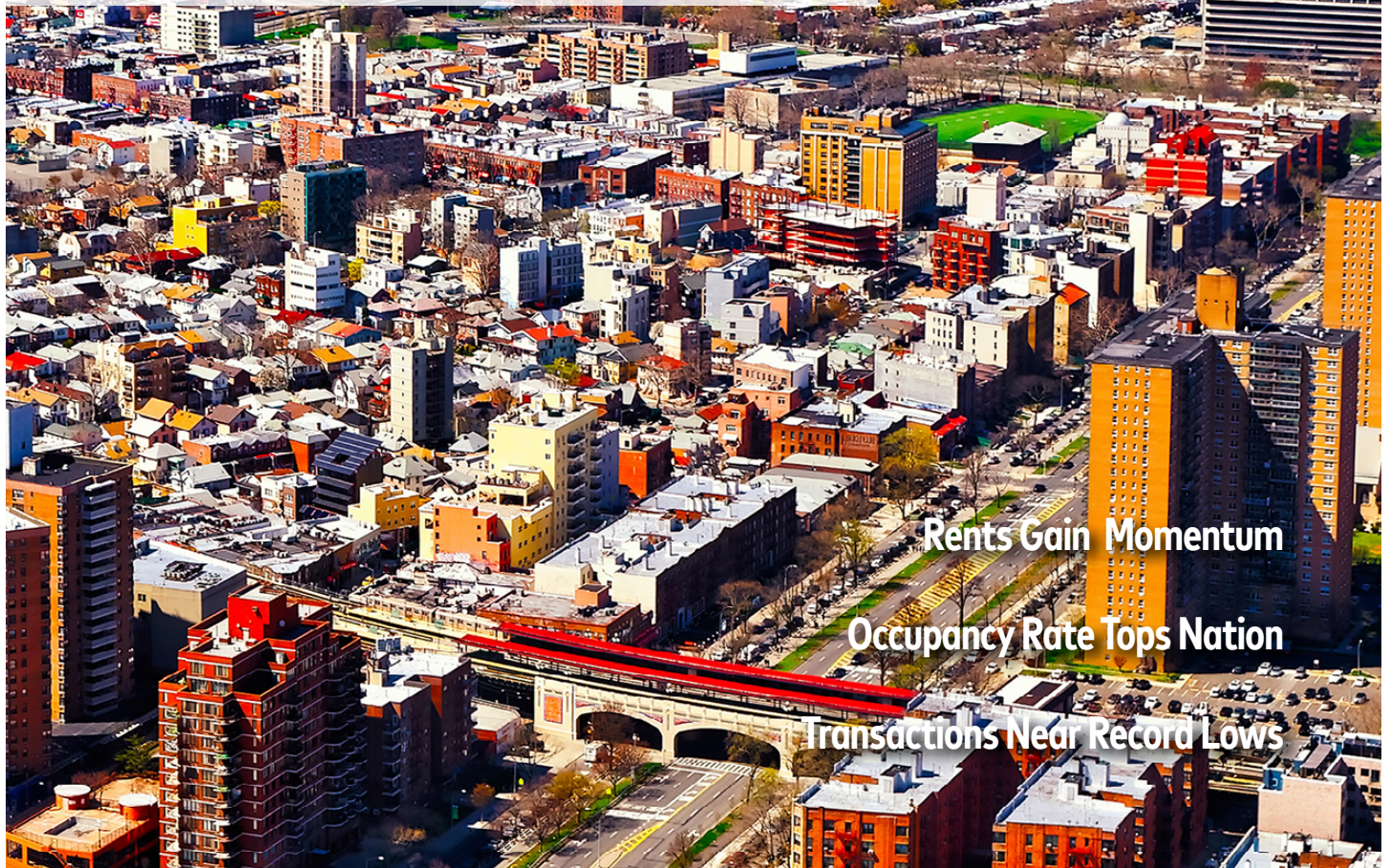


# Yardi® Matrix

MULTIFAMILY REPORT

# Queens Runs At Full Speed

Winter 2020



Rents Gain Momentum

Occupancy Rate Tops Nation

Transactions Near Record Lows

# QUEENS MULTIFAMILY

## Yardi® Matrix

### High Demand Boosts Rent Growth

The Queens multifamily market continued to perform well into 2020's first quarter, with year-over-year rent growth surpassing the 7.0% mark as of January. Despite the 6,225 units added to the metro's inventory since the beginning of 2017, absorption kept up pace. At 99.0% as of December, occupancy in stabilized assets remained the highest in the country, topping Manhattan.

