



MULTIFAMILY REPORT

Manhattan: Ready to Bounce Back

Spring 2021

Rent Contractions Decelerate

Unemployment Levels Steadily Improve

New York State to Receive \$100B in Federal Aid



MANHATTAN MULTIFAMILY



Stimulus Bill Underscores Silver Lining

In line with other gateway metros, New York City, which heavily relies on tourism, business travel and service industries, proved particularly vulnerable to the health crisis that ground the city's economy to a near halt in 2020. Year-over-year, the average Manhattan rent was down 14.3% as of March. However, while rents continued to contract, they have done so at a steadily decelerating rate after reaching an October 2020 bottom.

The New York metro area lost more than 1 million jobs in 2020. While the region's main economic engines—including Wall Street, big corporations and the tech industry—have stood the test better than initially anticipated, low-wage workers and small businesses continue to struggle. Glimmers of hope emerged as the American Rescue Plan allocated an estimated \$100 billion to the state, with \$6.1 billion in direct aid carved out for the city government, significantly enhancing New York City's outlook. However, the recovery is going to be a steep climb, according to economists and analysts.

Manhattan had 5,078 rental units under construction as of March, 94% of which are targeting high-income renters. Nearly half the pipeline is slated to come online this year, with an additional 1,647 units expected for delivery in 2022. Meanwhile, some \$932 million in multifamily assets of more than 50 units traded last year, down 40% compared to 2019 and marking the decade's low point.

Market Analysis | Spring 2021

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Recent Manhattan Transactions

Lands End



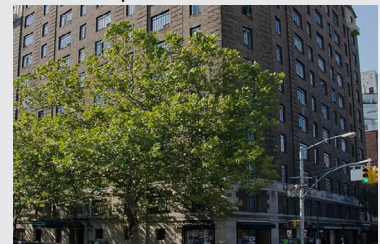
City: New York City
Buyer: Related Cos.
Purchase Price: \$424 MM
Price per Unit: \$867,076

15 Park Row



City: New York City
Buyer: Atlas Capital Group
Purchase Price: \$140 MM
Price per Unit: \$622,222

1 Christopher Street

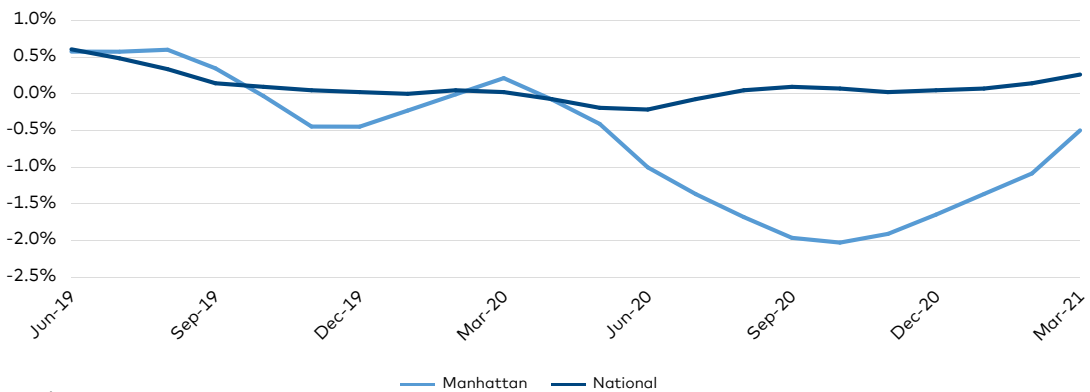


City: New York City
Buyer: Koepfel Cos.
Purchase Price: \$93 MM
Price per Unit: \$740,800

