Brooklyn 2026 Mid-Year Commercial Real Estate Trends

by Ariel Property Advisors

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Research

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2026 Mid-Year Overview

Volume 1H'26 VS 1H'25

15% ↑ **$3.50B** Dollar Volume

4% ↑ **497** Transaction Volume

10% ↑ **668** Building Volume

Brooklyn remained New York City's most transactional investment sales market in the first half of 2026, leading all boroughs with 497 transactions. Dollar volume also increased 15% year- over-year to $3.50 billion. The gain was driven not only by multifamily, the borough's traditional engine, but by development and a one-time surge in special-purpose sales. Development dollar volume eclipsed $1 billion, up 60% year-over-year, while Emerald Group's $296.2 million acquisition of three Brooklyn nursing-home facilities, including the 504-bed Boro Park Center at 4915 10th Avenue, accounted for the majority of special-purpose volume as part of its broader $1.7 billion purchase of Centers Health Care assets. Together, these two asset classes more than offset a 19% decline in multifamily dollar volume as Brooklyn's rent-regulated housing stock continued to reprice.

Development activity remains concentrated in neighborhoods such as Gowanus, Clinton Hill, Bedford-Stuyvesant, Crown Heights, and Williamsburg, while demand for retail in Williamsburg and office properties in Downtown Brooklyn remains strong. In contrast, the borough's deeply rent-stabilized housing stock continues to account for a significant portion of the city's distressed assets.

Dollar Volume Comparison

Product Type	1H 2026	1H 2026 VS 2H 2025	2H 2025	1H 2026 VS 1H 2025	1H 2025
Multifamily	$1,461.36M	-4%	$1,526.89M	-19%	$1,800.28M
MF-MU 10+ resi units	$850.01M	-8%	$926.92M	-30%	$1,216.91M
MF-MU 6-9 resi units	$201.29M	-1%	$203.77M	-12%	$229.74M
MF-MU Small	$410.06M	3%	$396.19M	16%	$353.63M
Retail	$292.88M	-6%	$311.66M	44%	$203.02M
Ind / WH / Sto*	$167.00M	-11%	$186.79M	-30%	$239.49M
Development	$1,000.34M	-13%	$1,145.85M	60%	$627.09M
Office	$141.76M	129%	$61.85M	54%	$91.85M
Hotel	$0	N/A	$0	N/A	$22.63M
Special Purpose	$432.56M	156%	$169.18M	583%	$63.36M
GRAND TOTAL	**$3,495.90M**	**3%**	**$3,402.23M**	**15%**	**$3,047.72M**

*Ind / Wh / Sto: Industrial / Warehouse / Self Storage

2026 Mid-Year Watchlist

Development surged 60% past $1 billion, the city's largest; the $121.4 million Clinton Hill site, Rockrose's Cobble Hill hospital redevelopment, and the 2-million-square-foot Bed-Stuy rezoning anchor it. The June 2026 485-x deadline to qualify for a 35-year tax benefit and the City of Yes will determine how much of the pipeline ultimately breaks ground.

Brooklyn's 2,692-unit, $212.9 million slice of the Pinnacle bankruptcy reset deeply rent-stabilized values to roughly $79,000 per unit. With the borough holding the city's largest regulated debt pool and a peaking maturity wall, distressed recapitalizations should drive multifamily deal flow through year-end.

The recently approved two-year rent-freeze will further deteriorate rent stabilized building values where a cumulative 40% surge in operating expenses over five years has outpaced the 16% in allowed rent growth.

Transaction Volume Comparison

Product Type	1H 2026	1H 2026 VS 2H 2025	2H 2025	1H 2026 VS 1H 2025	1H 2025
Multifamily	301	-5%	316	3%	291
MF-MU 10+ resi units	43	-34%	65	-16%	51
MF-MU 6-9 resi units	87	12%	78	-7%	94
MF-MU Small	171	-1%	173	17%	146
Retail	38	-14%	44	12%	34
Ind / WH / Sto*	39	5%	37	-11%	44
Development	93	2%	91	11%	84
Office	11	175%	4	10%	10
Hotel	0	N/A	0	N/A	2
Special Purpose	15	25%	12	25%	12
GRAND TOTAL	**497**	**-1%**	**504**	**4%**	**477**

*Ind / Wh / Sto: Industrial / Warehouse / Self Storage

Multifamily Highlights

- Multifamily remained Brooklyn's largest asset class at $1.46 billion, but dollar volume declined 19% year-over-year as the borough's substantial rent-stabilized inventory continued to reprice amid elevated distress. Transaction volume remained relatively stable at 301 sales. The decline was concentrated among larger buildings. The 10+-unit segment, where regulated units are most prevalent, fell 30% to $850 million, while smaller multifamily assets moved in the opposite direction, rising 16% to $410 million as local owner-operators remained active in sub-six-unit buildings. The divergence underscores the growing divide within Brooklyn's multifamily market.

- Pricing confirmed the reset. The average price per square foot declined to $333, the lowest level since 2015, while price per unit fell to $318,000 from $351,000, remaining well below the 2022 peak of nearly $397,000. Cap rates moved modestly higher to 7.06% from 6.96%, while the gross rent multiplier increased to 9.21. These blended metrics, however, mask a widening divide within the market. Free-market, transit-oriented assets continue to command strong pricing, while deeply rent-stabilized properties are trading at significant discounts to prior-cycle valuations.

