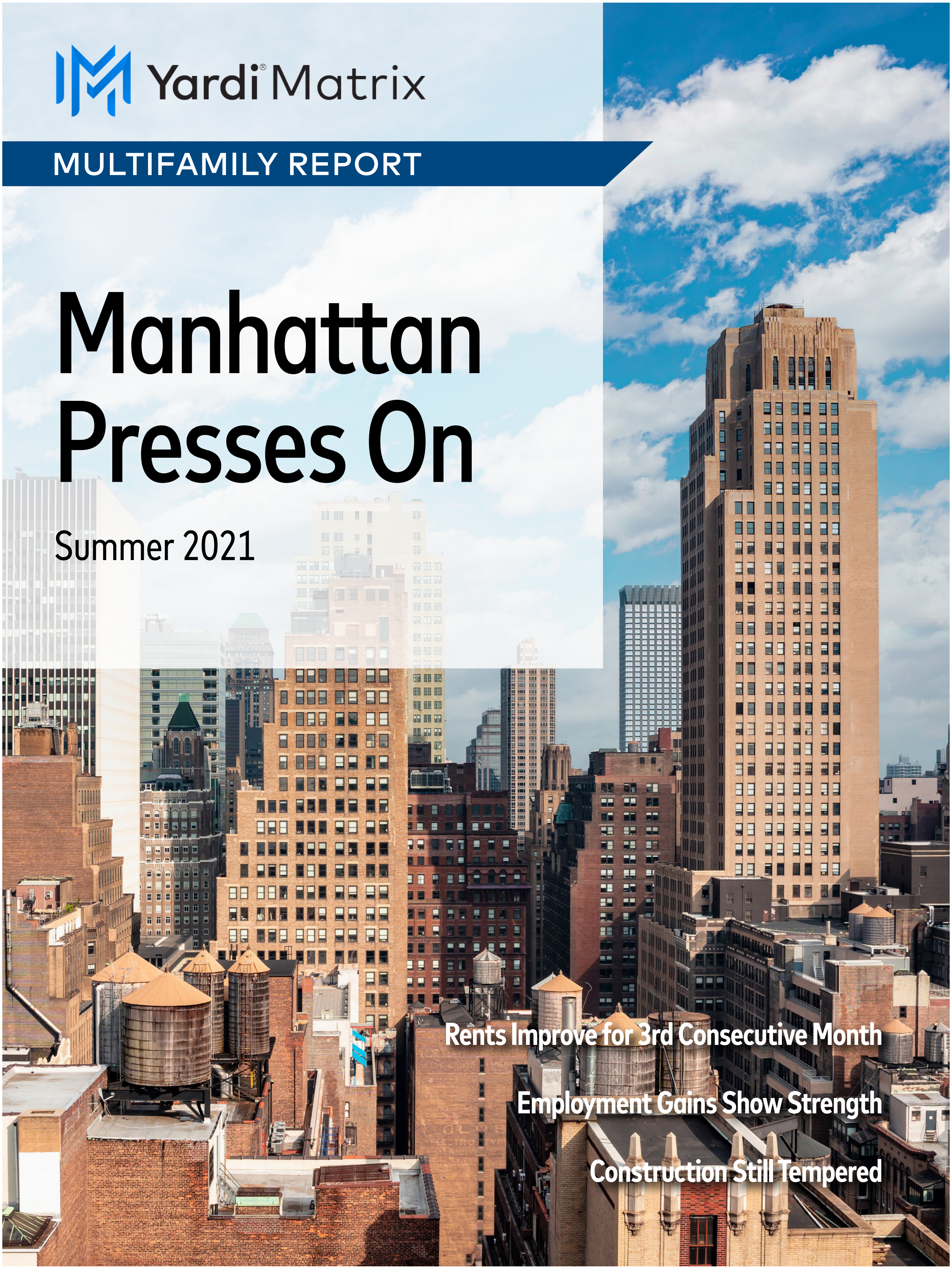
Yardi Matrix

MULTIFAMILY REPORT

Manhattan Presses On

Summer 2021



Rents Improve for 3rd Consecutive Month

Employment Gains Show Strength

Construction Still Tempered

MANHATTAN MULTIFAMILY

Yardi Matrix

Rent Growth Maintains Upward Trajectory

As people gradually make their way back to urban cores, rent growth in gateway markets is showcasing the result: As of June, Manhattan rents were up 2.2% on a trailing three-month basis, to $3,869, more than double the $1,482 U.S. average. On a month-over-month basis, New York City was among the leading markets for short-term rent expansion, with rates up 1.9%, 30 basis points above the national figure.

In the 12 months ending in May, New York City regained 628,000 jobs, with leisure and hospitality leading growth—the industry added 162,500 jobs for a 54.5% increase. As of June, unemployment was 7.7% in New York State and 10.6% in the city, according to preliminary data from the NYS Department of Labor. Both figures were above the 5.6% U.S. rate. While New York City is on the right track, economic recovery is lagging compared to the U.S., and the city's rebound is expected to be lengthier, with employment anticipated to surpass pre-pandemic levels only in 2024, according to a New York City Independent Budget Office forecast.