RENT TRENDS

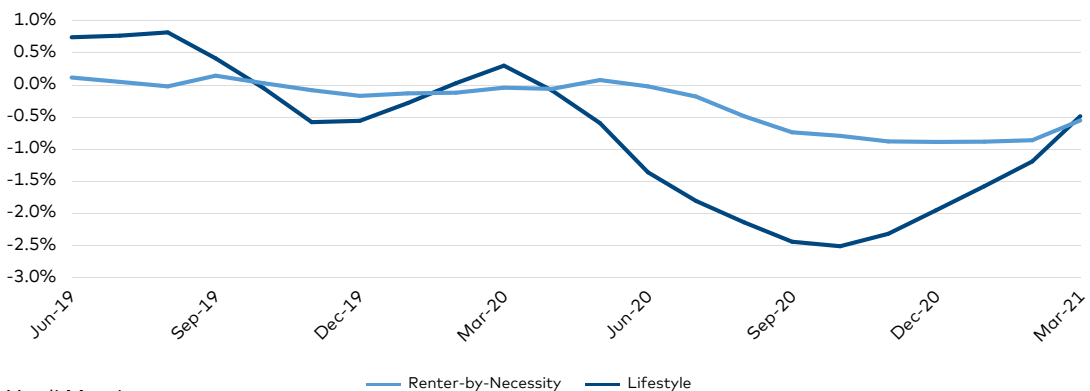
- ▶ Manhattan rents were down 0.5% on a trailing three-month (T3) basis as of March, while the U.S. average inched up by 0.3%. The borough's average price was \$3,626, well above the \$1,407 U.S. figure. Growth turned negative in April 2020, and the downward trajectory lasted through the year, bottoming out at -2.0% on a T3 basis in September and October. While the negative trend carried over into 2021, deceleration is clearly visible, with rents once again eyeing growth.
- ▶ As of March, Lifestyle rents were down 0.5% to \$3,854 on a T3 basis, while working-class Renter-by-Necessity rates contracted 0.6%, to \$3,168. The Lifestyle segment gained a lot of ground over the past two quarters, with contractions steadily decelerating from the -2.5% trough recorded in October 2020.
- ▶ Year-over-year, Chinatown (-30.2% to \$3,800) recorded the steepest decline, followed by the Theater District (-23.3 to \$3,133). Rents in Tribeca—the borough's priciest submarket—slid 13.6% to \$5,293.
- ▶ As part of the \$1.9 trillion American Rescue Plan, New York State is estimated to receive more than \$1 billion in emergency rental relief, equal to more than 5% of the \$20 billion national pot designated for rental assistance. New York City's allocation amounts to \$195.7 million. The funds can be used to cover past-due and future rent, and utility expenses.

Manhattan vs. National Rent Growth (Trailing 3 Months)



Source: Yardi Matrix

Manhattan Rent Growth by Asset Class (Trailing 3 Months)



Source: Yardi Matrix

ECONOMIC SNAPSHOT

- ▶ As of February, unemployment stood at 8.9% in New York State and 13.2% in New York City, both behind the 6.3% national rate, according to preliminary data from the Bureau of Labor Statistics. Unemployment in the city peaked at 20.2% in April 2020, but the figure has been steadily improving since. Fluid conditions contingent on widespread vaccine distribution and federal assistance are bound to continue having a deep impact on fundamentals.
- ▶ In the 12 months ending in January, New York City lost 636,100 jobs, for a 13.7% contraction. Leisure and hospitality carried the weight of the pandemic's impact, contracting by 53.6% and losing 242,800 jobs. Trade, transportation and utilities was down by 113,100 positions (-17.7%), followed by professional and business services, down 80,400 jobs (-10.5%).
- ▶ The \$1.9 billion rescue package will bring an estimated \$100 billion to New York, with more than \$50 billion of that going toward enhanced unemployment benefits, child tax credits, nutrition assistance, and rent and mortgage relief. The financing package allocates \$23.8 billion to state and local governments, with about \$12.6 billion going to the state and \$6.1 billion to New York City.