- That discount was on full display in Summit Properties' $212.9 million acquisition of the 2,692-unit Brooklyn portion of Pinnacle Group's rent-stabilized portfolio, which represented the borough's share of the city's largest rent-stabilized bankruptcy resolution in years. At approximately $79,000 per unit, the transaction established a significant benchmark for deeply regulated Brooklyn multifamily assets.

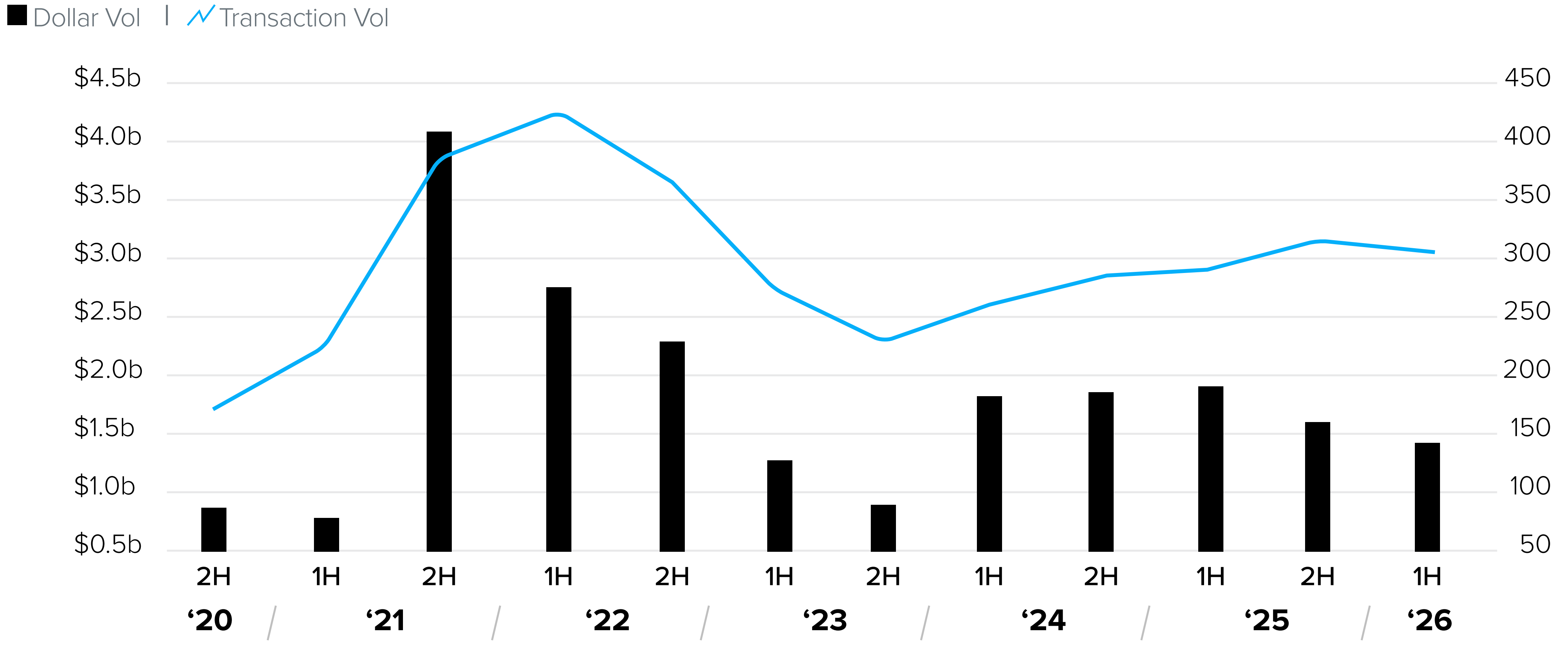
- Affordable housing has emerged as an area of resilience, with mission-driven investors continuing to pursue opportunities despite broader weakness in the regulated market. Ariel Property Advisors' $79.9 million sale of the PPSP Portfolio, an eight-building, 387-unit Prospect Park portfolio from Camber Property Group and Belveron Partners to Star Realty Corporation exemplified the continued appetite for affordable housing investments.

Volume 1H'26 VS 1H'25

-19% $1.46B Dollar Volume

3% 301 Transaction Volume

Real Estate Timeline



Property Value Metrics - Multifamily*

Year	2020	2021	2022	2023	2024	2025	1H 2026
$/SF	$397	$357	$459	$374	$391	$365	$333
$/Unit	$335k	$310k	$397k	$342k	$352k	$351k	$318K
Cap Rate	5.27%	5.51%	5.24%	5.83%	6.63%	6.96%	7.06%
GRM	12.60	11.46	12.64	10.33	9.01	8.71	9.21

*reflects multifamily transactions of 10+ residential units

1H'26 Featured Transaction

Flatbush

Pinnacle Group Brooklyn MF Portfolio

Buyer:

Summit Properties

Seller:

Pinnacle Group

Sale Amount:

$212.9M

Units:

2,692

Retail Highlights

- Retail was a bright spot in Brooklyn's investment sales market, with dollar volume rising 44% year-over-year to $292.9 million across 38 transactions, as activity shifted toward larger, higher-quality assets. Empire State Realty Trust acquired a 21,409-square-foot retail condominium at 127 Kent Avenue in Williamsburg for $46 million, continuing its strategic expansion into prime New York City street retail as it reallocates capital from office assets. The transaction highlights the continued premium investors place on irreplaceable retail locations with strong visibility, foot traffic, and long-term growth potential. Institutional and foreign capital remain focused on Brooklyn's premier retail corridors, even as more commodity retail assets remain challenged.

