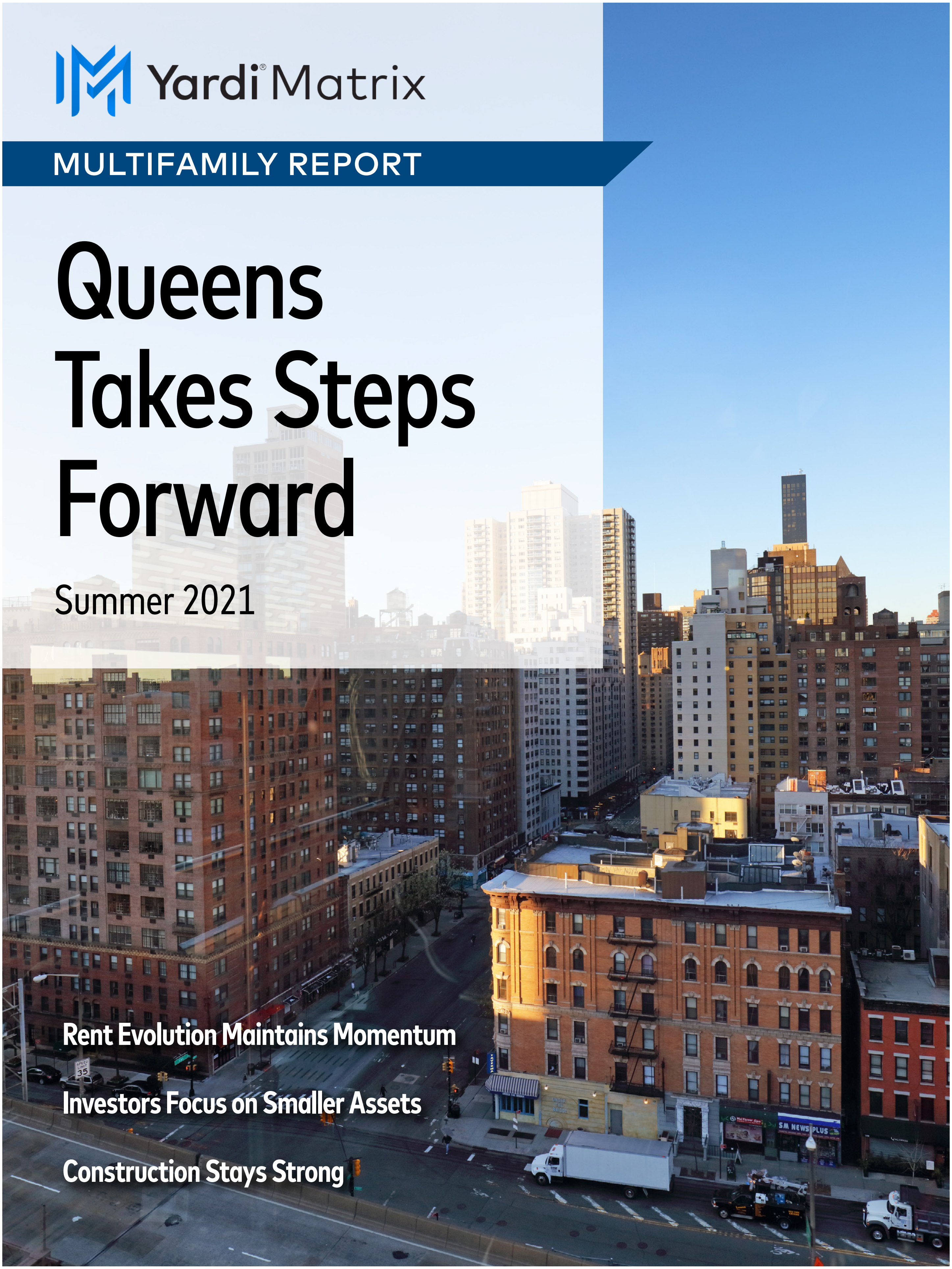
Yardi Matrix

MULTIFAMILY REPORT

Queens Takes Steps Forward

Summer 2021



Rent Evolution Maintains Momentum

Investors Focus on Smaller Assets

Construction Stays Strong

QUEENS MULTIFAMILY

Yardi Matrix

People Returning to Urban Cores Underpins Recovery

Recovery in gateway markets is gaining ground, as people who left these markets amid the pandemic are returning. And rent expansion is confirming these patterns—as of July, Queens rates were up 2.2% on a trailing three-month basis, to $2,556, well above the $1,510 national average. July marked the third-consecutive month for positive rent movement in the borough.

