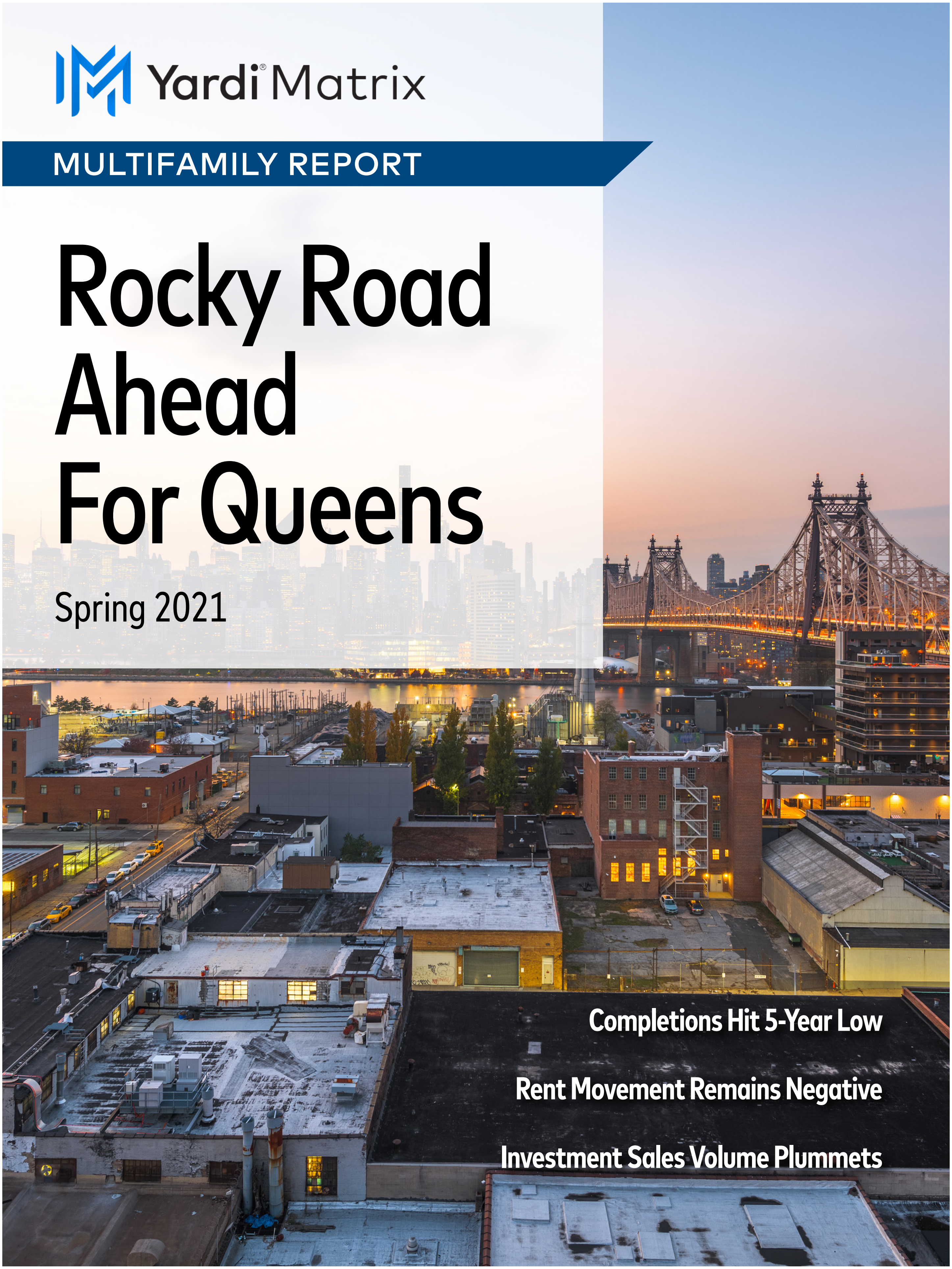
Yardi Matrix

MULTIFAMILY REPORT

Rocky Road Ahead For Queens

Spring 2021



Completions Hit 5-Year Low

Rent Movement Remains Negative

Investment Sales Volume Plummets

QUEENS MULTIFAMILY

Yardi Matrix

Hardships Continue In Queens

As was the case for most gateway markets, the outbreak of the coronavirus pandemic resulted in sharp rent drops across New York City boroughs. And while nationwide rents were up 0.3% on a trailing three-month (T3) basis through March to $1,407, Queens is yet to see an uptick. As of March, the metro's average rates were down 0.6% to $2,427, while year-over-year they decreased 9.4%. Meanwhile, the occupancy rate in stabilized communities dropped 130 basis points year-over-year through February to 97.6%.