New York City gained 77,300 jobs in the 12 months ending in November. Education and health services accounted for roughly three-quarters of new positions, followed by leisure and hospitality (16,300 jobs). Significant upgrades are underway at both airports in Queens. Additionally, although some 15 years behind schedule, the long-awaited East Side Access project is scheduled for delivery in 2022. With construction costs rising rapidly, the project is now roughly 70% complete. Meanwhile, tech behemoths Amazon, Facebook and Google are adding thousands of jobs in Manhattan over the next two years, with Queens' residential market—particularly Long Island City—in line to feel the spillover effect.

On the investment sales front, transaction activity collapsed in Queens and across the state in 2019, mainly due to the new rent regulations. Despite regulatory changes, we expect rents to advance at a sustained pace across the boroughs, boosted by unwavering demand.

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## Market Analysis | Winter 2020

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On the cover: Photo by RomanBabakin/iStockphoto.com

### Recent Queens Transactions

140-30 Ash Ave.



City: Flushing, N.Y.  
Buyer: Zara Realty  
Purchase Price: \$43 MM  
Price per Unit: \$299,296

140-60 Beech Ave.



City: Flushing, N.Y.  
Buyer: Zara Realty  
Purchase Price: \$38 MM  
Price per Unit: \$302,419

61-15 Woodside Ave.

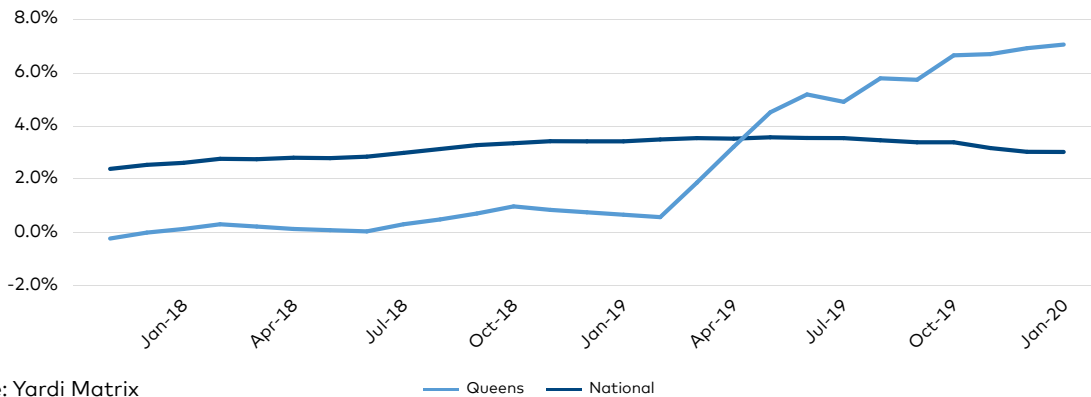


City: Woodside, N.Y.  
Buyer: ABC Realty  
Purchase Price: \$36 MM  
Price per Unit: \$257,979