In the 12 months ending in May, New York City regained 628,000 net jobs. Leisure and hospitality led employment growth, with the sector adding 162,500 jobs for a 54.4% surge, the largest rate of all sectors. As of June, unemployment in the state stood at 7.7% and at 10.1% in New York City, according to preliminary data from the Bureau of Labor Statistics. Both figures were above the 5.9% national rate. The American Rescue Plan allocated $437.8 million to Queens, as part of the critical funding for states and localities. Local governments expect to receive the relief package in two tranches.

Queens had 10,479 units under construction as of July, 74% of which are in upscale communities. Yardi Matrix expects 2,360 units to come online by year-end, well above the 2020 figure. Meanwhile, investor interest for larger multifamily assets in the borough remained tepid in 2021 through July. The trend lasted throughout 2020, after the health crisis set in, and continued into 2021.

Market Analysis | Summer 2021

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RENT TRENDS

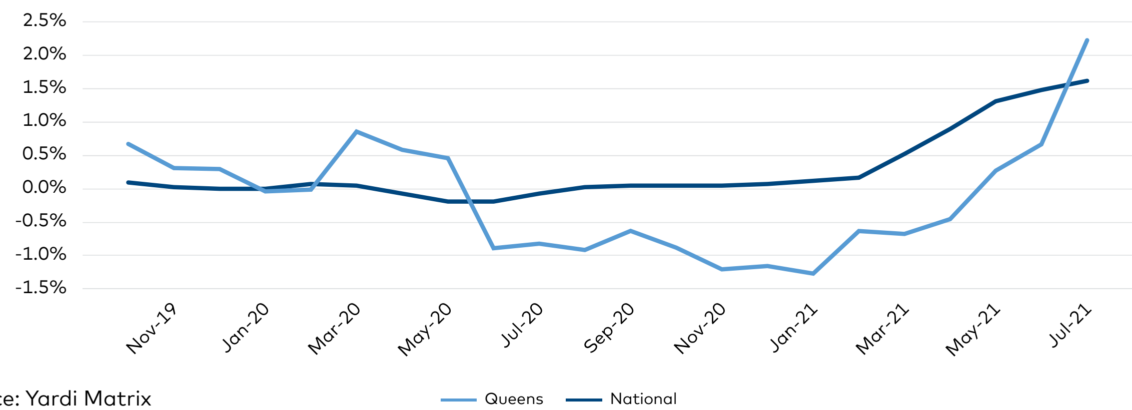
- With recovery in gateway markets gaining steam, Queens rents increased 2.2% on a trailing three-month (T3) basis as of July, 60 basis points above the U.S. rate. The borough's average rent stood at $2,556, well above the $1,510 national rate and below the $2,883 Brooklyn average.

- Consistent with nationwide trends, Lifestyle rent growth continues to surpass working-class Renter-by-Necessity growth, indicating that renters have built up extra savings over the last year. As of July, Lifestyle rents climbed 3.9%, to $3,240, while RBN rents edged up 0.4%, to $2,044. Month-over-month, New York City was among the leading markets for short-term rent gains—up 3.0%—a sign that many residents who had left these metros amid the pandemic are returning.

- Forest Hills–Rego Park (6.7% to $2,658), Astoria (2.6% to $2,794) and Jamaica (0.2% to $1,944) were the only submarkets to record positive rent movement, leading growth in the 12 months ending in July. Rents in Long Island City—the most expensive submarket—fell 5.3%, to $3,319.