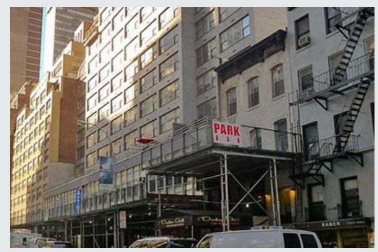
Manhattan had 6,026 units under construction as of June, 89% of which are in upscale communities. Yardi Matrix expects 2,307 units to come online in the borough this year, below the 2020 figure. Meanwhile, investment sales amounted to $933 million in 2021 as of June, with some 1,500 units sold in the first half of the year.

Recent Manhattan Transactions

920 Park Avenue

City: New York City
Buyer: Stonehenge Partners
Purchase Price: $135 MM
Price per Unit: $1,949,275

155 East 55th Street



City: New York City
Buyer: Sachs Cos.
Purchase Price: $47 MM
Price per Unit: $839,286

Eagle Court

City: New York City
Buyer: Naftali Group
Purchase Price: $70 MM
Price per Unit: $548,828

65 West 55th Street

City: New York City
Buyer: Sachs Cos.
Purchase Price: $45 MM
Price per Unit: $505,618

Market Analysis | Summer 2021

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RENT TRENDS

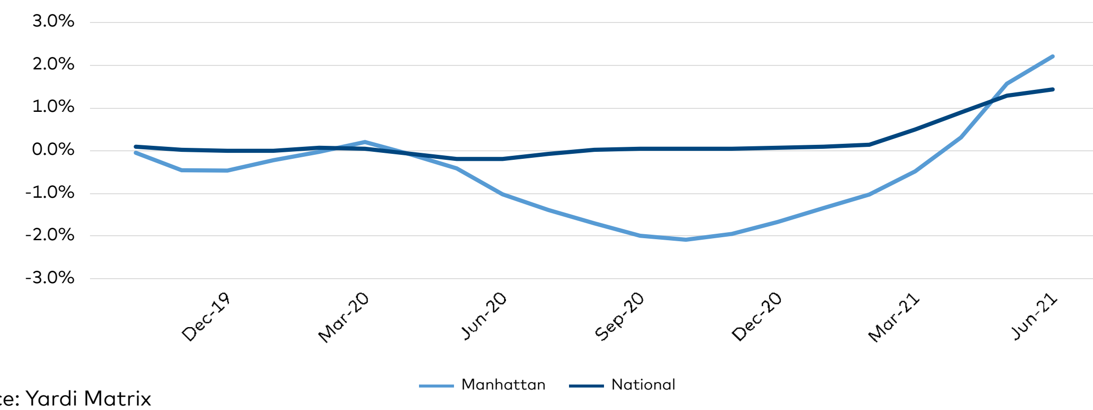
- Rents in Manhattan increased 2.2% on a trailing three-month basis (T3) as of June, 80 basis points above the U.S. rate. The average rent in the borough was $3,869, 160% higher than the $1,482 U.S. average. June marked the third consecutive month for positive rent growth in Manhattan.