## RENT TRENDS

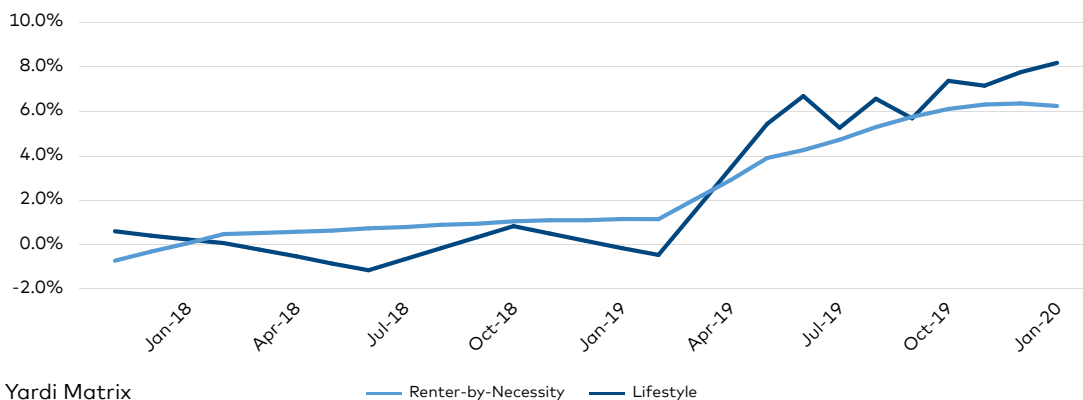
- ▶ Unabated by last year's new regulations, Queens' market-rate rents improved by 7.1% year-over-year through January, up from a tepid 0.7% just 12 months prior. The metro's tight multifamily stock, coupled with high demand across asset classes, continued to push rents upward.
- ▶ Lifestyle rents led gains, up by 8.2% to \$3,265. Meanwhile, working-class Renter-by-Necessity rates rose by 6.2%, to \$2,059. Even so, the borough's \$2,412 overall average was still below Brooklyn (\$2,936) and far behind Manhattan (\$4,210). Long Island (\$2,161) and Northern New Jersey (\$1,961) remained the two consistently more affordable options in the area.
- ▶ Another decision that could strongly impact the market is the elimination of broker fees. With landlords forced to absorb the expense instead of renters, rates could further increase. However, the new rule was temporarily blocked by a state judge in February, with the case scheduled to continue in March.
- ▶ A former industrial hub, Long Island City is now the borough's most coveted submarket. Several multifamily projects are underway on Jackson Avenue and Queens Plaza; waterfront rehabilitation and the area's proximity to Manhattan have also increased its appeal. With rents up by 3.1% to \$3,521, LIC continued to be the most expensive area in the borough. However, rates advanced faster in Forest Hills-Rego Park (11.1%), Jamaica (7.0%) and Jackson Heights (6.6%).

### Queens vs. National Rent Growth (Sequential 3 Month, Year-Over-Year)



Source: Yardi Matrix

### Queens Rent Growth by Asset Class (Sequential 3 Month, Year-Over-Year)

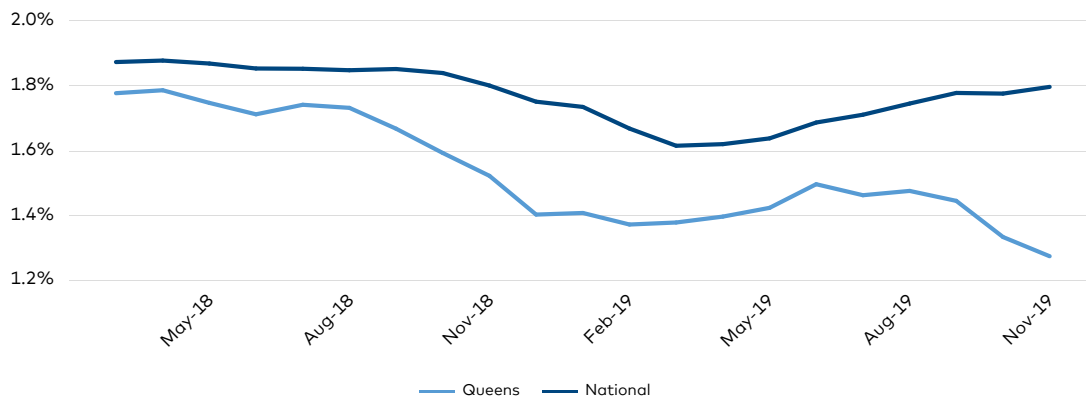


Source: Yardi Matrix

## ECONOMIC SNAPSHOT

- ▶ New York City gained 77,300 jobs in the 12 months ending in November, with education and health services accounting for 58,800 positions. Employment gains marked a 1.3% expansion, 50 basis points below the national rate.
- ▶ Leisure and hospitality added 16,300 jobs, while the \$8 billion overhaul of LaGuardia Airport is underway. The Central Hall is currently under construction, slated to connect Terminals B and C, and to house the LaGuardia AirTrain—a \$2 billion project currently in the environmental review stage. Meanwhile, the \$2 billion Long Island Rail Road expansion is also moving forward.
- ▶ Financial activities lost 6,400 positions. Following the \$10,000 cap on state and local tax deductions, several finance firms and hedge funds have relocated to Florida, Texas and other more business-friendly markets.
- ▶ According to a city comptroller study, Queens has one of the highest shares of senior citizens in the metro. To serve this growing demographic, Northwell Health and NYC Health + Hospitals opened a \$47.7 million laboratory in Little Neck last year.