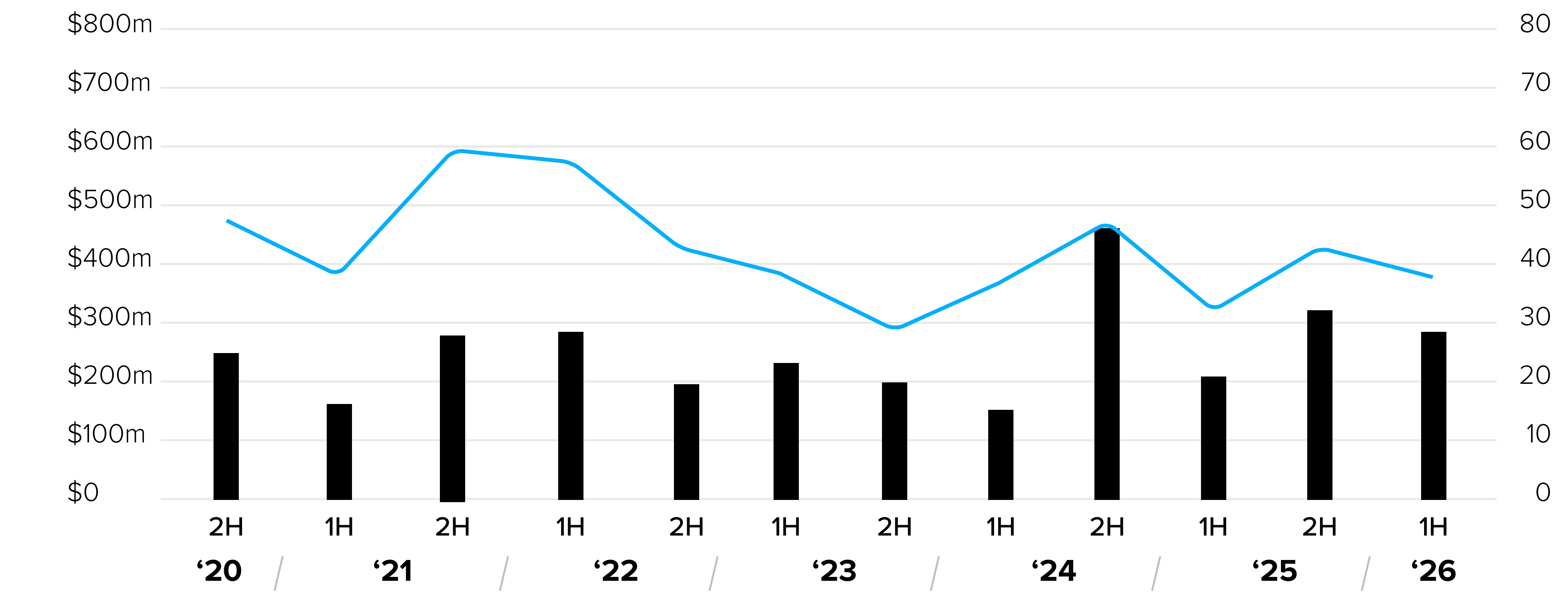
- Pricing reflected the flight to quality, with Brooklyn retail achieving a record average price of roughly $863 per square foot, well above the previous year's $686. The record pricing was largely a function of transaction mix, as first-half sales were concentrated in premier, high-foot-traffic locations rather than the everyday storefronts that comprise the majority of the borough's retail inventory.

Volume 1H'26 VS 1H'25

44% ↑ **$292.9M** Dollar Volume

12% ↑ **38** Transaction Volume

Real Estate Timeline



Property Value Metrics - Retail*

Year	2020	2021	2022	2023	2024	2025	1H 2026
$/SF	$577	$559	$666	$632	$721	$686	$863

*reflects transactions of commercial buildings

1H'26 Featured Transaction

Williamsburg

127 Kent Avenue

Buyer:
Empire State Realty Trust (ESRT)
Seller:
Joyland Group
Sale Amount:
$46.0M
Size:
21,409 SF