- Consistent with nationwide trends, Lifestyle rents are growing at a faster clip than the working-class Renter-by-Necessity rents for the first time since 2011. As of June, Lifestyle rates climbed 3.0% to $4,207 on a T3 basis, while RBN figures inched up 0.2%, to $3,175. The above-average expansion is likely to persist in the near term.

- Chinatown (9.4% to $5,048) and Midtown East (5.8% to $4,263) led rent growth, while the Lower East Side (-10.9% to $4,049) recorded one of the steepest rent declines year-over-year. Rents in Tribeca—the most expensive submarket—fell 10.6%, to $5,294.

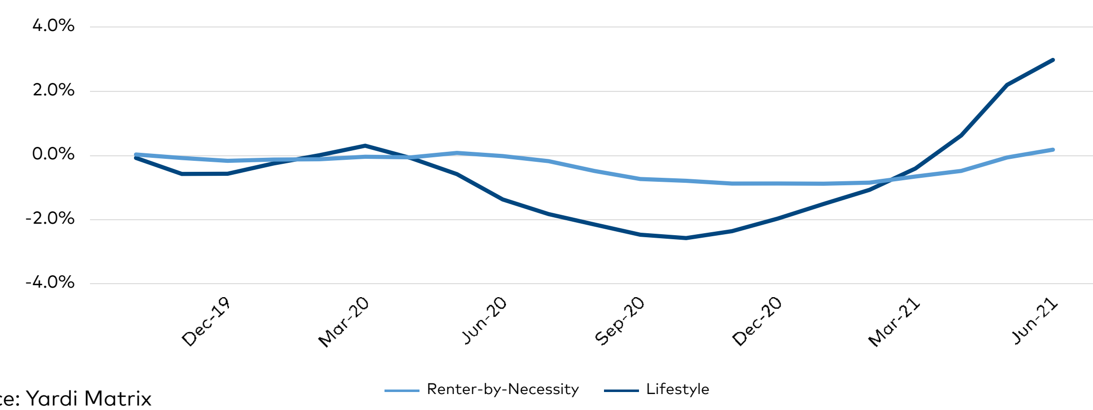
- Eligible New York residents in financial difficulty due to COVID-19 were permitted to apply for rental assistance through the New York State Emergency Rental Assistance Program as of June 1. The $2.7 billion program, administered by the state Office of Temporary and Disability Assistance, aims to provide help with up to a year of past-due rent and three months of prospective rental relief. The program is expected to serve up to 200,000 households.

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

- In the 12 months ending in May, New York City regained 628,000 net jobs, with leisure and hospitality leading growth—the sector added 162,500 jobs for a 54.4% surge, the largest rate of all sectors. Trade, transportation and utilities gained 158,500 positions, followed by education and health services, which added 127,800 jobs.

- As of June, the statewide unemployment rate stood at 7.7%, while New York City's unemployment was 10.6%, according to preliminary data from the NYS Department of Labor. Both figures were above the 5.9% national rate.

- While New York City is on the right track, economic recovery is lagging compared to the U.S., and the city's rebound is expected to be lengthier. New York City is anticipated to regain three-quarters of jobs lost due to the pandemic by the fourth quarter of 2022, and exceed pre-pandemic employment levels only in 2024, according to a forecast from the New York City Independent Budget Office.

- The American Rescue Plan includes $100 billion for New York State, with $3.8 billion going directly to the 57 counties ($2.2 billion) and New York City ($1.6 billion). New York City will receive an additional $4.2 billion through Community Development Block Grant formula funding.