New York City employment shrank 11.4% in 2020, entailing a loss of more than 750,000 positions, with all sectors in the negative territory. As with the bulk of U.S. metros, COVID-19 restrictions translated into sharp declines for the leisure and hospitality sector, which shed almost 300,000 jobs.

The number of completed units in the 12 months ending in March nosedived 80.9% to 406 units from the previous 12 months, marking a five-year low. Additionally, transaction volume for communities of more than 50 units totaled less than $50 million in the 12 months ending in March, representing a decrease of more than 60% year-over-year. By the end of the year, Yardi Matrix expects the overall average New York City rent to increase 2.2%.

Market Analysis | Spring 2021

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Recent Queens Transactions

The John Adams

City: New York City
Buyer: Nelson Management Group
Purchase Price: $27 MM
Price per Unit: $236,607

Belcrest House

City: New York City
Buyer: The Parkoff Organization
Purchase Price: $22 MM
Price per Unit: $211,905

RENT TRENDS

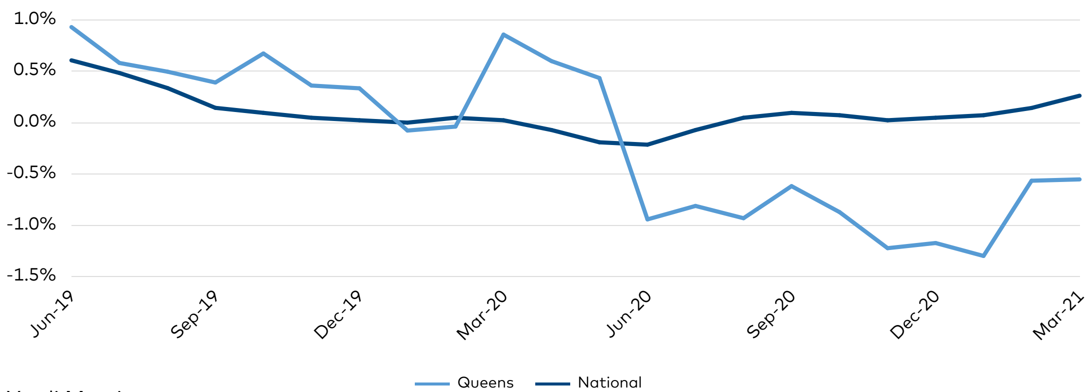
- The average rent in Queens continued its downward trend, dropping 0.6% to $2,427 on a trailing three-month basis through March, marking the 10th consecutive month of decline. Meanwhile, the national average rose 0.3% to $1,407. It is the eighth consecutive month in which the national rate increased or remained flat.

- Due to the pandemic, more expensive gateway metros saw rents decline at a faster pace than secondary or tertiary markets. Since the outbreak of the pandemic, higher quality communities in the more expensive gateway metros have witnessed a greater impact. While Renter-by-Necessity rates dropped 0.5% to $2,024, Lifestyle figures were down 0.6% to $2,968.

- The average occupancy rate in stabilized properties remained very high in Queens, at 97.6% as of February. However, with the Centers for Disease Control and Prevention moratorium extended through June and local legislation targeting August as a potential extension, the full impact on occupancy trends is somewhat unclear.

