

December 31, 2014

Ridgewood: A Modern Renaissance

By, Thomas Donovan, Massey Knakal Realty Services

Transformation is under way in the Queens neighborhood of Ridgewood. As young professionals continue to get priced out of nearby areas they are rediscovering Ridgewood as a more economical alternative. This uptick in demand for housing in this supply constrained market is leading to rising rents and higher per unit sale prices for multifamily investors.

Much of the neighborhood's well-maintained housing stock consists of higher density, brick six-family buildings located near the Ridgewood-Bushwick border and lower density homes located deeper into Queens. Recently, the NYC Landmarks Preservation Commission unanimously approved the designation of the Central Ridgewood Historic District, which comprises 990 buildings, consisting mostly of brick row houses. This new district represents one of the most harmonious and architecturally-notable enclaves of working-class dwellings built in New York City during the early twentieth century.

Ridgewood has long been known as a rental community, and according to 2010 US Census Bureau figures, renters account for approximately 70% of the housing stock. Properly maintained rental buildings average 99% occupancy with a waiting list and only experience vacancy during the time it takes to clean and repair the unit when a tenant moves out. Condominiums in the neighborhood are rare, with ten units currently listed for sale according to Zillow, but there are 28 units currently being built on the former parking lot located at 63-34 Fresh Pond Road.

Ridgewood has historically been out of the spotlight of the broader investment community due to its relatively small average building size, working-class demographic and local retail tenants which have allowed for few value-add opportunities. The resulting investors have primarily lived in the neighborhood or have been tied to it in some way.

For the first time, sophisticated real estate investors are seeking opportunities in Ridgewood in order to capitalize on its rising popularity. Opportunistic buyers are underwriting future cash flows in order to give sellers credit for a portion of the rent increases the neighborhood is expected to enjoy.

As a result, local six-family property sellers have experienced an increase in average sale price of 62.5% since 2012, according to PropertyShark.

Neighborhood transformation has been replayed across New York City's boroughs as maturing neighborhoods like Greenpoint, Williamsburg and Bushwick price out the younger crowd. Young professionals, artists and young families who created much of the initial enthusiasm for these neighborhoods just decades prior are now willing to add a few more minutes to their commute as they head east along the subway lines in search of the next trendy, yet affordable, spot to live.

This demographic has grown up favoring the maintenance-free lifestyle of renting over owning, as well as the sense of community associated with roommates and living in a multi-unit building. Demand from these new rent biased residents, combined with the improving economy, only adds to the upward pressure on rents and real estate valuations.

Convenient access to the M and L subway lines will be the key to maintaining the steady flow of new residents looking to reside in Ridgewood. Recent service expansions include a 2010 change to the M subway route shortening the commute of Ridgewood residents to Midtown and the June 2014 addition of M line service to Manhattan on the weekends.

Unlike some of the more trendy neighborhoods in Brooklyn, Ridgewood does not have many available sites for ground up development or old vacant industrial buildings waiting to be converted into condo redevelopments. This tight supply will continue to press rents upward as new residents continue to arrive.

Although few, some sites are currently being targeted for redevelopment. In response to the rental shortage, local City Councilman Antonio Reynoso recently led an initiative for a rezoning variance to allow for the construction of an 88-unit mixed-use development with 44 units of affordable housing, located at 176 Woodward Avenue. In October 2014, paperwork was filed to demolish three commercial buildings near the subway station on Wyckoff Avenue; zoning allows for the construction of a residential tower with up to 13 stories and 120 units. A historic local landmark, Ridgewood Theater, has recently been acquired by a developer who plans to redevelop the site into 50 luxury residential units with the historic façade in place. Even with new residential units in the pipeline, rents charged for newly constructed luxury units will be significantly higher than existing market rents, allowing landlords the ability to increase rents as market pressures allow.

Ridgewood is just beginning to reinvent itself again as a new younger demographic arrives. The renter population will continue to look to Ridgewood as an affordable alternative due to the continued price appreciation in the adjacent Brooklyn neighborhoods of Williamsburg, Greenpoint and Bushwick. Limited supply and increased demand for rental units are causing rents to rise sharply as the population shifts take root. New businesses will continue to arrive to support these residents and new residential units charging top of the market rents will be developed in response to the neighborhood's rising popularity. Multifamily investors should expect continued price appreciation as low interest rates, desirable demographic trends, constrained supply and overall economic expansion align to offer attractive cash flow and appreciation over the coming years.

About Massey Knakal

Massey Knakal is a diversified real estate company, exclusively representing owners in the sale, retail lease and financing of their properties. With over 200 employees, four offices and thorough coverage of New York City's five boroughs, Westchester County, Long Island and New Jersey, Massey Knakal has dominated the New York metropolitan area for the last two decades by providing premier real estate brokerage and advisory services. Leveraging our proprietary Territory System™, our agents have partnered with owners throughout our markets to close over 5,000 transactions, with an aggregate value in excess of \$21 billion since 1988. www.masseyknakal.com

Contact

Shannon Krause, PR Manager
Tel: (212) 696.2500 Ext. 7793
Fax: (212) 696-0333
skrause@masseyknakal.com