Development Highlights

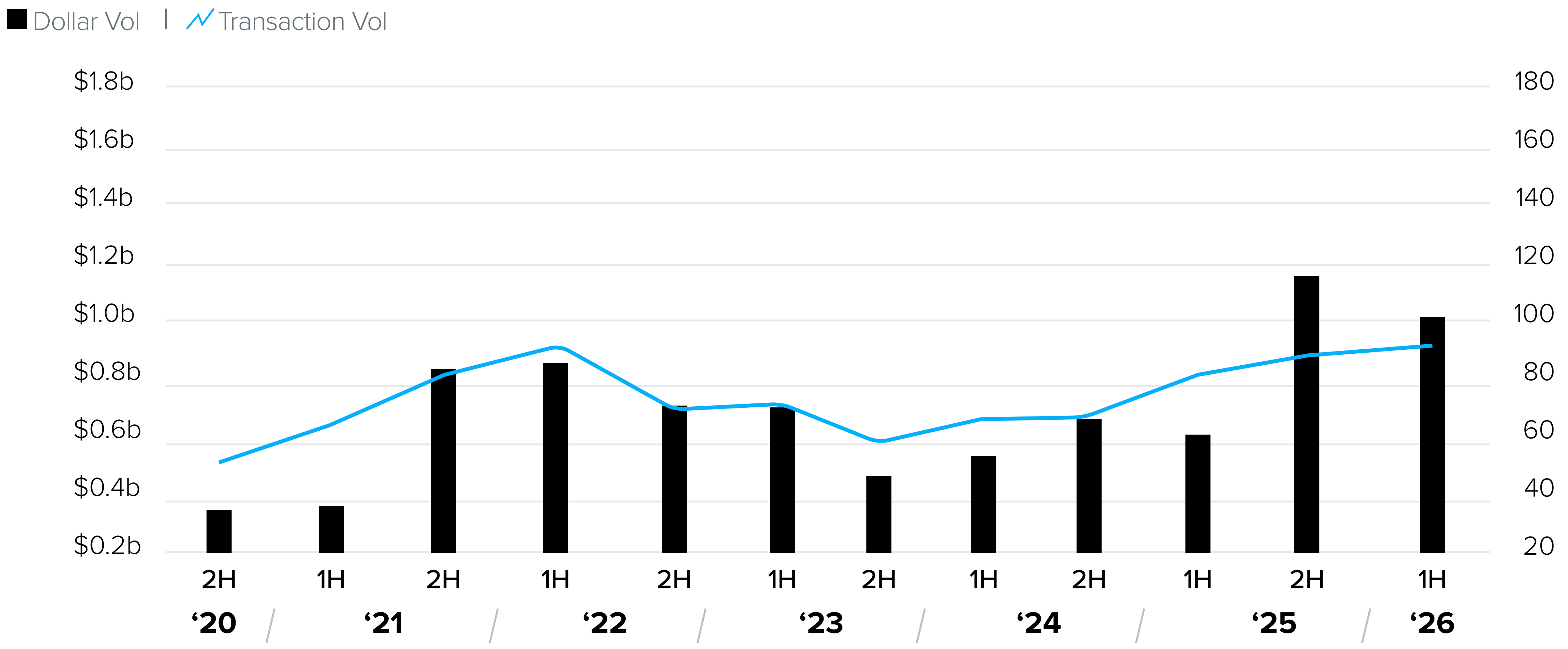
- Development led Brooklyn's investment sales growth, surging 60% year-over-year to $1 billion across 93 transactions, the highest development dollar volume of any borough outside of Manhattan and the largest contributor to Brooklyn's overall increase in dollar volume activity.
- The first half of 2026 extended the momentum that emerged in the second half of 2025, driven by a deep pipeline of ground-up opportunities. The market shifted toward larger institutional transactions, with eight development sites selling for more than $30 million, compared with only two during the same period in 2025. The sector's largest transaction was the $121.4 million sale of a 983,232 buildable-square-foot development site at 47 Hall Street in Clinton Hill. The project will combine new construction with the adaptive reuse of eight historic structures, where YS Developers plans to deliver 611 to 620 rental apartments, 150 to 180 of them permanently affordable, in addition to approximately 47,600 square feet of ground-floor retail.
- Williamsburg led the way once again with 13 total transactions, followed closely behind by Crown Heights with 11. Gowanus and Bed-Stuy each saw 8 sales a piece.
- Per-buildable-square-foot pricing remained relatively stable despite the surge in dollar volume. Standard development sites averaged $265 per buildable square foot, down from $288 a year earlier, while MIH/UAP sites averaged $243, indicating that the 60% dollar volume increase was driven by a greater number of larger transactions rather than pricing appreciation. Policy continues to shape Brooklyn's development pipeline. The L+M-led Fulton Park Rezoning of a roughly 2-million-square-foot Bed-Stuy site, along with programs such as 485-x and the City of Yes, are supporting both the borough's marquee mixed-income projects and continued mid-market land activity.

Volume 1H'26 VS 1H'25

60% ↑ **$1.0B** Dollar Volume

11% ↑ **93** Transaction Volume

Real Estate Timeline



Property Value Metrics - Development*

Year	2020	2021	2022	2023	2024	2025	1H 2026
$/BSF (Standard)	$251	$254	$278	$280	$257	$288	$265
$/BSF (MIH / UAP)	-	-	-	-	-	$216	$243

*reflects transactions of vacant land or equivalent development sites
Following the late 2024 City of Yes initiative, we now distinguish between Standard and MIH/UAP pricing. This allows for a direct comparison between market-rate transactions and those utilizing the Universal Affordability Preference (UAP).

1H'26 Featured Transaction

Clinton Hill

47 Hall Street

Buyer:
YS Developers
Seller:
RXR Realty
Sale Amount:
$121.3M
Size:
983,232 BSF

Financing Overview

The first half of 2026 was defined by adaptation over anticipation. Borrowers who spent the last three years hoping for rate cuts have had to face the current market reality and accept the current interest rate environment. That acceptance, paired with lenders forcing resolutions on vintage debt as the era of "extend-and-pretend" ends, unlocked a pipeline of transactions even as the macro backdrop became more challenging. At its June meeting, the FOMC under new Chairman Kevin Warsh unanimously held the federal funds rate at 3.50%–3.75%, but the accompanying projections marked a decisively hawkish shift: nine of 19 officials now forecast at least one rate hike by year-end (up from zero in March), only one expects a cut (down from 12), and the median 2026 PCE inflation projection jumped to 3.6% from 2.7%. Markets absorbed a substantial shock with the outbreak of the conflict in Iran in late February, which contributed to structurally widened spreads and quadrupled hedging costs. Despite persistent volatility and the recent collapse of early-summer truce agreements, institutional capital flows have remained resilient. Combined CRE securitization issuance rose 19.9% year-over-year in Q1 to $70.8 billion, bank CRE books returned to growth, and New York City investment sales dollar volume jumped 37% year-over-year to $17.3 billion in H1 2026, precisely because the market has stopped waiting and started transacting.