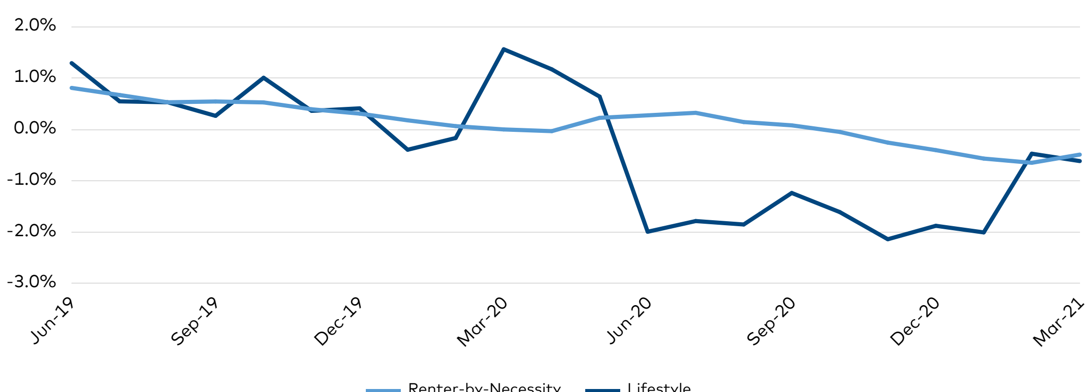
- The average rent of all submarkets contracted year-over-year through March, with most reporting single-digit losses. The bulk of submarkets saw their rates decline by 2% or less, including Astoria, where rents were down 1.3% to $2,662, and Jackson Heights, with a 1.4% drop to $2,244. Meanwhile, Long Island City, which remained the metro's most expensive submarket, reported an 18.2% nosedive to $3,061.

Queens vs. National Rent Growth (Trailing 3 Months)



Source: Yardi Matrix

Queens Rent Growth by Asset Class (Trailing 3 Months)



Source: Yardi Matrix

ECONOMIC SNAPSHOT

- New York City's employment pool contracted by 772,600 positions in 2020, marking an 11.4% decrease year-over-year, well above the 6.8% national drop. Although the unemployment rate decreased significantly after reaching a record 18.3% in June, it still stood at 10.7% in January, a 690-basis-point increase year-over-year as well as 410 basis points above the national figure.

- All employment sectors lost jobs last year, with leisure and hospitality down 42.2% or more than 290,000 positions, as the number of confirmed coronavirus cases in New York City rose considerably at the beginning of 2021. But as Gov. Andrew Cuomo lifted a series of restrictions on April 5, including an 11 p.m. curfew for movie theaters and gyms, with amusement parks opening at 33% capacity starting April 9, things could look up for the hard-hit job sector. Losses for other sectors ranged from -14.8% for other services to -1.6% for information.

- As of Mid-April, 24% of Queens' population was fully vaccinated, with all residents age 16 and older eligible for the coronavirus vaccine starting at the beginning of the month.

New York Employment Share by Sector

		Current Employment	
Code	Employment Sector	(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

- Queens' population contracted by some 25,000 residents in 2019—a 1.1% decrease.

- Between 2010 and 2019, Queens County added 19,113 residents, equal to a 0.9% uptick and staying significantly below the 6.1% national average.

Queens vs. National Population

	2016	2017	2018	2019
National	323,071,342	325,147,121	327,167,434	328,239,523
Queens	2,309,032	2,296,865	2,278,906	2,253,858

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

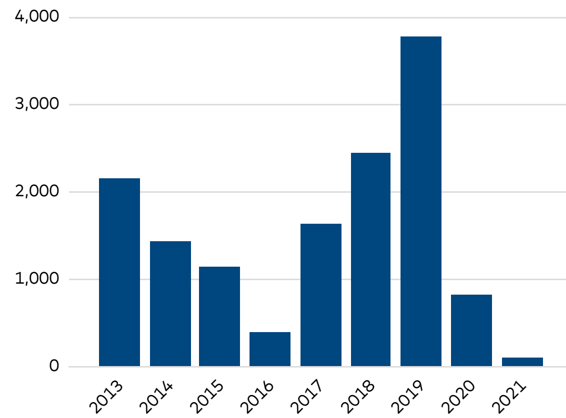
SUPPLY

- A total of 8,230 units were under construction as of March, 7.9% of existing stock. More than 3,000 of the apartments underway were slated for delivery as early as year-end. But as New York State continues to record high numbers of confirmed coronavirus cases, it's possible that some projects could see their completion dates be pushed into 2022, when more than 2,500 units are projected to be delivered. Some 40,000 units were in the planning and permitting stages across the metro as of March.

- With New York heavily impacted at the onset of the pandemic and still one of the hardest-hit states, nonessential construction activity was paused during the stay-at-home order last year. Consequently, deliveries nosedived 78.1% in 2020 to only 828 units, the second-lowest level in a decade. In the Long Island City submarket, Rabsky Group completed the 202-unit Bevel LIC, constructed with the assistance of a $44.7 million loan from BBVA USA.

