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- [NY REAL ESTATE COMMERCIAL](#)

Downtown Brooklyn—Not Just a Place to Work

Two Real Estate Forces Plan to Replace Office Building With Apartment Tower

BY KEIKO MORRIS

Two of New York's real estate families have joined forces to replace an obsolete office building in downtown Brooklyn with apartments and retail space, in the latest sign of the area's transformation from a place to work to a place to live.



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The lot at 210 Livingston St. is being cleared of rubble from the office building that used to be there. Plans call for apartments on the site. *CLAUDIO PAPAPIETRO FOR THE WALL STREET JOURNAL*

Benenson Capital Partners LLC, a family-owned business with roots stretching back more than 100 years, and Rose Associates, another New York real estate dynasty, have razed the 175,000-square-foot office building at 210 Livingston St., which is cater-cornered to the Macy's department store.

The venture plans to replace it with a 300,000-square-foot tower with rental apartments and retail space. A ground breaking hasn't yet been scheduled.

The Benenson family bought 210 Livingston in 1971 and has operated it as an office building for years, with such tenants as City University of New York and the city's Human Resources Administration. But as the area around the building attracted more residents, the Benensons cut a deal with the Roses to develop the apartment tower.

"With what's been happening and the revitalization of downtown Brooklyn, we saw this site simply from a location standpoint," said Richard Kessler, chief operating officer of Benenson Capital Partners. "It's at a subway stop that has great transportation access, near shopping that has been built up around us."



For decades, downtown Brooklyn was populated primarily by office buildings and stores. But the area became rundown in the 1960s and 1970s, remaining stagnant into the 1990s, brokers say. Retail landlords, many who did well with cheap apparel shops as tenants, were unable to attract big chain stores.

More residential development was sparked by a major rezoning in 2004, which was designed to attract investment to the area. But the transformation also has raised the concern that proliferating apartment projects will squeeze out less-expensive office space.

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"It's just the reality that office rents are not as high as residential [rents]," said Tucker Reed, president of the Brooklyn Downtown Partnership. "We are starting to run into a real problem with affordable commercial space."

Since 2006, 42 new residential projects that will provide more than 8,000 housing units have been completed or are under construction, according to the Downtown Brooklyn Partnership.

The area has also added 1.5 million square feet of retail space and 332,000 square feet of office space, the organization said.

Much of the residential development has taken place along the Flatbush Avenue Extension, just off the Manhattan Bridge. But residential projects also are beginning to pop up in the Livingston Street and Fulton Mall area.

For example, a new residential project in the area, 388 Bridge, is about to start renting apartments. Another big project is the City Point development, which sits between Fulton St. and Flatbush Ave. A partnership of developers led by Acadia Realty Trust and Washington Square Partners completed the first retail phase, a 50,000-square-foot building with Armani Exchange as a tenant. The developers also broke ground last year on the second phase, which includes 650,000 square feet of retail space and will be anchored by Century 21. Two towers with about 630,000 square feet of rental apartment units will follow in 2016.

The median sales price for downtown Brooklyn condos has increased from \$406,900 in 2009 to \$585,000 in 2013, according to StreetEasy. Median asking rent also rose from \$2,500 to \$2,972 during the same time.

Retail in the area also has boomed lately. New tenants include national retailers and restaurants such as H&M and Aéropostale, Sephora, American Eagle, American Apparel and Hill Country Barbecue. Hotels such as Hotel Indigo have also come to the area. Macy's is looking at options to upgrade its downtown Brooklyn location.



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Macy's wants to make upgrades to its location in downtown Brooklyn. *CLAUDIO PAPAPIETRO FOR THE WALL STREET JOURNAL*

The Livingston Street project sits near the A, C and G subway lines. Benenson considered redeveloping the property as dormitories and offices, before opting for rental apartments and retail.

Mr. Kessler said one reason the company decided against an office development is because office buildings "require more ongoing capital for tenant improvements and commissions and have more market volatility in New York than multifamily residential buildings with retail."

Demand for less expensive office space in New York City will exceed supply by 2025, according to a December study by the New York City Economic Development Corp. The report said the gap will be largest in Brooklyn, where demand for that type of office space will outstrip supply by 4.2 million square feet.

That gap is being driven by high land and construction costs as well as residential development, the report said: "Residential is often the highest use...so owners have a greater incentive to convert nonresidential buildings to residential uses."

The Benenson and Rose families have worked together before on projects including the Metropolis, a Midtown Manhattan luxury apartment building; the redevelopment of 21 West Street, another luxury rental building; and an office tower at 1180 Sixth Ave.

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