Banks

- Banks delivered renewed growth and more flexible terms. The commercial real estate loan holdings of the top 100 U.S. banks grew 5.0% in 2025 to $1.78 trillion as stabilized rates and stronger balance sheets allowed new deals to clear approval hurdles. This growth concentrated in fundamentally strong asset classes, with multifamily loan holdings expanding 7.7% year-over-year to $451.8 billion and commercial loans rising 7.0% to $1.07 trillion. On the transaction side, increased lender competition is driving borrower-friendly terms. Banks have begun loosening covenants for income-producing multifamily assets and offering incremental underwriting flexibility, pushing average fixed-rate permanent loan LTVs to 64.4% as they pursue cash-flowing properties.
- Regional banks are repositioning around New York rent-regulated exposure. Following the June 1 merger of OceanFirst Bank and Flushing Financial, the newly combined bank agreed to sell approximately $1.4 billion of multifamily loans largely backed by rent-stabilized properties in the New York metro area, eliminating the majority of its exposure to rent-regulated housing. Shortly thereafter, the bank completed a secondary sale in June, unloading a $327 million small-balance CRE portfolio.

Agency Lenders

- Agency lending carried its 2H 2025 momentum straight into 2026. This momentum aligns directly with the Federal Housing Finance Agency's (FHFA) expansionary framework for the year, which raised the 2026 multifamily loan purchase caps by 20.5% to $176 billion. Lenders aggressively utilized this runway out of the gate, with Fannie Mae generating $17.1 billion and Freddie Mac generating $13.0 billion in multifamily loan volume during Q1 2026 alone, marking massive year-over-year gains of 45% and 30%, respectively.
- Two policy items bear watching. FHFA Director Bill Pulte's appointment as acting head of national intelligence has raised concern about timeline delays for Fannie Mae and Freddie Mac recapitalization efforts, given his split administrative focus. Meanwhile, a major legislative hurdle for the single-family rental space was resolved with the enactment of the ROAD to Housing Act. While an earlier Senate-added provision threatened to force institutional build-to-rent (BTR) owners to divest within seven years, which briefly caused the agencies to pause originations, the final law stripped this requirement entirely, clearing the way for both Fannie and Freddie to resume lending on BTR properties.

CMBS

- The securitization market set a post-GFC first-quarter record in Q1 2026. Combined issuance across private-label CMBS, CRE CLOs, and agency deals reached $70.8 billion, a 19.9% year-over-year increase. This growth was led by agency paper (+77.8%) and CRE CLOs (+73.6% to $14.5 billion), while private-label CMBS fell 12.4% to $32.9 billion, largely reflecting a lapping of 2025's exceptional conduit pace rather than weak demand. Single-asset, single-borrower deals dominated at roughly 75% of private-label volume, pushing year-to-date U.S. CMBS issuance to $62.8 billion by mid-June. This activity highlights structural resilience in the face of geopolitical volatility.

Alternative Lenders

- Private credit went from filling gaps to setting the pace. Debt funds and other alternative credit platforms accounted for 53% of all non-agency commercial loan closings in Q1 2026, a dramatic surge from their roughly 25% market share in 2025. Superior execution speed and structural adaptability successfully won the refinancing pipeline that conventional banks, constrained by conservative leverage limits, were unable to service. This expansion tracks the broader institutionalization of the global private credit market, which grew to $2.1 trillion at year-end 2025 and is projected to scale past $2.3 trillion by the end of 2026.
- The capital base behind the strategy keeps setting records. High-yield real estate debt funds reached record highs for the fourth straight year, with $75.2 billion closed (up 5%) and a record $56.5 billion of dry powder across 82 managers. Crucially, these vehicles continue to deliver robust risk-adjusted performance, with high-yield CRE debt returning 9.07% on a rolling 12-month basis (Giliberto-Levy G-L2) against a default rate of just 0.97%. A survey of 196 high-yield lenders found that most expect to increase financing volumes in 2026, underpinned by strong institutional demand for subordinate debt products.