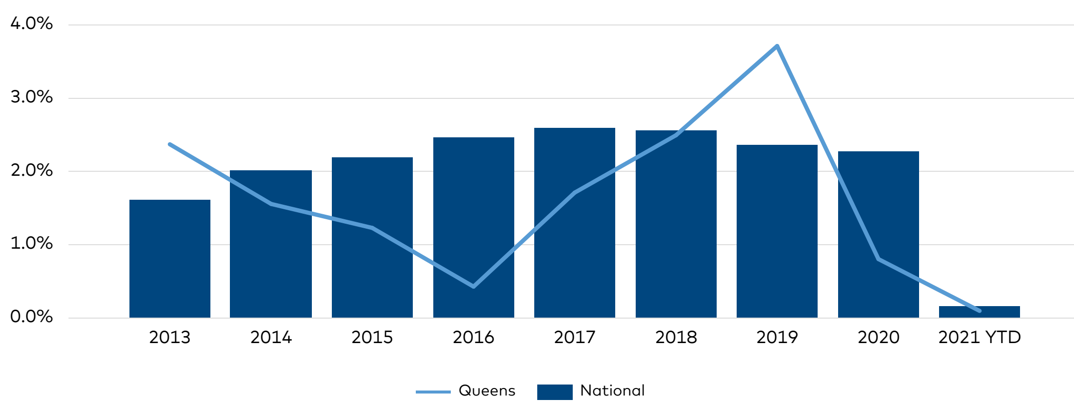
- Six projects totaling more than 3,500 units were in the works in Long Island City as of March, equal to 20% of the submarket's inventory. G & M Realty was wrapping up work on the redevelopment of the 1,122-unit, partially affordable 5Pointz, thanks to a $300 million construction loan from Bank OZK. The two-building community is situated on the site of a former graffiti-covered warehouse.

Queens Completions (as of March 2021)



Source: Yardi Matrix

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

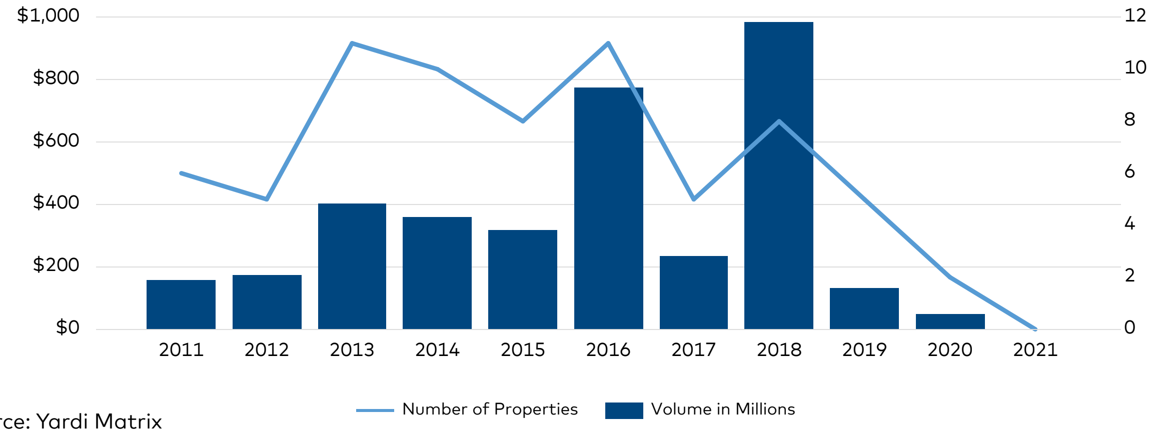


Source: Yardi Matrix

TRANSACTIONS

- Transaction volume for communities of more than 50 units totaled $49 million in Queens in the 12 months ending in March, a 63% slide year-over-year. As investors focused their efforts increasingly on value-add opportunities in secondary and tertiary markets, last year saw the metro's lowest sales volume in a decade. And with no deal closed in the first quarter, the sluggish transaction activity seems likely to continue.
- The average per-unit price continued its downward trend last year, standing at $224,654, a 10.7% decrease from 2019. The two apartment properties that changed hands in Queens in 2020 were both in the Renter-by-Necessity segment. In contrast, in 2018, when the per-unit price reached $328,069, a quarter of the properties were in the Lifestyle category.