New York Employment Share by Sector

		Current Employment	
Code	Employment Sector	(000)	% Share
70	Leisure and Hospitality	461	7.0%
40	Trade, Transportation and Utilities	1068	16.2%
65	Education and Health Services	1506	22.9%
60	Professional and Business Services	1087	16.5%
80	Other Services	255	3.9%
15	Mining, Logging and Construction	248	3.8%
30	Manufacturing	183	2.8%
50	Information	256	3.9%
55	Financial Activities	606	9.2%
90	Government	908	13.8%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- Manhattan lost some 16,700 residents in 2020 (-1.0%), based on estimates from the U.S. Census Bureau, while the U.S. gained more than 1.1 million residents for a 0.4% increase.

- Over the past decade, the borough's population grew by 1.5% (23,230 residents), well below the 6.5% U.S. rate.

Manhattan vs. National Population

	2017	2018	2019	2020
National	325,147,121	327,167,434	328,239,523	329,484,123
Manhattan	1,629,780	1,628,701	1,628,706	1,611,989

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

SUPPLY

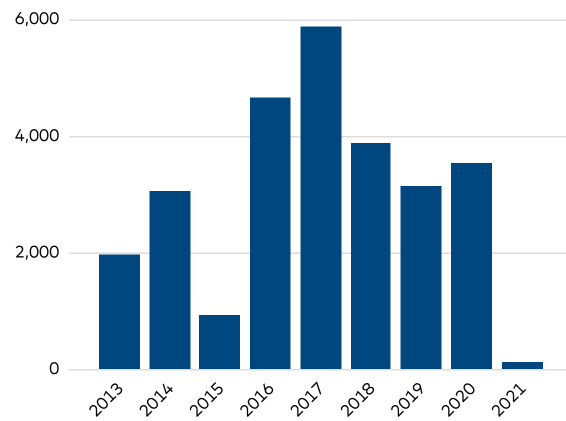
- Manhattan had 6,026 units under construction as of June, with the wide majority of those (89%) aimed at high-income earners. In total, 2,307 units are expected to come online in the borough this year, lagging the 2020 figure. As of June, Manhattan had an additional 24,500 apartments in the planning and permitting stages.

- Deliveries in 2021 were off to a slow start—only one community of more than 50 units was completed during the first half of the year. Camber Property Group's Victory Plaza, a 136-unit fully affordable housing development in Central Harlem, opened in February. The sluggish return of construction jobs is one of the contributing factors to the slow pace of development. Prior to the pandemic, the sector added jobs for eight consecutive years through 2019, making it the fastest-growing industry over that period, according to the NYS Department of Labor.

- Developers broke ground on some 2,170 units across eight properties in the 12 months ending in June. The figure marked a 28% slip from the one recorded during the previous 12 months, when developers broke ground on 3,007 units across nine properties.

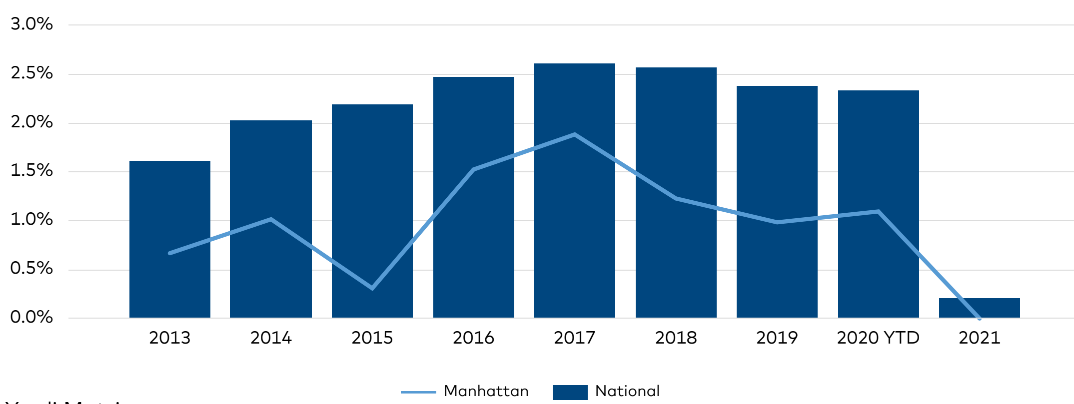
- As of June, Chelsea (1,807 units), Hell's Kitchen (1,124 units) and East Harlem (998 units) led development, accounting for 65% of the pipeline. Douglas Development and Lalezarian Developers' 938-unit 601 West 29th Street was the largest development underway, slated for delivery in late 2023.

