

## Brooklyn Rises in Developers' Eyes

### AT A GLANCE

#### Garment District Shedding Clothes

Businesses outside of the apparel industry are giving the Garment District a gradual makeover of its commercial tenant base, but its mantle as the next trendy locale for offices isn't quite ready-to-wear. Page 11

#### Apartment Market Sees Inventory Rise

After a weak September apartment market, October appeared to mark a return to somewhat more normal conditions. Uncertainty created by the presidential election appeared to give the market some pause, however. The proportion of deals done at the lower-end of the market have been increasing and there has been a marked increase in this segment as well. Page 3

#### Midtown Dominates Office Market

The outlook is improving in the city's three principal office markets, according to a recent report, which found Manhattan's office vacancy rate dropping to its lowest level in 26 months. Midtown represents 70 percent of all leasing in Manhattan this year, according to estimates. Page 9

### INSIDE

- Page 6  
**Lala Wang vs. REBNY**
- Page 8  
**Transformation of 260 Park Ave.**
- Page 9  
**Commercial Market Report**
- Page 12  
**Graduating From Rentals to Sales**
- Page 16  
**Brooklyn New Project Map**
- Page 18  
**Top Commercial Deals in NYC**
- Page 24  
**Trends in Top 10 U.S. Markets**
- Page 25  
**Buying vineyards in France**
- Page 27  
**\$70M Apt for Sale**
- Page 30  
**Residential Deal Sheet**

CARL UNEGBU

The pace of luxury development in Brooklyn is picking up as builders expand on the borough's high-end potential, ticking off a slew of projects that started with David Walentas' 1998 conversion of Dumbo's Clock Tower Building into luxury lofts.

Bored by brownstones and clamoring for the contemporary, buyers in Brooklyn are seeking out new residential projects in massive numbers today - and developers are delivering.

At least 130 new projects have been constructed in Brooklyn since Walentas gambled on the Clock Tower conversion, with neighborhoods such as Dumbo, Williamsburg and the edges of Park Slope leading the way. What's already built is only a drop in the bucket compared to the deluge about to come, developers and brokers say.

In this issue, *The Real Deal* takes a comprehensive look at new development in Brooklyn, with an in-depth chart on pages 16 and 17.



Developer Josh Guberman at 101 Wyckoff Avenue in East Williamsburg, one of his new projects.

The Real Deal/Joan Elkoby

While Manhattan may have led the city in new residential construction during much of the 1990s, these days Brooklyn leads the pack.

Overall, Brooklyn is projected to

have more than 5,000 new apartment units within the next two years, according to Elan Padeh, CEO and president of Brooklyn-based marketing firm The Developers Group. Construction per-

mits for more than 3,800 units were granted through July of this year, compared to permits for 2,200 units in Manhattan.

The borough has -to an extent -

*Continued on page 15*

### AVERAGE PRICE PER SF FOR NEW BROOKLYN PROJECTS



## Shvo Goes Solo

STUART W. ELLIOTT

Michael Shvo has a vision for this nascent brokerage and marketing company that comes from past experience and what he hopes will be his future competition.

"A combination of Douglas Elliman and the Sunshine Group" is how Shvo describes the new company he is in the process of forming. He'll have plenty of support as he tries to make it happen.

Shvo, who headed the top-producing group at Elliman in 2003, resigned last month to start his own firm. He will be joined by his entire 20-person group, and is currently finalizing a lease for office space on Fifth Avenue in the upper 50s.

Rumors about over the circumstances of Shvo's October departure, though the 31-year-old top broker said the move was something he has been working towards for a number of years.

"There is only so much you can grow within a company," said Shvo, who after starting at Elliman five

*Continued on page 3*

## How to buy the firm

Top brokerages can fetch six times earnings when bought

WILL SWARTS

If it's location, location, location that sells property, then it's reputation, reputation, reputation that sells brokerages themselves, particularly in the New York metro area.

The same market dynamics that will drive up a sought-after piece of property are at work in the real estate brokerage market, where successful smaller operations can fetch between three and 6.5 times their annual earnings in a merger or acquisition transaction, depending on the size of the business.

What a brokerage is worth begins with its EBITDA, or earnings before interest, taxes, depreciation and amortization, or more simply put, its annual cash flow.

"The whole process begins with what your EBITDA is," says David Michonski, chief executive of Coldwell Banker Hunt Kennedy, which is itself a merger-created company that

took its current shape in a 1995 deal.

But from there, the terms of a brokerage deal differ somewhat from say, a bank merger.

"In a service industry like ours, everything gets factored in - your reputation, your years in the business and especially [the seller's] plans for their role in the company after the deal is completed," Michonski says.

The tri-state area is the second largest in the country in terms of the value of its transactions, and major national firms are constantly consolidating market share with strategic acquisitions of smaller real estate companies as they jockey for advantage.

The purchase last month of D.J. Knight & Co by global relocation services powerhouse SIRVA (see story on page 9) and Halstead's buy of Heron Resi-

*Continued on page 29*