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



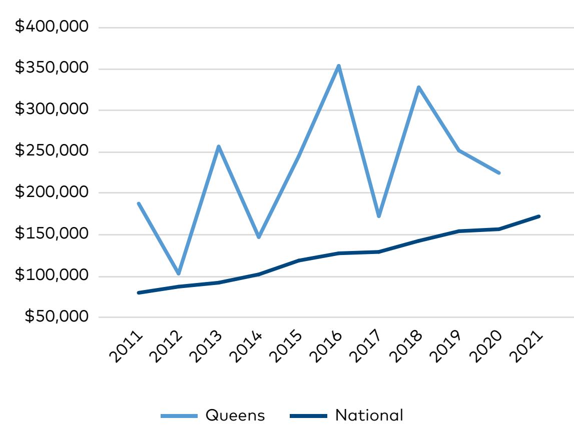
Source: Yardi Matrix

Top Submarkets for Transaction Volume[1]

Submarket	Volume ($MM)
Forest Hills-Rego Park	27
Jamaica	22

Source: Yardi Matrix
[1] From April 2020 to March 2021

Queens vs. National Sales Price per Unit



Source: Yardi Matrix

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MULTI-HOUSING NEWS

An Insider's Perspective on NYC's Multifamily Market

By Adriana Pop

As the economy continues to face extraordinary challenges, New York City's multifamily market is undergoing a transformation. Local real estate player Michael Feldman, co-founder & CEO of third-party property management services provider Choice New York Cos—who has been active in the market for roughly two decades—talks about demand shifts and the way the city's boroughs have been affected by the pandemic.

What is the primary motivation for people leaving the city? Is it economic concerns, safety reasons, lifestyle preferences or a bit of all?

Perhaps a bit of all, but less economic and more safety and lifestyle. The biggest story here is that we know that Brooklyn and Queens have been much more resilient than Manhattan. Manhattan residents have shown that they are more malleable. Why? Some of this is due to stronger financials—higher median income—as moving is expensive, but also time consuming. Some of it is lifestyle.

How prevalent is the growth of concessions? How have the negotiations with prospective tenants changed since last year?

The market is still actively responding to the sudden change in demand. Landlords are having to be much, much more negotiable. If they are not willing to play ball, their apartment will simply remain vacant. The reality is that prospective tenants have the power. Residential agents are having to scratch and claw and just work really, really hard to get a deal done.

Are there any differences in the way you negotiate new leases as opposed to renewals?

In general, we are more aggressive with lease renewals because we already have proof of concept that this tenant desires the space because they already transacted previously and because moving is a meaningful cost and huge hassle. However, again the pandemic has shifted our practices as there is upward pressure on vacancy time, turnover cost and commissions/concessions, so certainly we have quickly become a lot more negotiable.

Urban apartment demand over the last decade has been led by young renters and Boomers. Has the pandemic changed that?