### New York vs. National Employment Growth (Year-Over-Year)



Sources: Yardi Matrix, Bureau of Labor Statistics (not seasonally adjusted)

### New York Employment Growth by Sector (Year-Over-Year)

Code	Employment Sector	Current Employment		Year Change	
		(000)	% Share	Employment	%
65	Education and Health Services	1586	21.7%	58,800	3.9%
70	Leisure and Hospitality	704	9.6%	16,300	2.4%
90	Government	952	13.0%	5,900	0.6%
60	Professional and Business Services	1182	16.2%	5,100	0.4%
50	Information	258	3.5%	1,700	0.7%
80	Other Services	307	4.2%	1,600	0.5%
30	Manufacturing	206	2.8%	-400	-0.2%
40	Trade, Transportation and Utilities	1227	16.8%	-1,800	-0.1%
15	Mining, Logging and Construction	275	3.8%	-3,500	-1.3%
55	Financial Activities	622	8.5%	-6,400	-1.0%

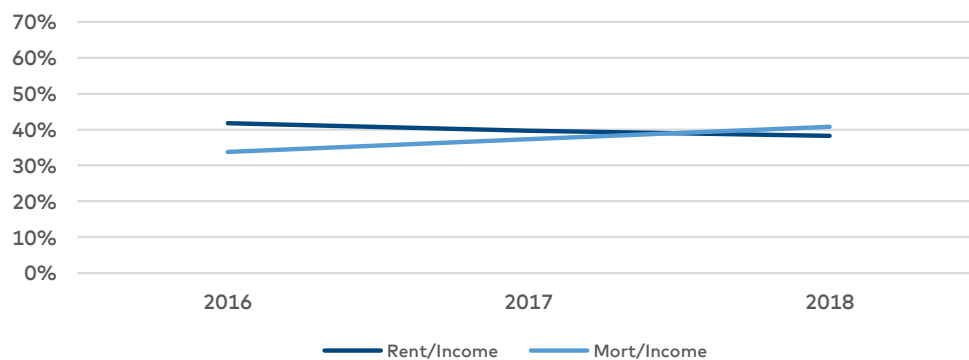
Sources: Yardi Matrix, Bureau of Labor Statistics

## DEMOGRAPHICS

### Affordability

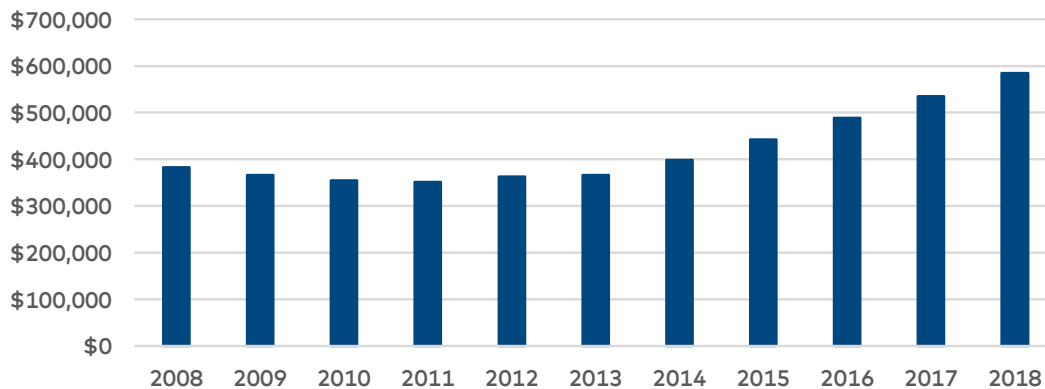
- ▶ Queens home prices continued their climb, with the median value reaching a cycle peak of \$584,880 in 2018. Nonetheless, the metro's average remained significantly below neighboring Brooklyn (\$792,417) and Manhattan (\$1,018,396).
- ▶ Renting became slightly more affordable than owning, with the average rent accounting for 38% of the area median income, while the average mortgage payment equated to 41%. Queens Village (\$1,713), Flushing (\$1,872) and Jamaica (\$1,925) were the only submarkets with average rents below the \$2,000 threshold as of January.