New York Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
50	Information	255	3.9%
30	Manufacturing	184	2.8%
15	Mining, Logging and Construction	246	3.7%
55	Financial Activities	611	9.3%
90	Government	920	14.0%
80	Other Services	262	4.0%
40	Trade, Transportation and Utilities	1132	17.2%
65	Education and Health Services	1486	22.6%
60	Professional and Business Services	1083	16.5%
70	Leisure and Hospitality	404	6.1%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- ▶ Manhattan added nearly 40,000 residents over the past decade, a 2.5% uptick and well below the 6.1% U.S. rate.
- ▶ Driven mostly by immigration, population growth started to soften in 2013, as relocations out of the borough offset expansion.

Manhattan vs. National Population

	2016	2017	2018	2019
National	323,071,342	325,147,121	327,167,434	328,239,523
Manhattan	1,636,261	1,629,780	1,628,701	1,628,706

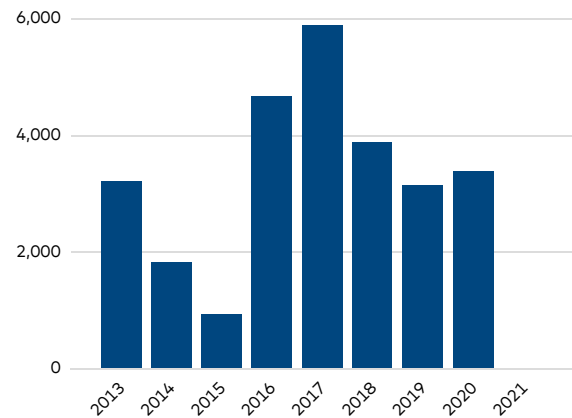
Sources: U.S. Census, Moody's Analytics

SUPPLY

- ▶ Manhattan had 5,078 units under construction as of March, with 94% of these targeting high-income earners. Yardi Matrix expects 2,307 apartments to come online across the borough in 2021, with an additional 1,647 units slated for delivery next year. As of March, the metro had an extra 25,700 units in the planning and permitting stages; however, considering the current climate, many of these projects could face significant delays or even cancellations.
- ▶ With more than half of the pipeline expected to come online in 2022 and 2023, this year's deliveries were off to a slow start—no communities of more than 50 units reached full completion in the first quarter. These fluctuations are due to a relatively strong 2020 for deliveries (3,403 units), coupled with ongoing factors stemming from the health crisis.
- ▶ Developers broke ground on 1,598 units across six properties in the 12 months ending in March. Considering the many setbacks development faced in the past year, the figure was not that far from the one recorded during the previous 12 months, when developers broke ground on 2,491 units across seven properties.

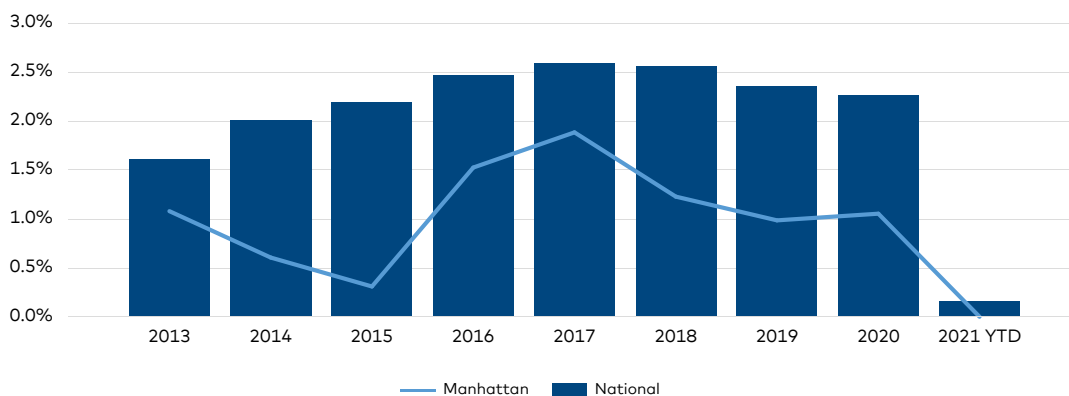
- ▶ As of March, Chelsea (1,320 units) led development activity, accounting for a quarter of the total pipeline. Hell's Kitchen (1,124 units) and East Harlem (998 units) rounded out the top three. The Richman Group's 404-unit One East Harlem, slated for delivery in late 2021, was the largest development underway as of March.