Manhattan Completions (as of June 2021)



Source: Yardi Matrix

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



Source: Yardi Matrix

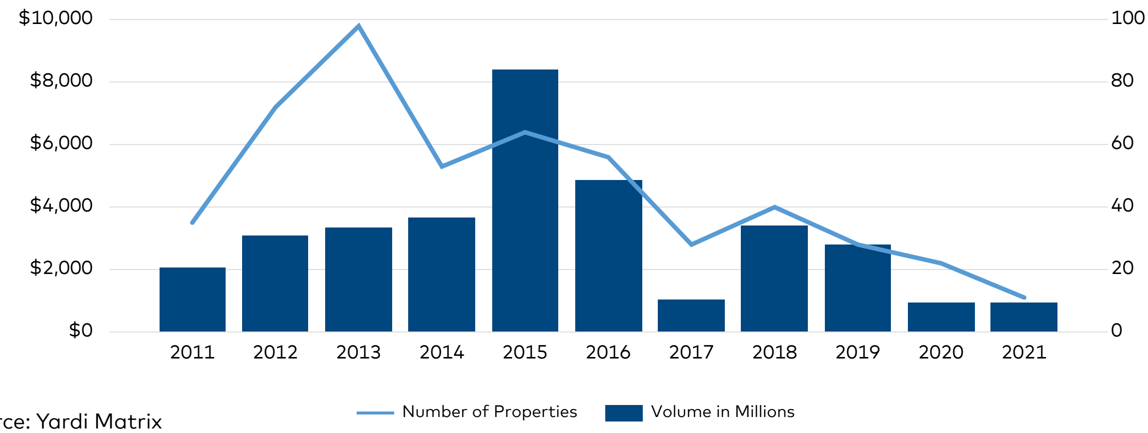
TRANSACTIONS

- In the first half of 2021, 11 assets (1,525 units) sold for a total $933 million, exceeding the sales volume recorded in the same interval last year by 69%. Some $933 million in rental assets traded in 2020, down 67% compared to 2019, a low point for the past decade.

- A total of 2,543 units were sold in the 12 months ending in June. Investors focused on the RBN segment—of the 20 properties that traded, 76% are RBN assets, while only 18% cater to the Lifestyle segment; the remaining 6% are fully affordable. The average price per unit year-to-date was $712,170, above the $705,740 average recorded for the same time frame last year.

- Stonehenge Partners' $135.5 million acquisition of the 69-unit 920 Park Avenue was the largest deal of the second quarter. A private investor sold the asset for $1,949,275 per unit, the largest per-unit price recorded in the borough so far in 2021.