### Queens Rent vs. Own Affordability as a Percentage of Income



Sources: Yardi Matrix, Moody's Analytics

### Queens Median Home Price



Source: Moody's Analytics

### Population

- ▶ Queens County lost 17,959 residents in 2018—a 0.8% drop. The borough has steadily been losing residents to other states, mainly due to constantly increasing living costs.
- ▶ Queens gained only 44,161 residents between 2010 and 2018—a 2.0% expansion.

### Queens vs. National Population

	2015	2016	2017	2018
National	320,742,673	323,071,342	325,147,121	327,167,434
Queens	2,307,614	2,309,032	2,296,865	2,278,906

Sources: U.S. Census, Moody's Analytics

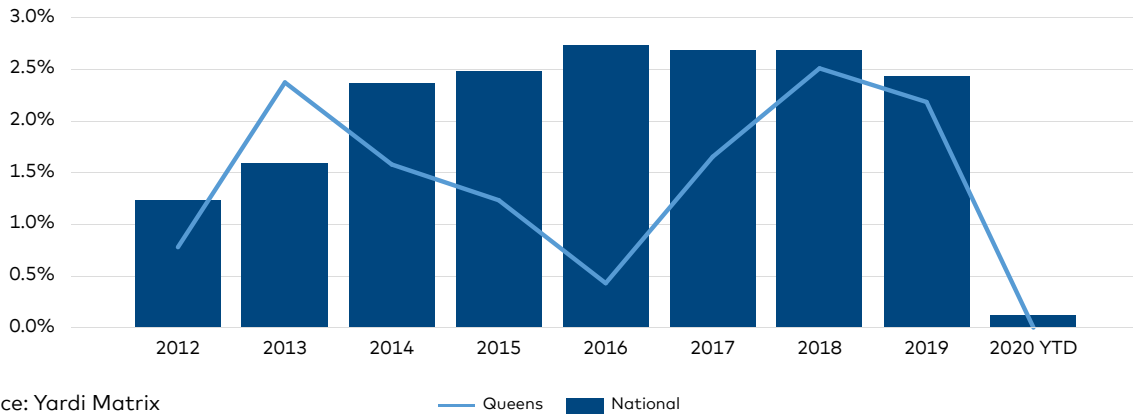
## SUPPLY

- ▶ The borough had 9,843 apartments under construction as of January, with Long Island City accounting for more than half of the pipeline. Although it's been more than a year since Amazon abandoned its plans to bring its HQ2 project—and as many as 25,000 direct jobs—to the neighborhood, LIC's residential market is booming, boosted by previous rezonings and Manhattan's spillover effect. Construction activity also remained consistent in Jamaica, where 2,141 units were underway as of January.
- ▶ Following the addition of 2,458 units in 2018—the cycle peak—2,187 more apartments came online in 2019. However, the housing market is far from keeping up with demand, which pushed

occupancy in stabilized properties to 99.0% as of December, on par with Brooklyn and ahead of Manhattan (98.3%).

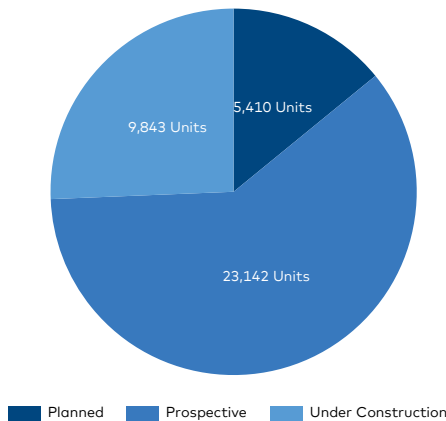
- ▶ The four largest multifamily projects in the borough are underway along the East River. Three developments include affordable components: TF Cornerstone's 1,194-unit Hunter's Point South Phase II, G&M's 1,122-unit 5Pointz redevelopment and The Durst Org.'s 958-unit Sven. The borough's largest rental project is Tishman Speyer's 1,872-unit Jackson Park. Last year, the developer secured a \$1 billion loan from Bank of America and Wells Fargo to continue work on the luxury project, scheduled for completion this year.