Manhattan Completions (as of March 2021)



Source: Yardi Matrix

Manhattan vs. National Completions as a Percentage of Total Stock (as of March 2021)



Source: Yardi Matrix

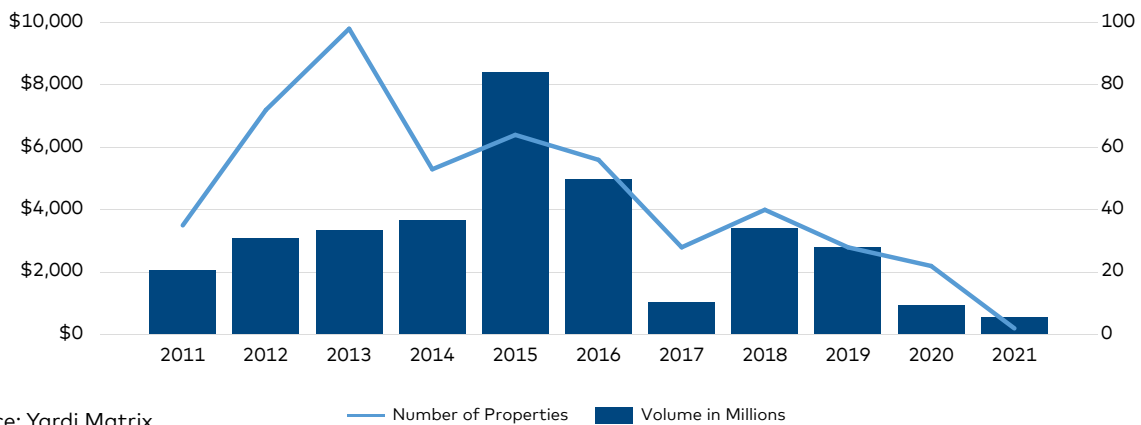
TRANSACTIONS

- ▶ In the first quarter of 2021, two assets sold for a total of \$564 million. Related Cos.' \$424 million acquisition of the two-building, 489-unit Lands End was the largest deal so far this year. L+M Development Partners sold the community for more than \$850,000 per unit.
- ▶ A total of \$932 million in rental assets of more than 50 units traded in 2020, down 40% compared to 2019 and marking the decade's low point. Prior to the pandemic, dollar volume in

Manhattan consistently hit the \$3 billion mark since 2011. Transactions peaked at \$8.4 billion in 2015, moderating after that cycle high.

- ▶ A total of 1,532 units sold in the 12 months ending in March. Investors focused on the RBN segment—of the 11 properties that traded, most (84%) are RBN communities, while only 16% cater to high-income renters. As of March, the average per-unit price stood at \$789,916, marking a slight uptick over the 2019 average.

Manhattan Sales Volume and Number of Properties Sold (as of March 2021)



Source: Yardi Matrix

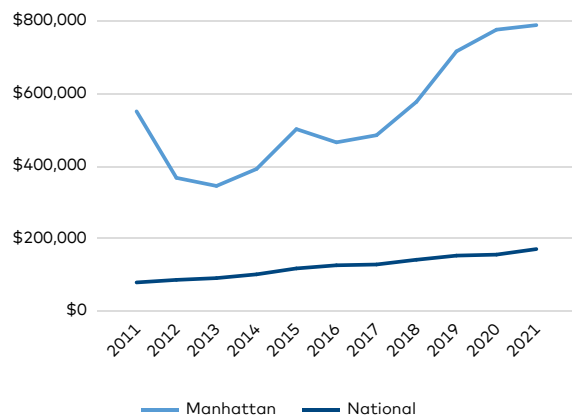
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
Two Bridges	424
Greenwich Village	211
Financial District	140
West Village	93
Midtown East	62
Morningside Heights	16