Construction Lenders

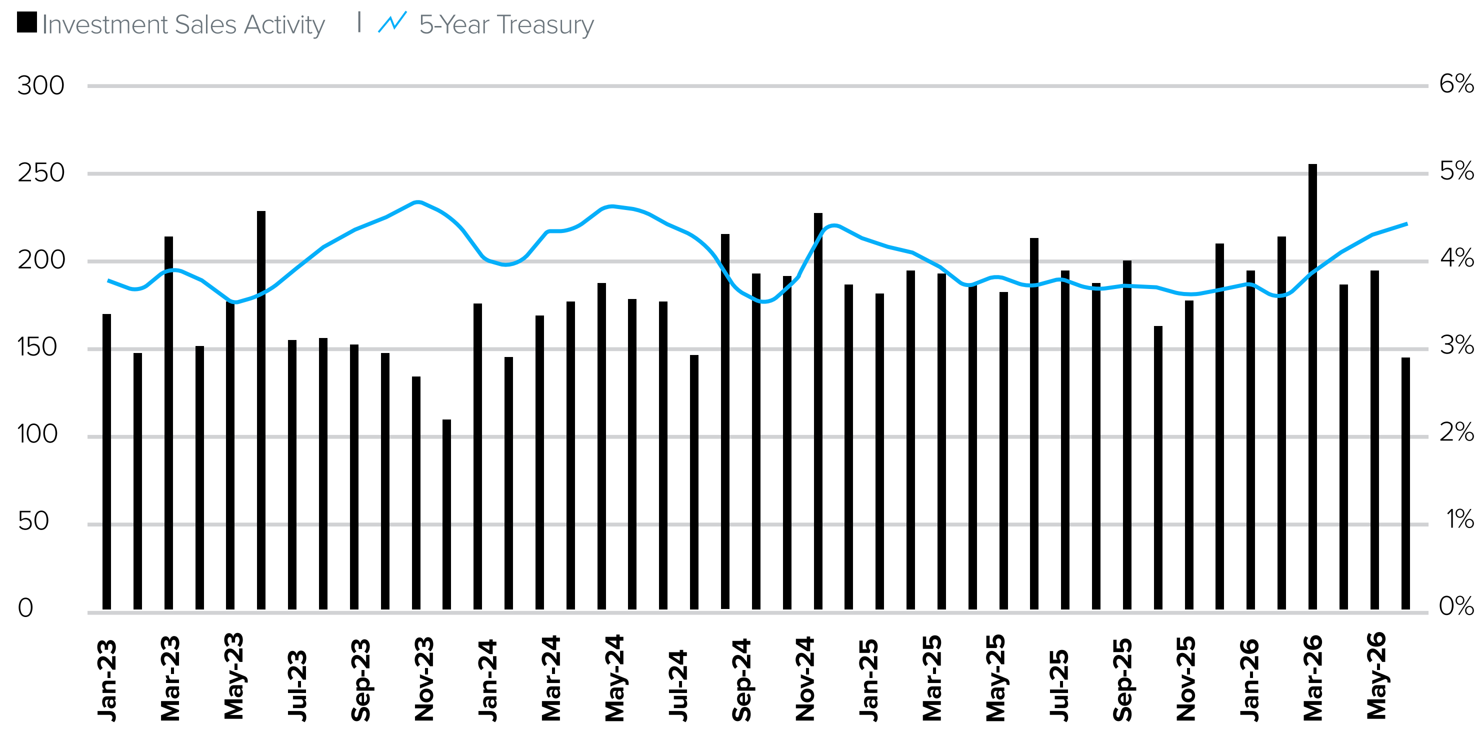
- Bank construction lending continues to contract - alternative and foreign capital sources are filling the void. A sharp divide defines the 1H 2026 construction lending market as domestic bank credit remains restricted. While top-tier domestic institutions limit development exposure to insulate themselves from multi-year macro forecasts, alternative lenders and foreign banks are aggressively stepping up. Foreign banks grew their U.S. construction books 12.6% and alternative lenders continue to compete on structure, offering longer initial terms as competition for well-capitalized sponsors intensified.
- New York's residential pipeline is reawakening, powered by 485-x and 467-m. Capital flows into ground-up rentals and office-to-residential conversions have surged following the implementation of the 485-x and 467-m tax programs, which restored the underwriting metrics needed to offset high financing costs. This regulatory runway has unlocked massive capital allocations across the boroughs.Preferred Equity / Mezzanine

Preferred Equity / Mezzanine

- Subordinate capital has completed its evolution from rescue tool into a standard component in the capital stack. 2025 marked a clear transition year; lenders are no longer simply extending loan terms. Instead, they are forcing resolutions on the $875 billion in CRE debt maturing in 2026 and $652 billion coming due in 2027, a massive wave of maturities that is actively driving new origination and transaction activity. Preferred equity and mezzanine debt have emerged as the primary vehicles bridging the gap between conservative senior lending limits and the total leverage required to retire these legacy, low-rate loans.