### Queens vs. National Completions as a Percentage of Total Stock (as of January 2020)



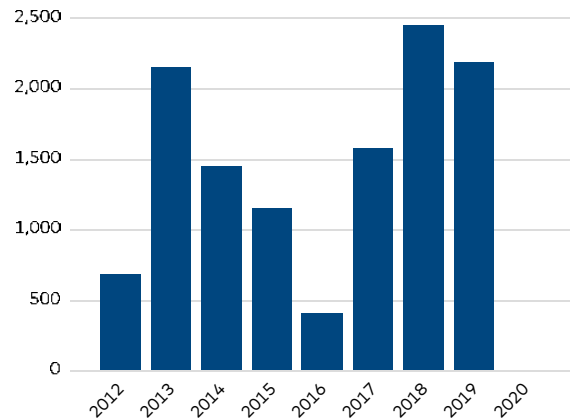
Source: Yardi Matrix

### Development Pipeline (as of January 2020)



Source: Yardi Matrix

### Queens Completions (as of January 2020)

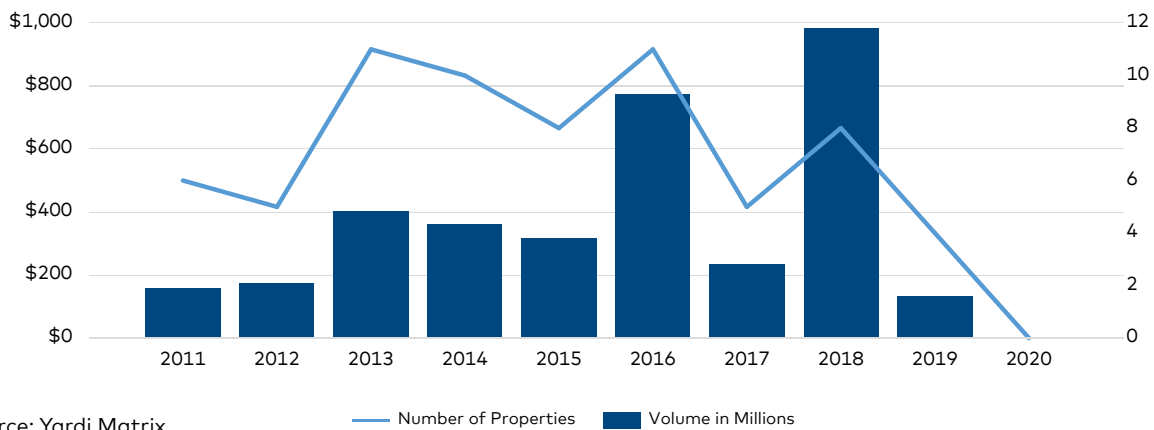


Source: Yardi Matrix

## TRANSACTIONS

- ▶ Following a strong 2018—when a cycle peak of \$984 million in properties of 50 or more units traded—Queens’ investment market plummeted last year to near-decade lows. Only four properties traded in 2019 for a total of \$132 million. The state’s new rent regulations—signed into effect in June 2019—substantially hindered investment plans, leading many buyers to divert capital toward more predictable markets.
- ▶ The average price per unit in 2019 was \$251,667, significantly above the \$168,177 national average, but the lowest among all New York City boroughs.
- ▶ Last year’s outlier was Zara Realty’s \$80 million acquisition of a 266-unit portfolio in Flushing. America Realty sold the two adjacent properties, 140-30 Ash Ave. and 140-60 Beech Ave., for a little over \$300,000 per unit.

**Queens Sales Volume and Number of Properties Sold** (as of January 2020)



Source: Yardi Matrix

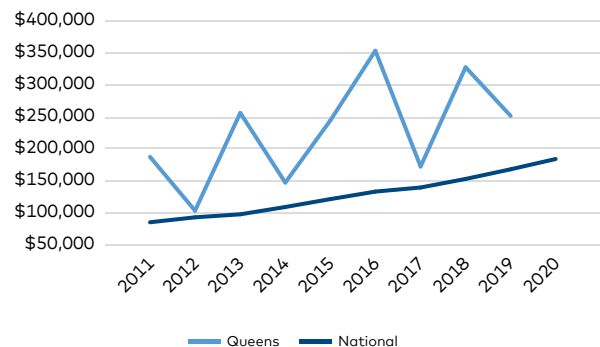
**Top Submarkets for Transaction Volume<sup>1</sup>**

Submarket	Volume (\$MM)
Flushing	80
Woodside	36
Jamaica	16

Source: Yardi Matrix

<sup>1</sup> From February 2019 to January 2020

**Queens vs. National Sales Price per Unit**



Source: Yardi Matrix



## Long Island City Meets Co-Living: The Story of ALTA+

By Adriana Pop

Less than one year ago, Simon Baron Development and Quadrum Global completed the \$300 million ALTA+ residential high-rise in Long Island City. The 500,000-square-foot, 43-story tower at 29-22 Northern Blvd. comprises a total of 467 units, 170 of which are co-living units, while the rest are traditional rentals. Matthew Baron, president of Simon Baron Development, takes us behind the scenes of the ALTA+ development and discussed the future of co-living.