Source: Yardi Matrix

¹ From April 2020 to March 2021

Manhattan vs. National Sales Price per Unit



Source: Yardi Matrix

Top Northeast Markets for Multifamily Development

By Timea-Erika Papp

As one of the leading regions in the U.S. when it comes to development activity, the Northeast had more than 110,000 units under construction as of February, according to Yardi Matrix. That accounts for 14 percent of the nation's development pipeline, surpassed only by the Southwest, which comprises 16.6 percent. Based on Yardi Matrix data, these are the leading Northeast markets for multifamily development, equal to 87 percent of the region's pipeline.

Rank	Market	Units Underway (as of Feb. 2021)	Percentage of Stock
1	New Jersey	27,264	7.6%
2	Boston	17,904	7.6%
3	Philadelphia	12,323	4.1%
4	Brooklyn	10,684	7.3%
5	Queens	9,034	8.8%
6	Bridgeport–New Haven, Conn.	7,769	5.9%
7	White Plains, N.Y.	6,102	8.7%
8	Manhattan	5,772	1.8%

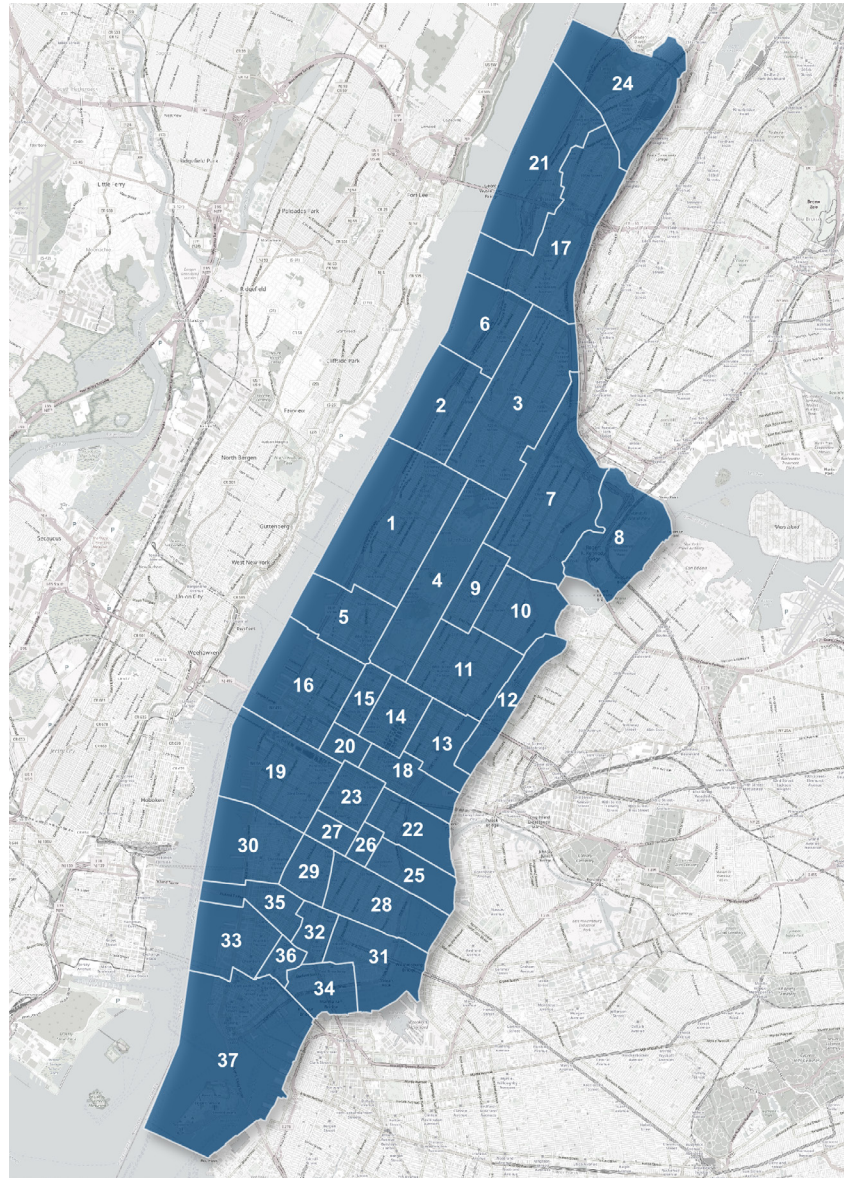
MANHATTAN

Among the boroughs on our list, Manhattan ranks third—after Queens and Brooklyn—when it comes to projects underway. As of February, the borough had 5,772 units under construction, accounting for 1.8 percent of existing inventory. Last year, developers completed some 3,000 units across 18 communities. Nearly 40 percent of the development pipeline is scheduled for completion in 2021. Douglas Development and Lalezarian Developers' 931-unit project at 601 W. 29th St. was the largest development underway in Manhattan as of February.