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



Source: Yardi Matrix

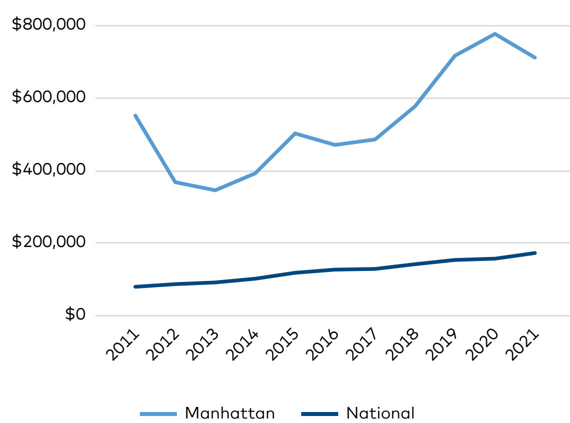
Top Submarkets for Transaction Volume[1]

Submarket	Volume ($MM)
Two Bridges	424
Greenwich Village	211
Financial District	140
Carnegie Hill	135
Midtown East	100
West Village	93
Central Midtown	92

Source: Yardi Matrix

[1] From July 2020 to June 2021

Manhattan vs. National Sales Price per Unit



Source: Yardi Matrix

Lender Counts on NY Metro Comeback to Be Quicker Than Expected

By Timea-Erika Papp

Leveraging Slate Property Group's $5 billion portfolio, affiliate SCALE Lending has found a niche within the construction senior lending market. In recent months, SCALE has closed nearly $500 million in multifamily loans and condo deals. Martin Nussbaum, co-founder & principal of Slate Property Group, shares why deal volume is picking up and what's next for the New York metro multifamily sector.

What's been happening in the transitional real estate space in the New York metro area since the onset of the pandemic?

With cities beginning to recover and reopen, the apartment market is very active at the moment. It will likely take one to two years for rents to fully recover to pre-COVID-19 levels, but we've seen a positive trend of people returning to the metropolitan area. There's a flow of new tenants coming into these areas, rather than moving within their current submarkets or switching buildings.

How are lenders approaching new opportunities in the tri-state area?

Lenders are starting to underwrite a slow recovery in urban markets, whereas three to four months ago they would only look at in-place rents.

The key factors we focus on when underwriting a loan are true construction costs that we can properly vet, net effective rents vs. gross rents and realistic expenses. These key metrics allow us to solve

a comfort level on loan proceeds that achieve a debt yield or loan basis we feel good about.

Are there certain types of transactions you favor?

We've found a real niche within the construction senior lending market and concentrated our efforts in that space for the last three years. These transactions have pulled back and allowed for us to become a leading alternative for someone who is looking for a more conventional loan-to-cost loan that isn't as available with traditional banks, which are currently around 50 percent to 65 percent. There is a huge opportunity for a development timeline in this space, as we allow the market to come back and banks step back a bit.

What are some of the determining factors that will shape the multifamily lending market going forward?

Two factors will play a big role in terms of multifamily developments: land prices and construction costs.

