



Brooklyn Multifamily Market Update

Q1-Q2 2025 Analysis for 15-300 Unit Properties

Based on comprehensive data from the Mendy Realty Q1-Q2 2025 Report, this presentation examines current market dynamics, investor sentiment, and strategic opportunities in Brooklyn's resilient multifamily sector. We'll explore transaction patterns, pricing trends, and neighborhood-specific insights for properties ranging from 15 to 300 units.

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Market Overview & Investor Confidence

\$2.1B

Sales Volume in Q2

From 225 transactions
across Brooklyn

50%

of NYC Volume

Brooklyn represents nearly
half of the city's total
multifamily transactions

30+

Unit Properties

Continue to attract
institutional capital
despite market headwinds

Despite broader economic challenges, investor confidence in Brooklyn's medium-to-large multifamily buildings remains strong, supported by transaction data showing consistent deal flow and institutional participation in the market.





Q2 2025 Brooklyn Multifamily Transactions

15-49 Units

60 transactions totaling \$153.8M

50-149 Units

49 transactions totaling \$133.5M

150+ Units

26 transactions totaling \$777M

Market Implications

For Buyers

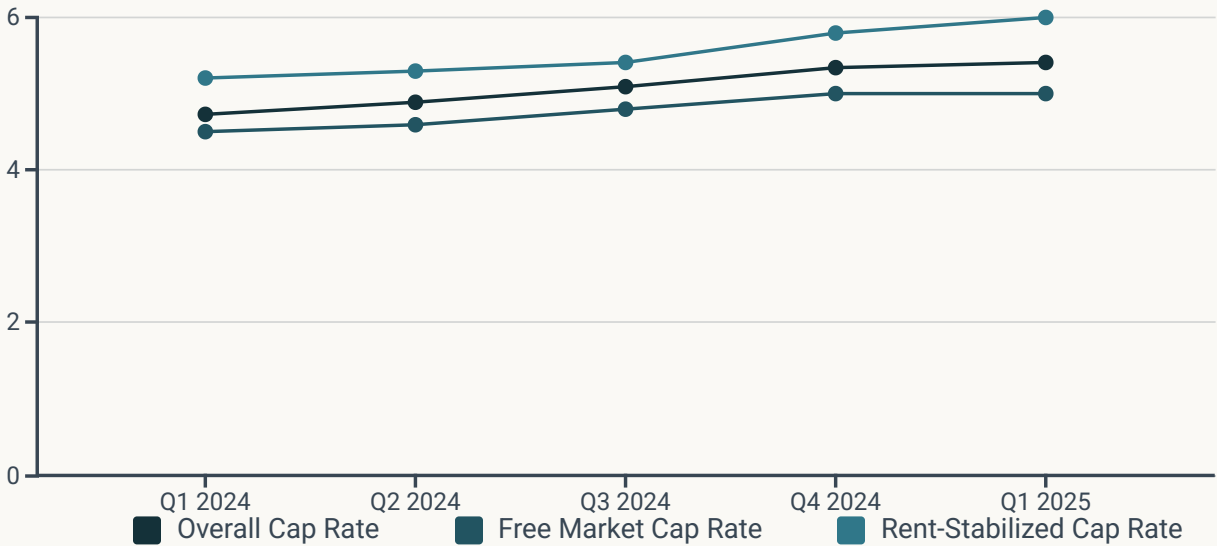
The market sweet spot exists in the 50-149 unit range, offering the optimal balance of deal volume and pricing leverage.

For Sellers

Expect slower trade velocity at the 150+ unit level unless pricing strategy is competitive with current market realities.

Cap Rate Expansion – Pricing Reset in Motion

Cap Rate Trends (2024–2025)



Key Takeaways

- Overall cap rate expanded from **4.72% in Q1 2024** to **5.35% in Q4 2024**, a 63 basis point increase.
- Early 2025 data indicates an average cap rate of approximately **5.3%**.
- Free market assets maintain lower cap rates (~5.0%).
- Rent-stabilized assets commanding higher yields (5.6-6.0%).

1

For Buyers

Higher return thresholds create opportunity if properties are underwritten correctly to current market conditions.

2

For Sellers

Recognize that buyers are demanding more yield—pricing must accurately reflect perceived risk profiles and regulation status.



Price Per Unit by Regulation Type

Q2 2025 Average Price Per Unit

\$483K

Free Market / 421-a

Premium pricing for
unregulated and tax-abated
properties

\$337K

Rent-Stabilized

Properties with 70%+ rent-
stabilized units

\$420K

Market Average

Overall average across all
Brooklyn multifamily
transactions



Actionable Insight

Buyers should adjust valuation models by unit type mix, not just gross rent multiplier (GRM) or location. The regulation profile significantly impacts both current value and future appreciation potential.

The 43% premium for free market units reflects investors' preference for operational flexibility and growth potential in an increasingly regulated environment.

Source: Mendy Realty Q1–Q2 2025 Market Intelligence Report

NOI & Expense Pressure



Financial Performance Metrics

- Average NOI per unit (rent-stabilized): ~\$573/month
- Insurance costs: ↑ 12% year-over-year
- Property taxes: ↑ 8% year-over-year
- Utility expenses: ↑ 15% year-over-year
- 421-a assets outperforming on net yield while tax benefits remain in effect

For Sellers

Clean trailing 12-month financials and stabilized expenses help preserve value.
Document expense management initiatives to demonstrate operational efficiency.