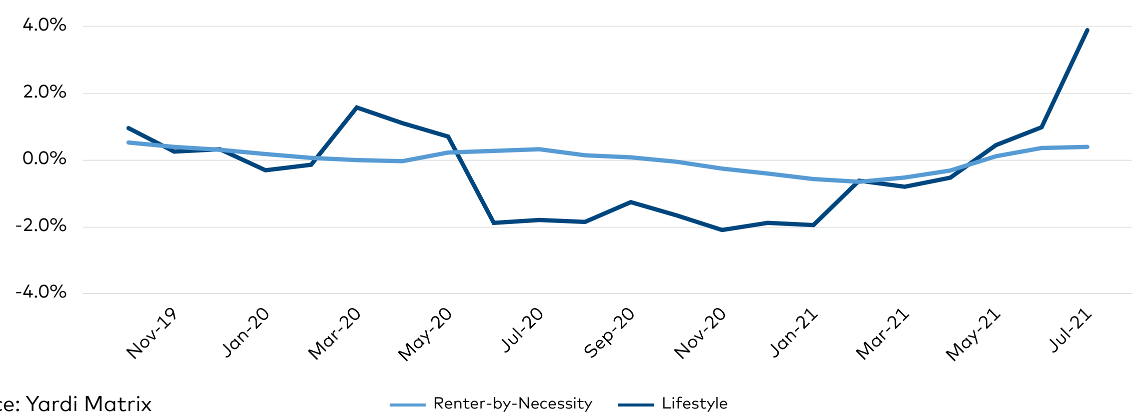
- As of June 1, eligible New York residents experiencing financial hardship due to COVID-19 could apply for rental relief through the New York State Emergency Rental Assistance Program. The $2.7 billion program is administered by the New York State Office of Temporary and Disability Assistance and aims 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.

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

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

- As of June, unemployment in the state stood at 7.7% and at 10.1% in New York City, according to preliminary BLS data. Both figures were above the 5.9% national rate.

- The American Rescue Plan allocated $437.8 million to Queens as part of the critical funding for states and localities. The funds may be used for infrastructure, public health efforts, to support workers and small businesses, and to replace lost tax revenue, among other uses. Local governments can expect to receive the relief package in two tranches, according to the Treasury Department.

- Of the 50 largest markets covered by Yardi Matrix, only seven have office-using employment levels above what they were prior to COVID-19. Salt Lake City (5.0%), Austin (4.5%), Raleigh-Durham (3.6%) and Tampa (3.0%) lead the way, while New York (-6.8%) is among the struggling metros, after Las Vegas (-10.9%) and Los Angeles (-9.5%).

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

- Queens lost 28,000 residents in 2020 (-1.2%), based on estimates from the U.S. Census Bureau, while the nation gained more than 1.1 million residents for a 0.4% uptick.

- In the past decade, the borough's population contracted by 0.4%, down by 8,924 residents.

Queens vs. National Population

	2017	2018	2019	2020
National	325,147,121	327,167,434	328,239,523	329,484,123
Queens	2,296,865	2,278,906	2,253,858	2,225,821

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

SUPPLY

- Queens had 10,479 units under construction as of July, with the bulk of those (74%) targeting high-income renters. Overall, we expect 2,360 units to be added in the borough by year-end, well above the 2020 figure. As of July, Queens had an additional 40,000 apartments in the planning and permitting stages.

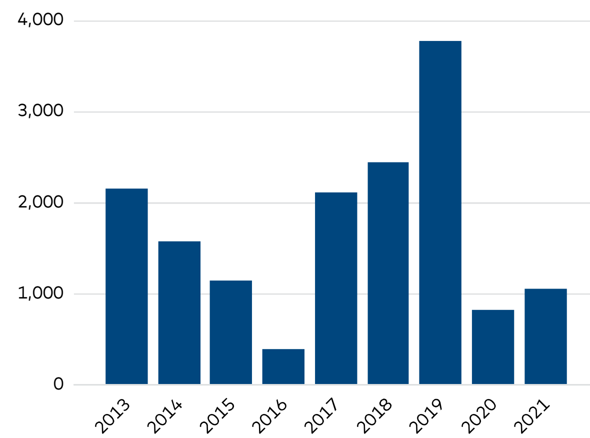
- Deliveries in Queens were off to a sluggish start in 2021—developers completed four communities of more than 50 units this year through July. Completions amounted to 1,063 units, equal to 1.0% of total stock, almost in line with the U.S. figure. The sluggish pace in completions is due to a slow return for the construction sector, among other factors. A skilled labor shortage, coupled with higher material prices and a surge in new COVID-19 cases are stalling the sector's recovery.

