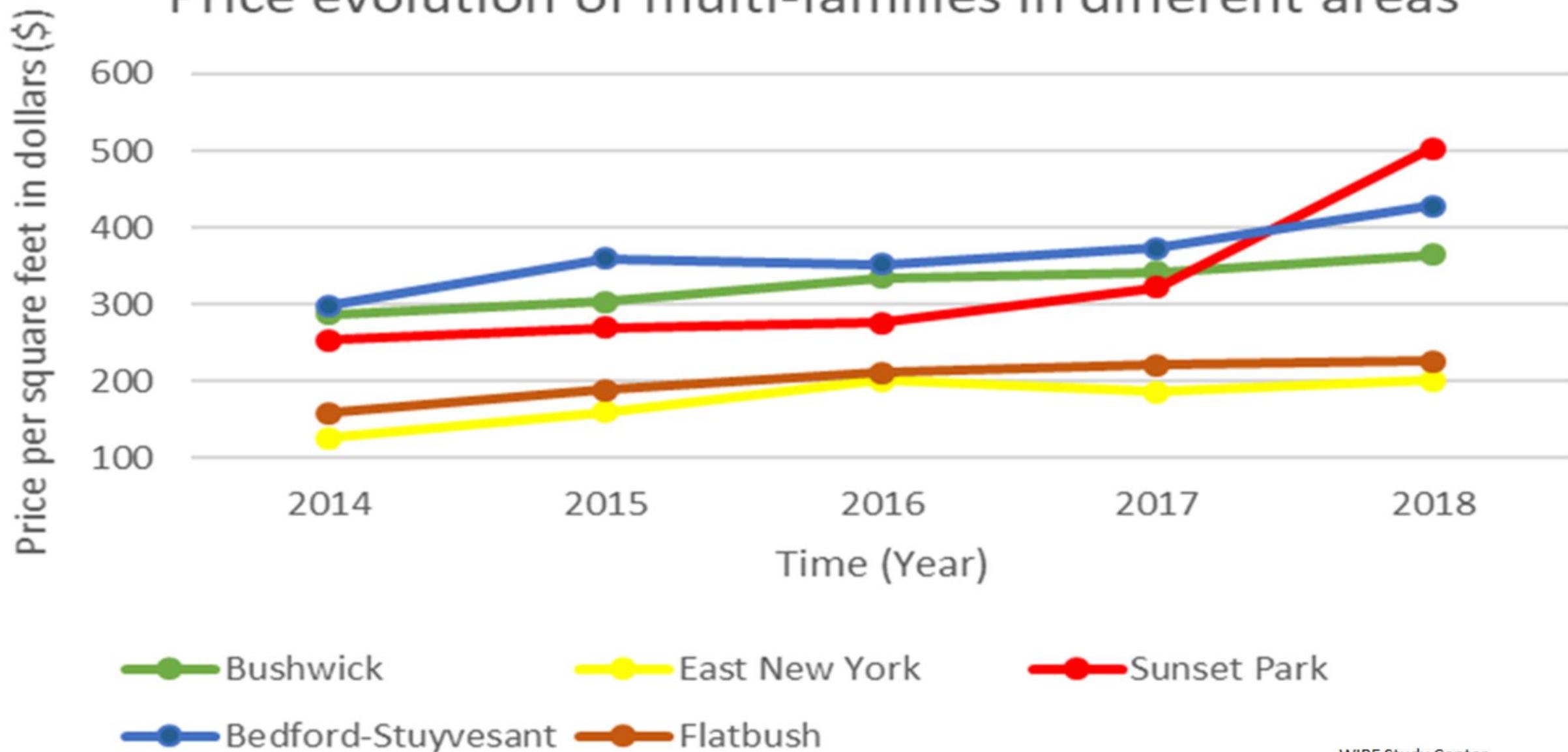
Multifamilies

Multifamily is a classification of housing where multiple separate housing units for residential inhabitants are contained within one complex. Individual units, however cannot be sold separately.

The purchase of a multifamily building is a good investment as individual units could be easily rented out for some extra income.

Inoltre, un edificio multifamiliare potrebbe essere convertito in un condominio attraverso una conversione in condominio. Questa conversione può aumentare considerevolmente il valore della proprietà, in quanto singoli condomini possono essere venduti separatamente successivamente, aumentandone significativamente il valore per piede quadrato.