NYC Monthly Transaction Activity vs. 5-Year Treasury

MORTGAGE CALCULATOR



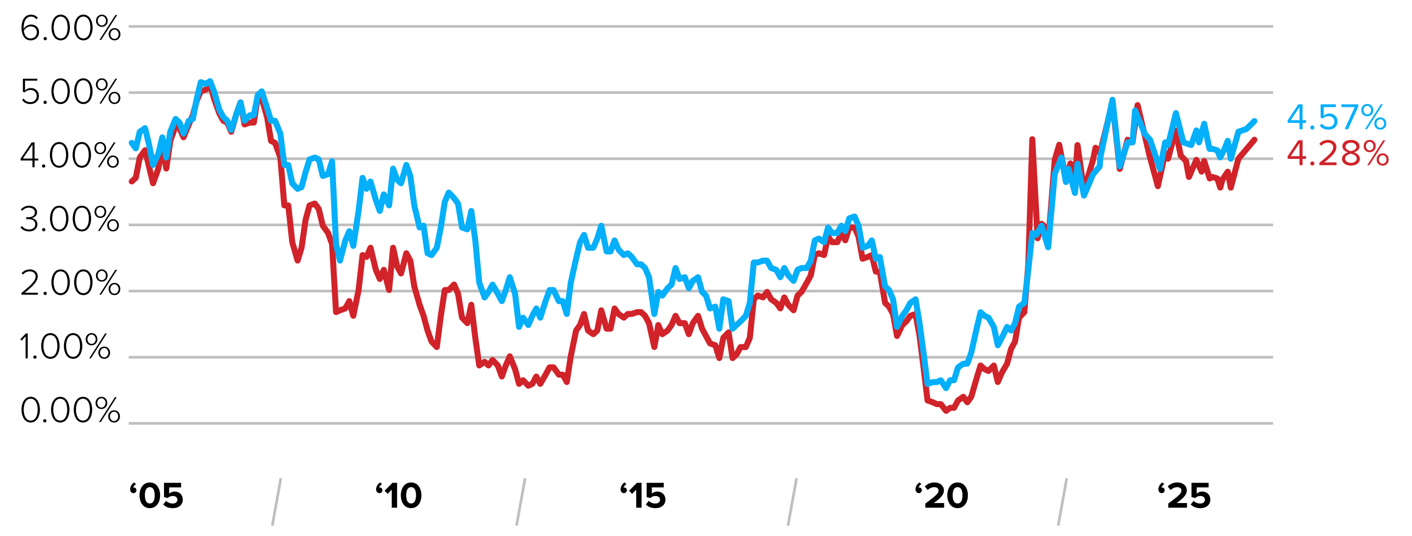
Macro Economic Charts

A number of macro-economic indicators affect the bottom line of commercial real estate investments in New York City and, in turn, the pricing and demand for these assets during any given period. Ariel Property Advisors' Research Division tracks national and local metrics to identify key market drivers influencing the real estate industry.

Financing:

10-Year: 4.57% I 5-Year: 4.28% I As of June 16th, 2026

Treasury Yield Curve Rates 10-year I 5-year

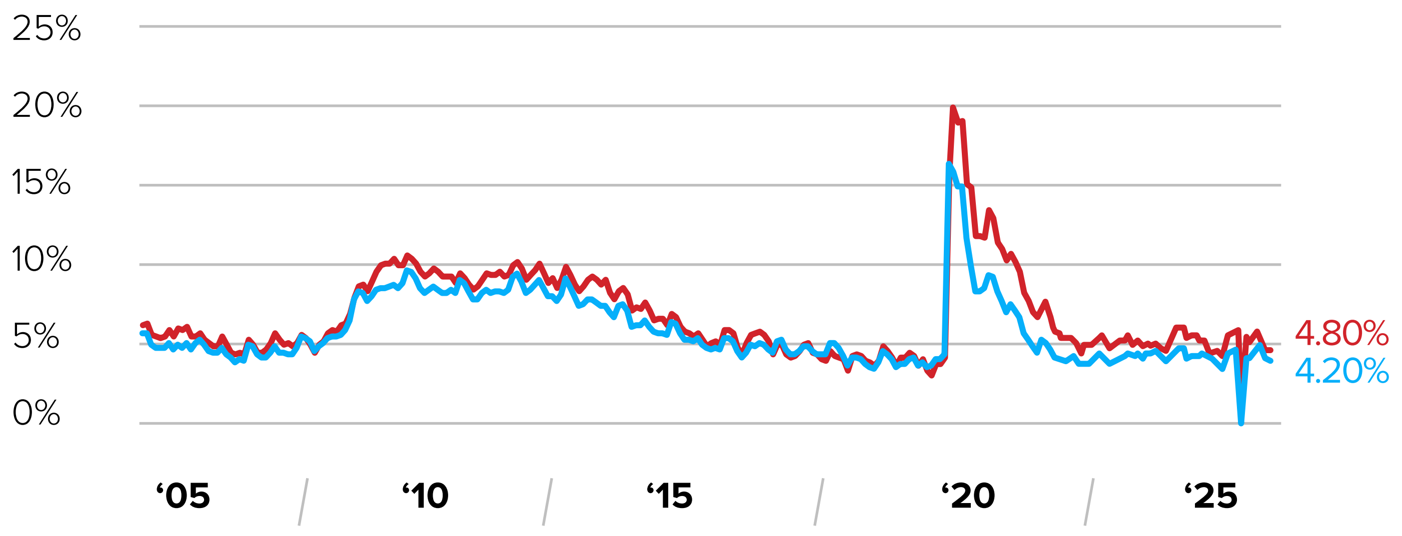


Source: U.S. Department Of The Treasury

Unemployment Timeline:

NYS: 4.20% I NYC: 4.80% I As of May 2026

Unemployment Rate History I **NYS** & **NYC** (Not Seasonally Adjusted)