- Developers broke ground on 3,578 units across 11 properties in the 12 months ending in July. The figure is largely consistent with the one recorded in the previous 12 months, when developers broke ground on 3,503 units, also across 11 properties.

- As of July, Long Island City (4,687 units) led development, accounting for 44% of the total pipeline. Astoria (2,046 units) and Jamaica (1,558 units) rounded out the top three.

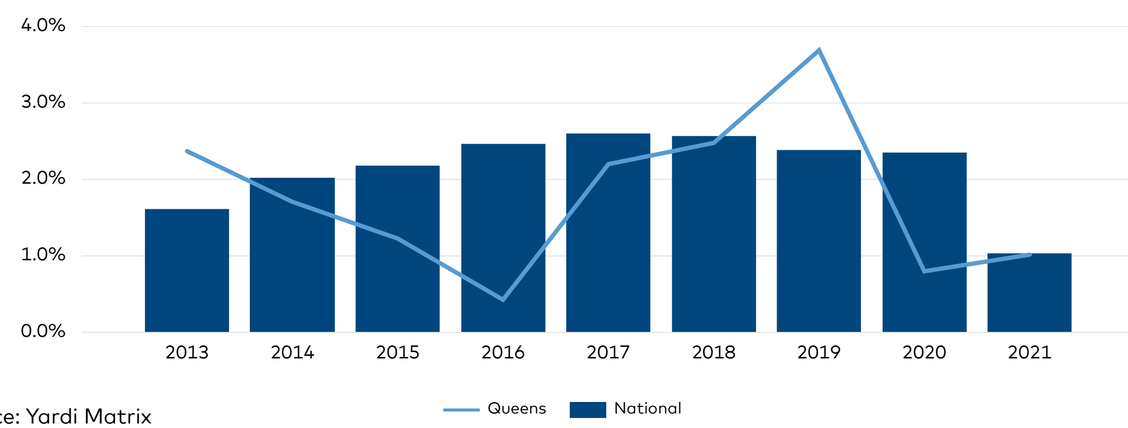
- G&M Realty's 1,122-unit 5Pointz LIC in Long Island City was the largest development underway as of July, slated for delivery by late 2021.

Queens Completions (as of July 2021)



Source: Yardi Matrix

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



Source: Yardi Matrix

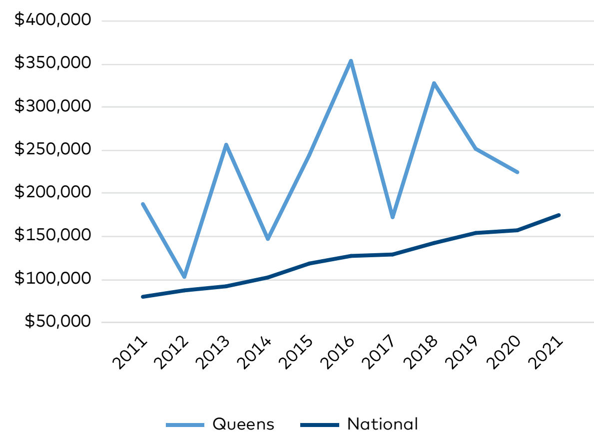
TRANSACTIONS

- Investor interest for larger multifamily assets in Queens remained tepid in 2021 through July. The trend lasted throughout 2020 and carried over into 2021.

- Last year, only two properties with more than 50 units traded for a combined $49 million, marking a 63% decline compared to 2019's transaction volume ($132 million). Both assets were RBN properties. Investment sales peaked at $984 million in 2018, following several years of fairly consistent deal volume.