Price evolution of multi-families in different areas



Investments in multi-families



The price per square foot increased significantly in the last 5 years



The biggest variation occurred in Sunset park, where the price per square foot was \$254 in 2014 and reached \$503 at the end of 2018

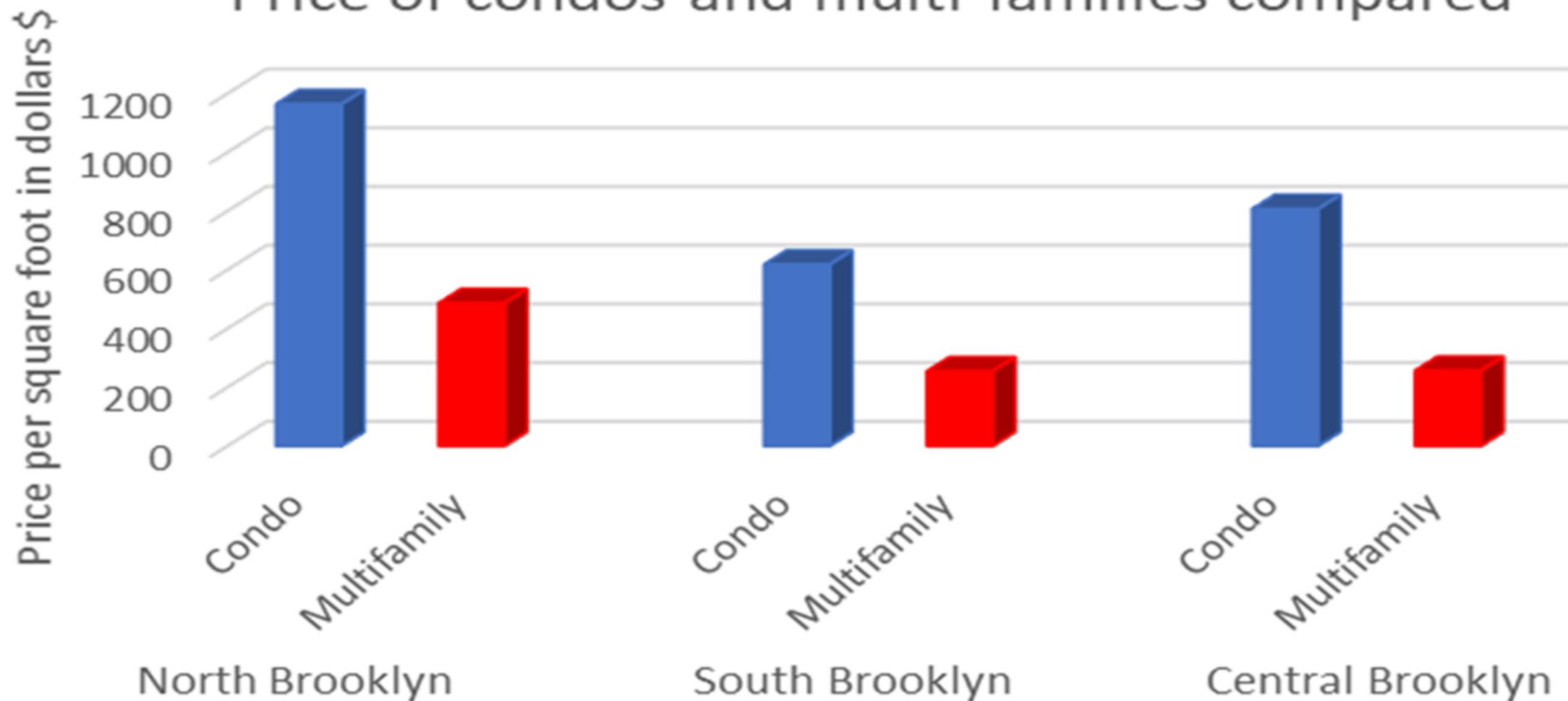


This resulted in a net average increase of value of \$249 per property, resulting in an increase of 98%



However, every area increased in value in the considered period, meaning that the price growth is happening in the whole borough

Price of condos and multi-families compared



Condos or multifamilies?

We can see that from the previous graph that prices for condos are much higher compared to prices for multifamilies.

This happens as individual units cannot be sold in a multifamily property and because prices of condos have to cover the costs for the condo conversion.

In the areas of North and Central Brooklyn the median prices for condos are much higher than the prices for multi-families

From our experience in the real estate field, we estimated that a condo conversion in Brooklyn costs around \$350 per square foot, implying that a big profit could be achieved by converting the multi-family building into a condo and selling the individual units separately.