MANHATTAN SUBMARKETS

Area No.	Submarket
1	Upper West Side
2	Morningside Heights
3	Harlem
4	Central Park
5	Lincoln Square
6	Hamilton Heights
7	East Harlem
8	Randall and Ward Islands
9	Carnegie Hill
10	Yorkville
11	Lenox Hill
12	Roosevelt Island
13	Midtown East
14	Central Midtown
15	Theater District
16	Hell's Kitchen
17	Washington Heights
18	Murray Hill
19	Chelsea
20	Garment District
21	Hudson Heights
22	Kips Bay
23	NoMad
24	Inwood
25	Stuyvesant Town
26	Gramercy Park
27	Flatiron
28	East Village
29	Greenwich Village
30	West Village
31	Lower East Side
32	Chinatown
33	Tribeca
34	Two Bridges
35	SoHo
36	Civic Center
37	Financial District



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 December 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 December 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, December 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.

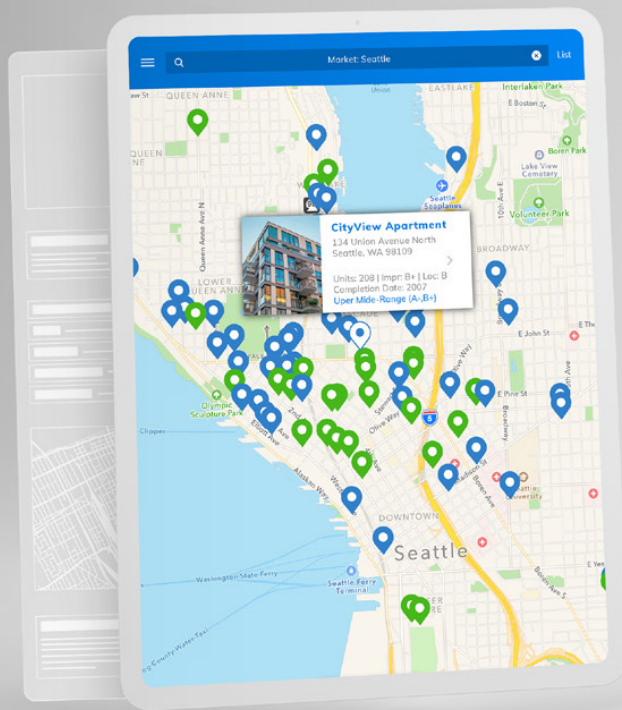
The Yardi® Matrix Context rating is not intended as a final word concerning a property's status—either improvements or location. Rather, the result provides reasonable consistency for comparing one property with another through reference to a consistently applied standard.

To learn more about Yardi® Matrix and subscribing, please visit www.yardimatrix.com or call Ron Brock, Jr., at 480-663-1149 x2404.



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