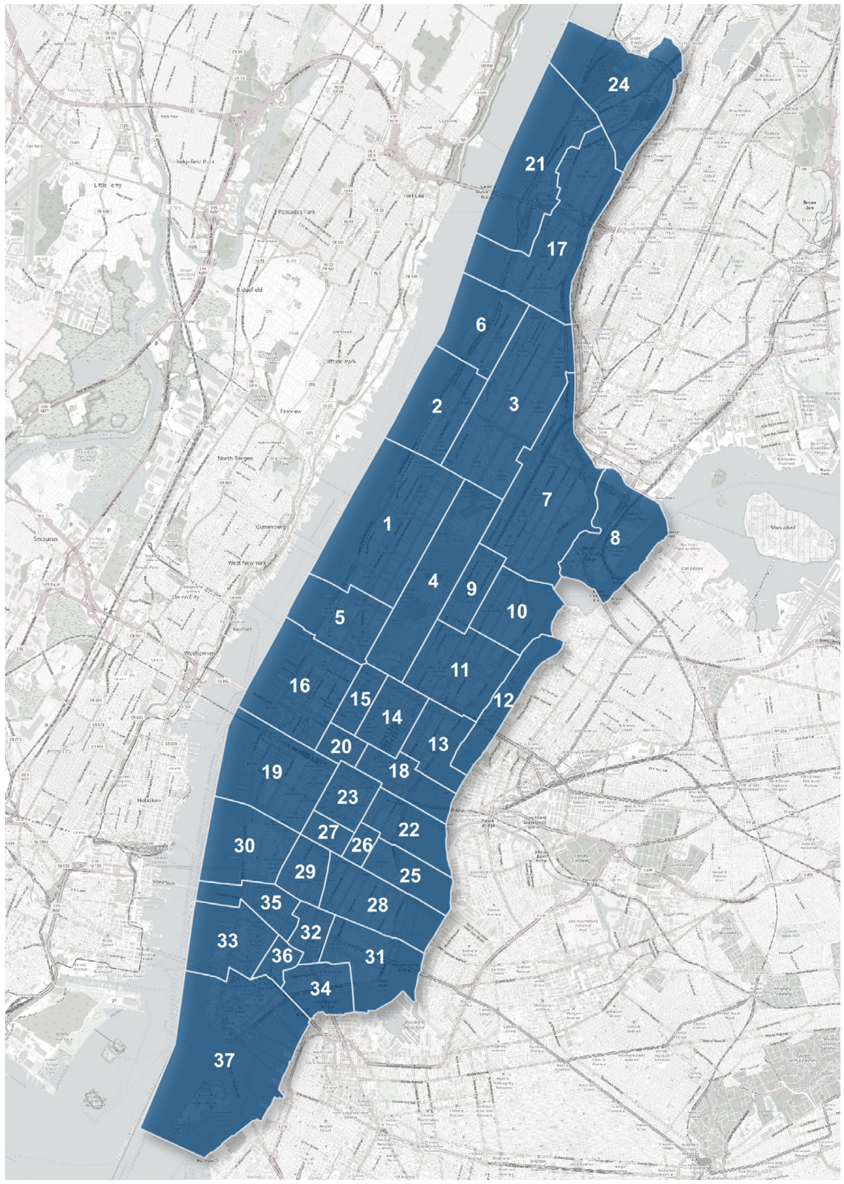
What does the recovery process look like for the New York metro multifamily sector?

The recovery process isn't something that will happen overnight, but I think it will occur sooner than people think. The multifamily sector has been an asset class that historically has been very resilient. It will remain largely in demand as people not only return to the city but move here from different parts of the country and world.

(Read the complete interview on multihousingnews.com.)

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	Lennox 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.

Yardi® Matrix

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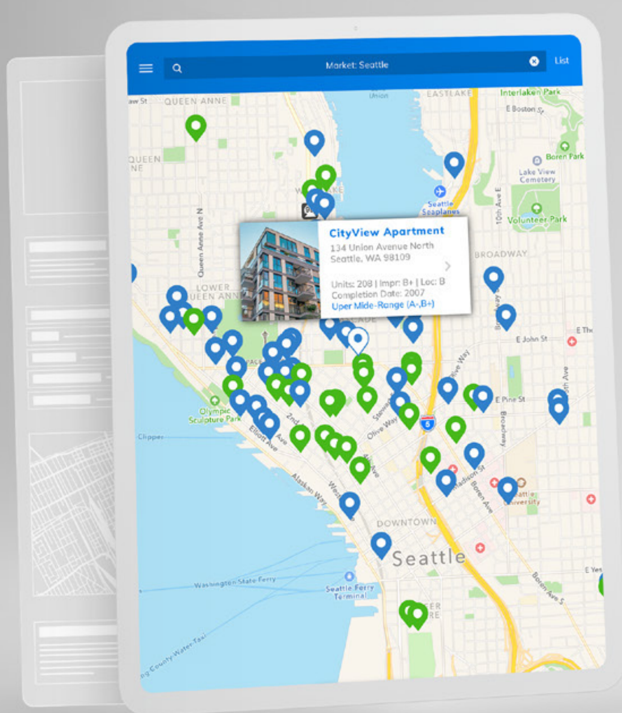

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