For Buyers

Focus on energy efficiency improvements and strategic repositioning opportunities to defend margins against rising operational costs.

The divergence between expense growth and rent growth continues to compress margins, making operational efficiency a critical factor in preserving asset value.



Neighborhood Spotlight – Prime vs. Emerging

Prime Neighborhoods

- **Williamsburg, Downtown Brooklyn, Brooklyn Heights**
- 30% of total dollar volume
- Notable transaction: 101 Leonard (\$91.5M)
- Smaller deal example: 20 Monroe Place (\$12.6M)
- Primarily institutional and core investors
- Lower cap rates but higher liquidity

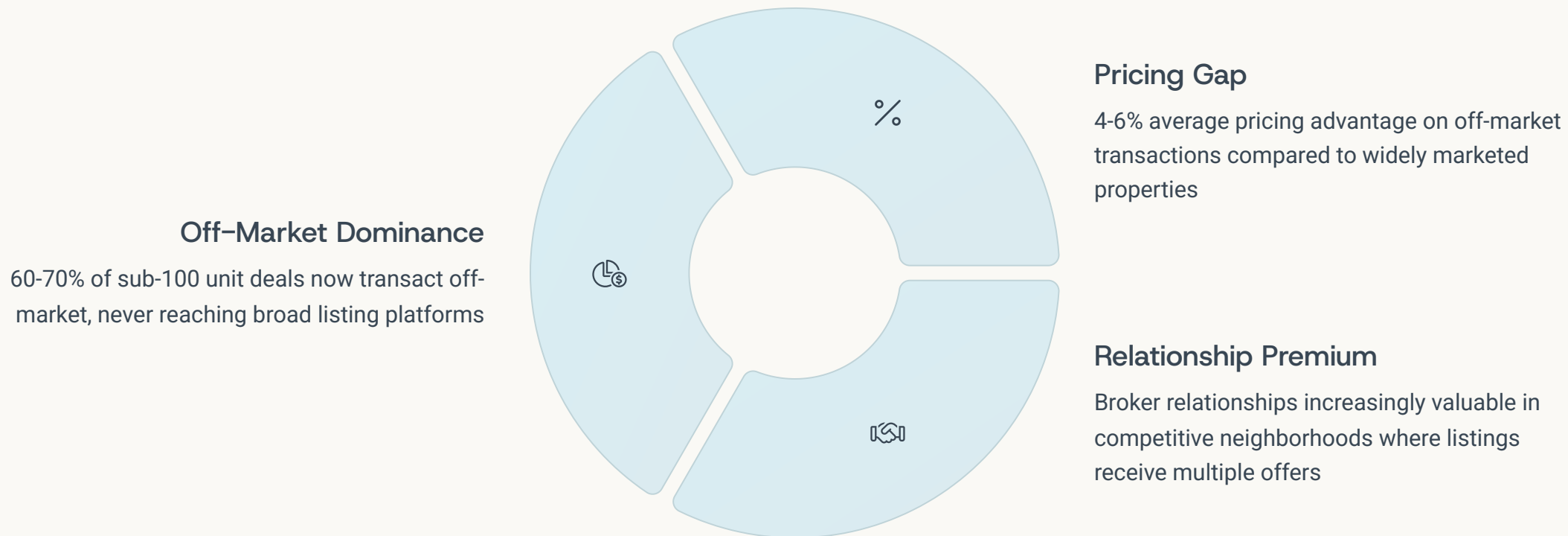
Emerging Neighborhoods

- **East New York, Clinton Hill, Gowanus**
- Growing share of transaction volume
- Notable deal: 2164 Atlantic Ave (\$17M for vacant 80-unit building)
- Attracting value-add operators
- Higher yields but potentially longer holds
- Infrastructure improvements driving growth

Investor Strategy

Core buyers continue to focus on prime neighborhoods, while value-add players should look deeper east and south for higher-yield opportunities with stronger appreciation potential.

On vs. Off-Market Deal Flow



Lending & Leverage Conditions



Current Financing Parameters

Interest Rates

6.0-7.5% (varies by LTV ratio and regulation status)

DSCR Requirements

1.25x minimum, stricter for rent-stabilized assets

Typical LTV Ratios

60-70%, with bridge lending options becoming scarce

Market Implications



For Sellers

Be open to seller financing or creative deal structures to bridge financing gaps and facilitate transactions in a tighter lending environment.



For Buyers

Underwrite to current interest rates with conservative leverage assumptions—aggressive debt structures are increasingly difficult to obtain and may not be sustainable.

Strategic Outlook & Opportunities

Q4 2025 & Beyond Market Forecast



Rent Growth

Muted rent increases projected (2-3% annually) with neighborhood-specific variations

Cap Rates

Plateauing around current levels with potential for modest compression in 2026



Inventory

Increased listings expected due to loan maturities and refinancing challenges

Final Guidance

For Buyers

Target repositionable assets in emerging neighborhoods like Gowanus, East New York, and Clinton Hill where value-add potential remains strong.

For Sellers

Price to today's underwriting standards—not 2022 comparable sales. Realistic pricing will accelerate transactions and reduce market time.

For All Stakeholders

Be realistic about market conditions, act decisively when opportunities arise, and embrace creative deal structures to overcome financing constraints.