### *What was the vision behind ALTA+?*

My partner Jonathan and I acquired the site in 2014 because of our belief that Long Island City was poised to continue to see growth as an emerging neighborhood. ALTA's location in Long Island City, surrounded by transportation, and minutes from Manhattan by subway, bus or car, made for an attractive development project.

### *What sets ALTA+ apart from other projects in the area?*

At the time, we had planned one of the largest amenity packages in the neighborhood, which did not exist in competitive buildings. In addition, the bottom-third of the building was planned as co-living, which five years ago was not something on anyone's radar. Today, I think those two elements make it one of the most standout projects in all of Queens.

### *What was the most challenging part of building a project of this scale in Long Island City and how*



### *did you overcome it?*

Being surrounded by transportation and, in this case, an elevated subway line is really advantageous for your residents, but it poses significant challenges for a developer. One challenge is that the area tends to get very noisy and we spent a lot of time and money constructing a bespoke window system for our building in order to make sure our units are the quietest units in Long Island City. I love doing tours with lenders or capital partners in the lower-floor units and opening and closing the windows à la Ace Ventura, so they can get the full effect of just how quiet our units really are.

### *What does the project mean for Simon Baron Development?*

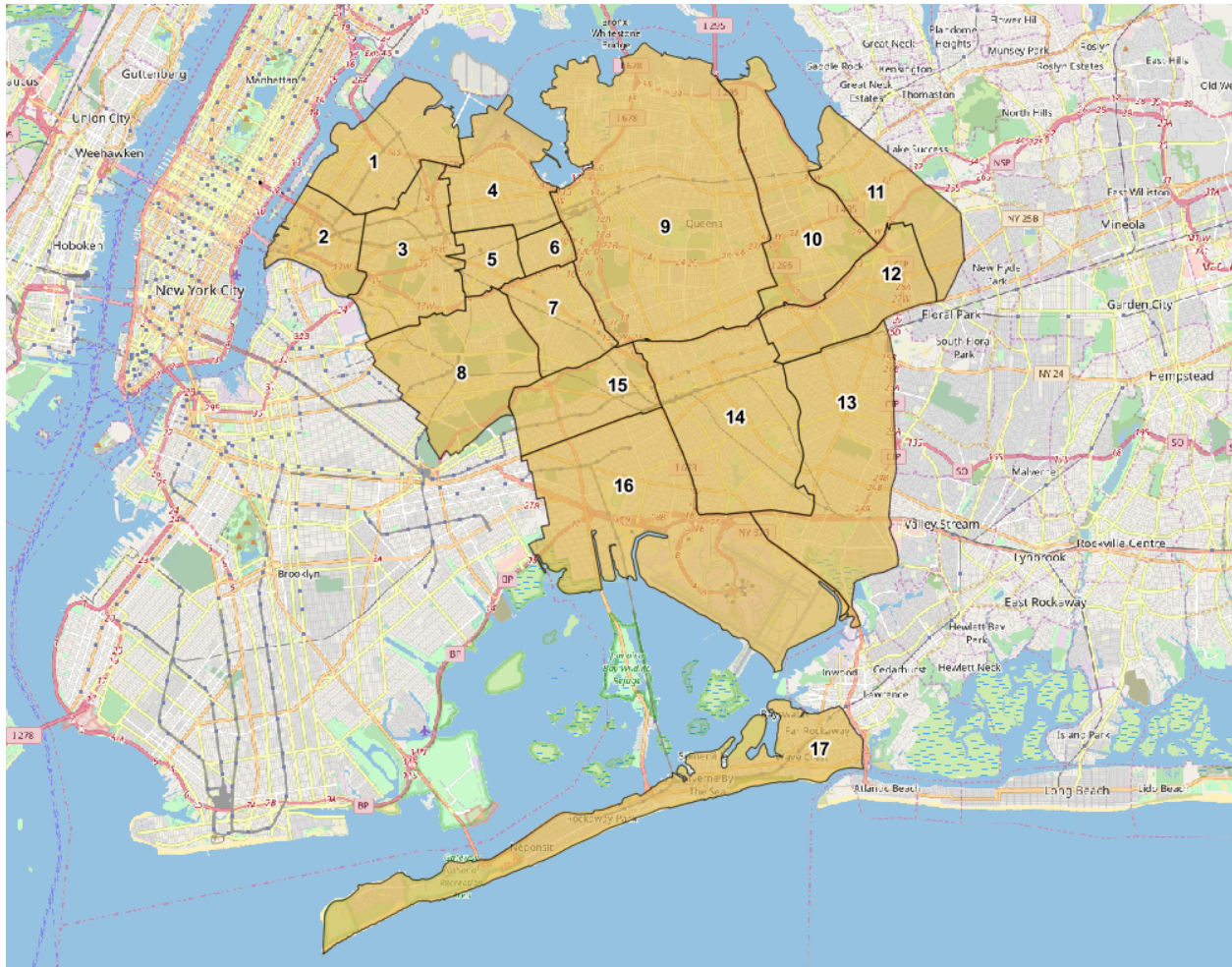
It's our largest project to date. Our firm has built its reputation on being able to successfully complete both large-scale ground-up projects, as well as complex renovations. Given that we are surrounded on all sides by the MTA and Sunnyside Yards, there was a lot of coordination involved between various agencies in order to make this project happen.