Williamsburg

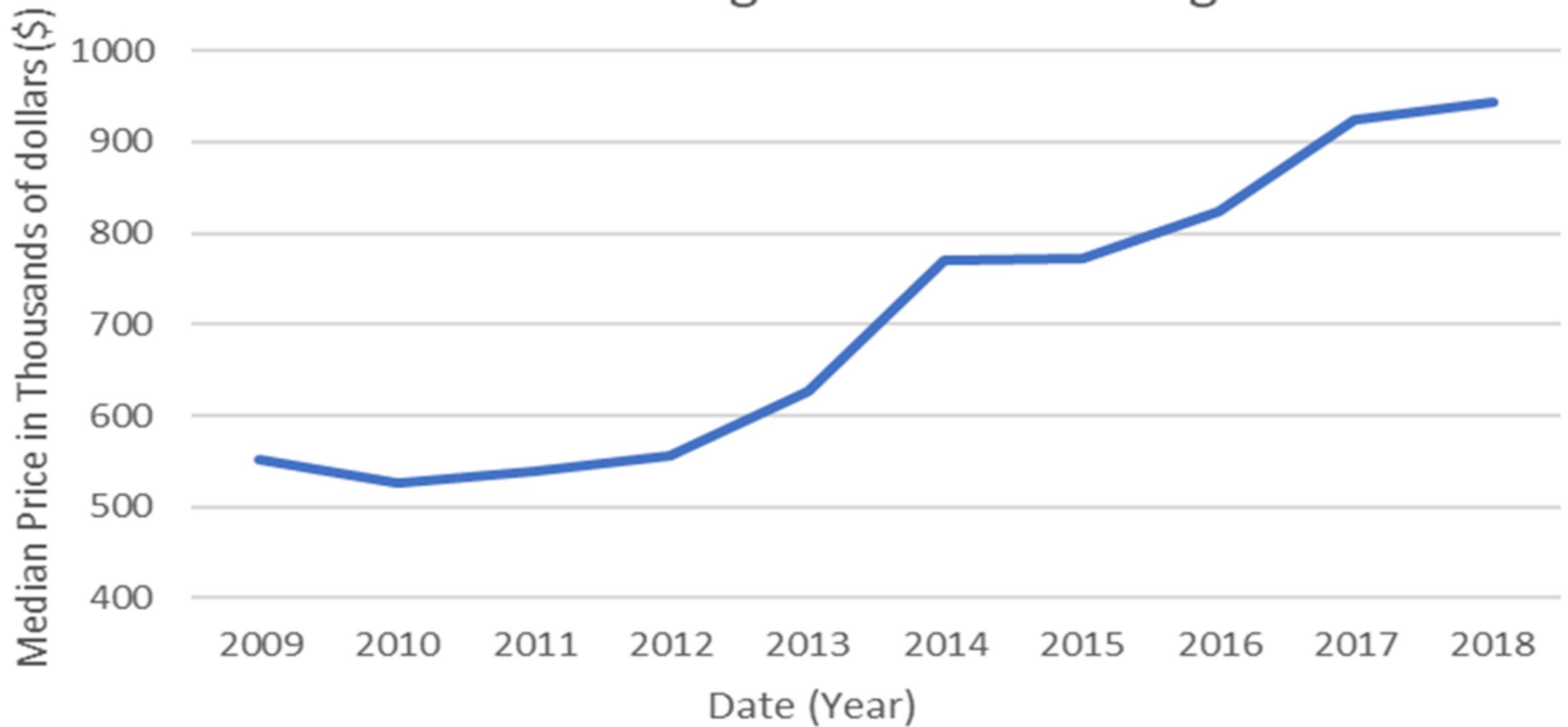
Williamsburg is one of the most expensive neighborhood in Brooklyn, thanks to its proximity to Manhattan and its impressive view, much appreciated by investors.

Prices in Williamsburg are higher compared to those in other areas of Brooklyn as it was the first area where the revaluation process initially took place.

It is likely that values in the other areas of Brooklyn will be affected by a similar price change to the one that occurred in Williamsburg.

Purchasing values of properties in Brooklyn are almost half of those in Manhattan, the trends of the market bring us to think that we will assist in an alignment of values in the next decade, representing a great opportunity for investors.

Median Price change in Williamsburg over time



Conclusions

According to our research, we believe that prices of properties in Brooklyn will align with those of Manhattan in the near future.

In particular, we think that the neighborhoods of Bushwick, Flatbush, Bedford-Stuyvesant, East New York and Sunset park will reevaluate in the next decade similarly to what happened in Williamsburg, where prices now are similar to the ones in Manhattan.

Concluding, we believe that real estate investments in Brooklyn are a great opportunity for foreign investors as property values are destined to increase.