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In Dumbo, a Building Boomlet



Natalie Keyssar for The Wall Street Journal

Construction at 220 Water St. in Brooklyn's Dumbo neighborhood.

While real-estate development remains slow in most parts of the city, Dumbo is enjoying a building boomlet thanks to a rezoning and strong demand for housing in the increasingly trendy neighborhood.

Fifteen years ago, the residential population in the formerly industrial area consisted mostly of artists living in converted lofts. Today there are about 3,600 people living in Dumbo and that figure is expected to reach 4,000 by the end of the year, according to Alexandria Sica, executive director of the Dumbo Improvement District.

New housing development is partly being sparked by a rezoning that the city approved in 2009, which allows residential development without

special permits.



Thanks to this change, Toll Brothers is moving forward with a 65-unit condo at 205 Water St. that's slated to be finished in the summer of 2012. Prices will average about \$800 a square foot, with 550-square-foot studios starting in the upper \$300,000 range and a 2,200-square-foot

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penthouse asking up to \$2 million.

Developers also are restarting projects that were delayed because of the downturn. For example, GDC Properties purchased a 220,000-square-foot warehouse at 220 Water St. in 2005, but didn't break ground until September with its plan to convert it into 135 loft-style rental units.

Adam Ginsburg, co-chairman of GDC, says there was "a perfect storm of impediments that prevented us from getting started a lot sooner." On the other hand, GDC needed to negotiate tenant buyouts before it could move forward with the development and "we were able to use the slowdown to negotiate pretty aggressively," he said.

Rents in the building will range from \$2,400 for a 650-square-foot studio to just under \$4,000 for a 1,500-square-foot two-bedroom apartment.



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205 Water St., under construction in Dumbo.

Down the block, the conversion project under way at 192 Water St. by Alloy Development and Hamlin Ventures also has had a convoluted history. Alloy initially considered buying it three years ago but was outbid by another buyer. After that buyer ran into problems, Alloy bought it from them, says Jared Della Valle, Alloy's president. "We dusted off our old files," he recalls.

The project, the conversion of an old tea warehouse, is expected to be done in about a year. Most of its nine residential lofts, each averaging 2,500 square feet, will cost just under \$2 million.

Demand in Dumbo is strong because supply of new condos and rental properties has been limited. Mr. Della Valle says Alloy expects to have half of its units sold soon, although it hasn't done any marketing.



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192 Water Street

But Dumbo developers have had to navigate a range of other government programs and restrictions, even after the rezoning. Most of the area was designated as a historic district in late 2007, meaning major changes to buildings have to be approved by the city Landmarks Preservation Commission.

Many projects in Dumbo qualify for lucrative federal tax credits under a historic preservation program. But that required another level of reviews.

"We are a company that doesn't shy away from complicated financial structures," says Mr. Ginsburg. But he adds: "This was one that took a lot of effort."