### *How is the co-living trend evolving in the U.S. and especially in New York City?*

We think it's here to stay and it's really a great option for residents. In dense urban areas like NYC, underground room shares are a large part of the market. Co-living opens up an option for those residents, where they no longer have to rely on such a market in order to find suitable housing, and it's done in a way that really improves their quality of life and experience.



# QUEENS SUBMARKETS



Area No.	Submarket
1	Astoria
2	Long Island City
3	Woodside
4	Jackson Heights
5	Elmhurst
6	Corona
7	Forest Hill-Rego Park
8	Middle Village
9	Flushing

Area No.	Submarket
10	Bayside
11	Little Neck
12	Queens Village
13	St. Albans
14	Jamaica
15	Kew Gardens
16	Ozone Park-JFK
17	Rockaway

## DEFINITIONS

**Lifestyle households (renters by choice)** have wealth sufficient to own but have chosen to rent. Discretionary households, most typically a retired couple or single professional, have chosen the flexibility associated with renting over the obligations of ownership.

**Renter-by-Necessity households** span a range. In descending order, household types can be:

- *A young-professional*, double-income-no-kids household with substantial income but without wealth needed to acquire a home or condominium;
- *Students*, who also may span a range of income capability, extending from affluent to barely getting by;
- *Lower-middle-income ("gray-collar") households*, composed of office workers, policemen, firemen, technical workers, teachers, etc.;
- *Blue-collar households*, which may barely meet rent demands each month and likely pay a disproportionate share of their income toward rent;
- *Subsidized households*, which pay a percentage of household income in rent, with the balance of rent paid through a governmental agency subsidy. Subsidized households, while typically low income, may extend to middle-income households in some high-cost markets, such as New York City;
- *Military households*, subject to frequency of relocation.

These differences can weigh heavily in determining a property's ability to attract specific renter market segments. The five-star resort serves a very different market than the down-and-outer motel. Apartments are distinguished similarly, but distinctions are often not clearly definitive without investigation. The Yardi® Matrix Context rating eliminates that requirement, designating property market positions as:

Market Position	Improvements Ratings
Discretionary	A+ / A
High Mid-Range	A- / B+
Low Mid-Range	B / B-
Workforce	C+ / C / C- / D

The value in application of the Yardi® Matrix Context rating is that standardized data provides consistency; information is more meaningful because there is less uncertainty. The user can move faster and more efficiently, with more accurate end results.

The Yardi® Matrix Context rating is not intended as a final word concerning a property's status—either improvements or location. Rather, the result provides reasonable consistency for comparing one property with another through reference to a consistently applied standard.

To learn more about Yardi® Matrix and subscribing, please visit [www.yardimatrix.com](http://www.yardimatrix.com) or call Ron Brock, Jr., at 480-663-1149 x2404.

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