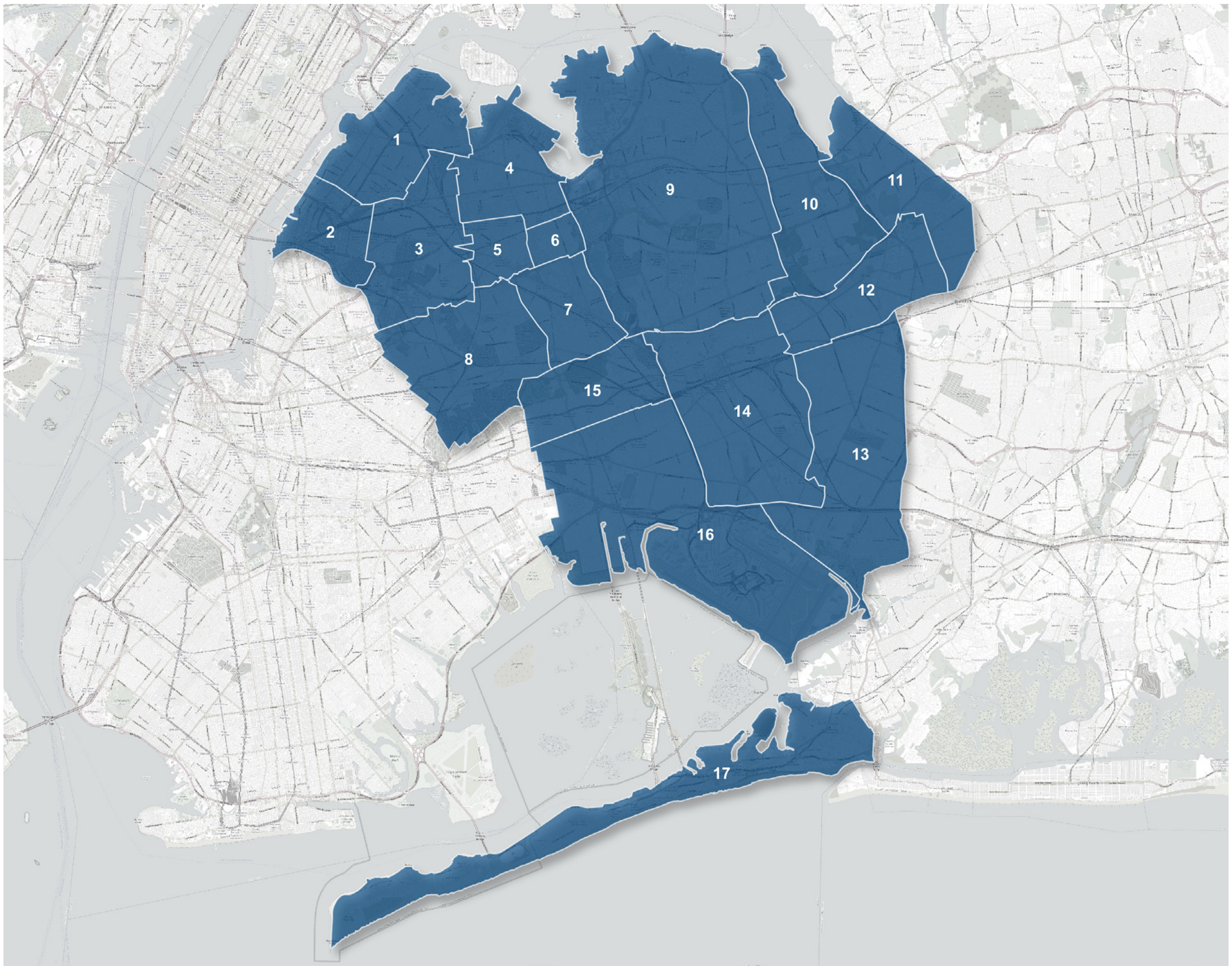
Well, the most pronounced shift has been the shift in the demand in general. The higher the income level of the resident or prospective resident, the more likely they can work remotely and the more likely they can move out due to not only remote working but an entire variety of socioeconomic factors.

How do you anticipate the multifamily market to change as NYC reopens?

I think the boroughs will return to previous numbers and recover quicker than Manhattan. This outcome will be due to a confluence of components, but the biggest one is that they do not have as much ground to make up as Manhattan, which simply regressed much more than the boroughs.

(Read the complete interview on multihousingnews.com.)

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 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.

Yardi® Matrix

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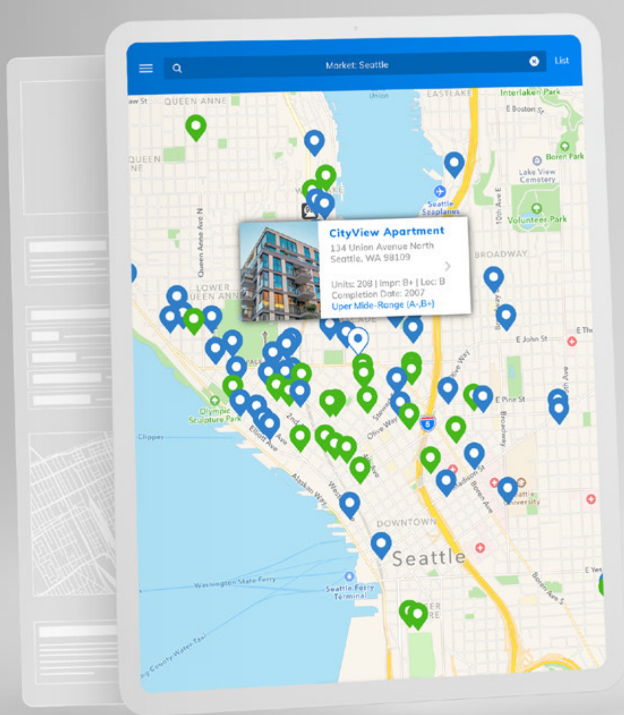

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