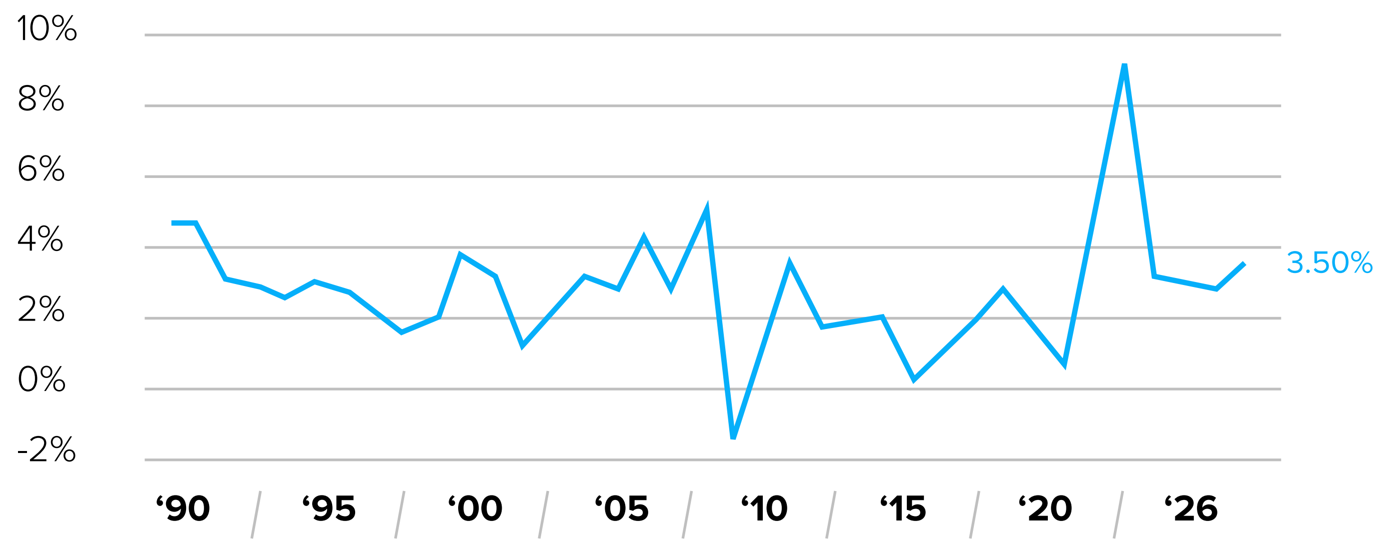


Source: Department Of Labor

Consumer Price Index (CPI):

National CPI

Growth - June 2026 Y-O-Y

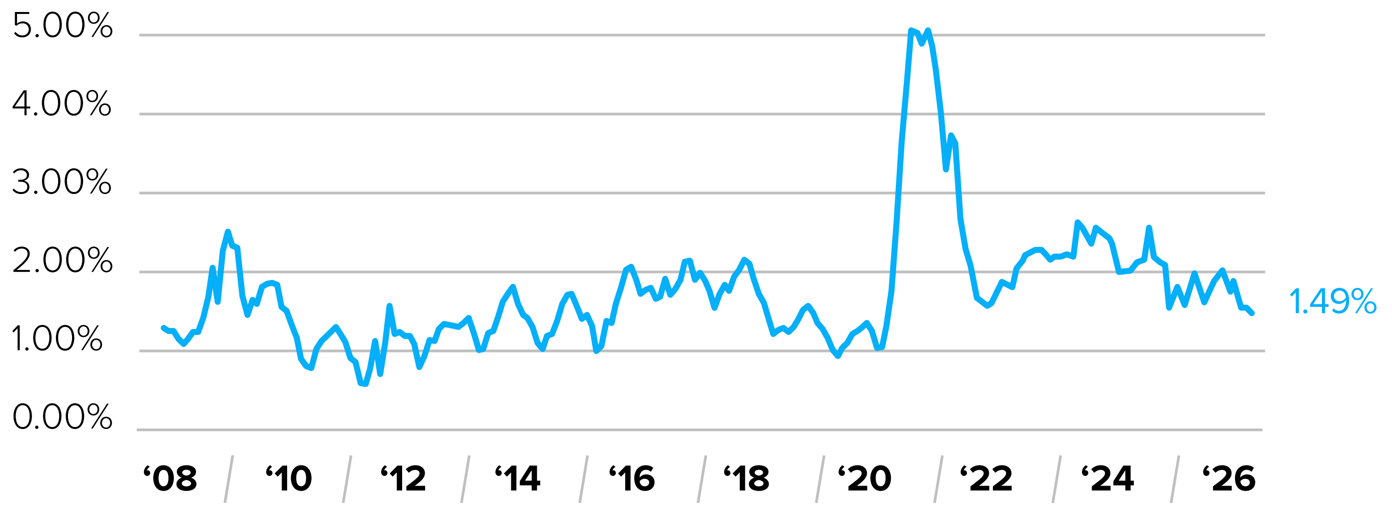


Source: U.S. Bureau Of Labor Statistics

Rental Market / Vacancy:

Manhattan Residential

Rental Vacancy January 2008- June 2026



Source: Corcoran

1H 2026 Featured Research Overview

When seeking information about New York City commercial real estate, our Research Group is your trusted resource. We are committed to ensuring our clients have the right set of facts when making important real estate decisions.

Featured here is a consolidated list of all the research that Ariel Property Advisors recently released. Our goal is to provide you with the most comprehensive and up to date research covering NYC commercial real estate market:

Latest Research

- Q2 2026 Multifamily Quarter In Review New York City — by Ariel Property Advisors, Released July 2026
- Capital Markets Monthly
- Bronx 2026 Mid-Year Commercial Real Estate Trends — by Ariel Property Advisors, Released July 2026
- Brooklyn 2026 Mid-Year Commercial Real Estate Trends — by Ariel Property Advisors, Released July 2026
- Manhattan 2026 Mid-Year Commercial Real Estate Trends — by Ariel Property Advisors, Released July 2026
- Northern Manhattan 2026 Mid-Year Commercial Real Estate Trends — by Ariel Property Advisors, Released July 2026
- Queens 2026 Mid-Year Commercial Real Estate Trends — by Ariel Property Advisors, Released July 2026
- View All Research Reports

Thought Leadership

- A Rent Freeze Is Not A Housing Strategy
- Signal Vs. Noise: What New York City's Housing Market Needs Now
- 2019 Law That Created Housing Instability For NYC's Tenants, Landlords
- The $6.8 Billion Split: Why NYC's Property Market Is Two Cities In One
- New York City's 2025 Multifamily Numbers Tell A Story—Policy Matters
- Manhattan, The Crown Jewel Of Real Estate, Sees $22.77 Billion Comeback
- Read More On Forbes.com

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