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COMMERCIAL REAL ESTATE

Kayne Anderson Buys Brooklyn Property From Jehovah's Witnesses for \$200 Million

Private-equity firm to spend about \$100 million to convert 21 Clark St. to luxury senior housing

By Peter Grant

A Florida-based private-equity firm has purchased a high-profile Brooklyn Heights apartment building from the Jehovah's Witnesses for about \$200 million with plans to convert it into luxury senior housing.

Executives at Kayne Anderson Real Estate Advisors said they will spend another \$100 million or so to turn 21 Clark St. into a facility for people 65 years and older. Renamed the Watermark at Brooklyn Heights, the 16-story building will include about 300 units, 75,000 square feet of common space and amenities such as a swimming pool, spa and several dining rooms.

Watermark expects to rent apartments to seniors with a wide range of needs—from those just looking for a place to reside, to others who need medical care for such problems as memory loss. "We will literally be overrun with demand," predicted Al Rabil, chief executive of Kayne Anderson Real Estate. "There is an urban clientele that absolutely wants to be in high-end senior housing and is not looking to relocate."

Other developers have similar projects in response to this expected demand. A venture of Welltower Inc., a real-estate investment trust, and Houston-based Hines is building a project in Midtown. There is also a project in the works on the Upper East Side by Maplewood Senior Living and Omega Healthcare Investors Inc.

Analysts say that demand is expected to be high for luxury senior housing in the coming years, as baby boomers grow older. But they also warn that developers could overreact to this and build too much supply.

"We're on the cusp of seeing a golden

moment for demand," said Michael Knott, an analyst with Green Street Advisors. "But we think it's a product type where new supply will crop up to meet burgeoning demand."

Kayne Anderson executives said it is too early to predict how much they will charge for apartments. But experts say that high-end senior rentals in New York range from about \$7,000 a month for a studio to \$10,000 a month for a two-bedroom unit, when no special care is provided. With special care, prices can be as high as \$20,000 a month.

The Jehovah's Witnesses, a religious organization that is also a big real estate owner in Brooklyn Heights, has been steadily selling properties in recent years, taking advantage of rising values. Other buyers have included Kushner Cos., the closely held company controlled by the family of President Donald Trump's son-in-law Jared Kushner.

Kayne Anderson, which has about \$6 billion worth of assets under management, specializes in senior and student housing, and medical office buildings. The Boca Raton, Fla., company controls nearly 10,000 units of senior housing in the U.S. including independent living, assisted living and memory care.

Mr. Rabil pointed out that a wide range of demographic trends are likely going to boost demand for senior housing in the future. "Eleven thousand Americans are turning 65 every day," he said.

Watermark is slated to open in about two years, Kayne Anderson executives said.

The Jehovah's Witnesses, which moved its headquarters to Brooklyn in 1909, has been selling the 36 buildings on its Brooklyn campus over the past decade as part of a plan to move its headquarters to Warwick, N.Y. The 310,000-square-foot



The building at 21 Clark St. in Brooklyn.
PHOTO: ALEXANDER COHN/THE WALL STREET JOURNAL

building at 20 Clark St. had been used by the group for housing.

"It was impractical that we were spread out over so many buildings over such a large area," said Richard Devine, a Jehovah's Witnesses spokesman. "We realized we could operate a lot more efficiently with a single campus in a condensed location."

Mr. Devine said that the Jehovah's Witnesses is near the end of its sales program. He declined to say how much money it has raised through the effort but said the proceeds have been used to finance the new headquarters as well as bible education, disaster relief, literacy, human rights and other programs.