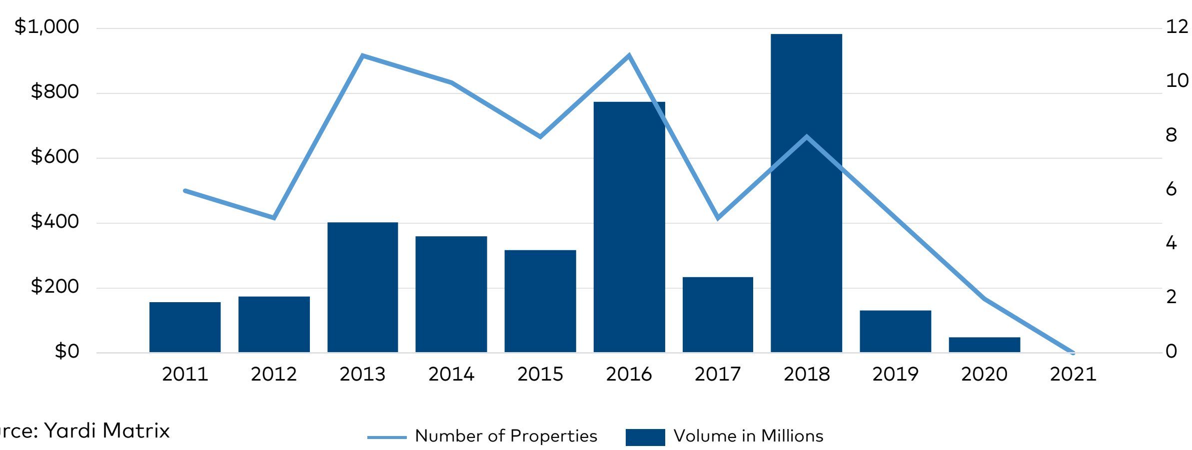
- The average per-unit price in Queens has fluctuated over the past decade but has remained above the $100,000 threshold since 2011. The price per unit peaked at $353,982 in 2016, when total sales amounted to nearly $774 million. While prices exceeded the $300,000 limit again in 2018, average per-unit prices started to moderate in 2019 and stood at $224,654 in 2020, still well above the national figure at the time ($157,158).

Queens vs. National Sales Price per Unit



Source: Yardi Matrix

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



Source: Yardi Matrix

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MULTI-HOUSING **NEWS**

What's Next for NYC's Multifamily Market

By Adriana Pop

As investors begin to look beyond the pandemic, there is strong confidence in the New York City multifamily market's overall recovery. Although certain areas and unit types continue to struggle, several multifamily players expect the return to the office to stimulate demand across the industry. Robert Morgenstern, principal of Canvas Property Group and Morgenstern Capital, shares his outlook and predictions for the next six to 18 months.

Did you see an exodus of renters in the past few months, and if so, where did they go?

We saw a permanent and temporary exodus. The permanent exodus was from people who were planning to leave New York City anyway—generally headed to the suburbs—but decided to do so a year or two before they originally planned. The larger exodus was the temporary one when the city shut down and the largest firms gave ultimate flexibility to work from home.

The NYC multifamily market is heavily dependent on the return of office workers. When do you expect that to be in full swing?

Many commercial real estate professionals—including myself—have been in our offices since the summer of 2020. I believe company culture thrives on human interaction and has never bought into a permanent fundamental shift in the workforce. I think people will be back at work this summer and fall.

How are rents performing considering the lower demand?

Demand and rents are very different in this market. We are seeing tremendous demand in certain submarkets for specific unit types. We recently listed a one-bedroom at Prime Williamsburg and had 86 inquiries and 17 requests for a tour in two days.

Net rents, accounting for concessions, and demand for shared apartments in certain dense submarkets will take much longer to recover. Anyone looking for a one-size-fits-all answer to the recovery is going to miss the mark. Understanding granular data is the key to any real insight into the recovery.

Are New York City renters still seeking concessions?

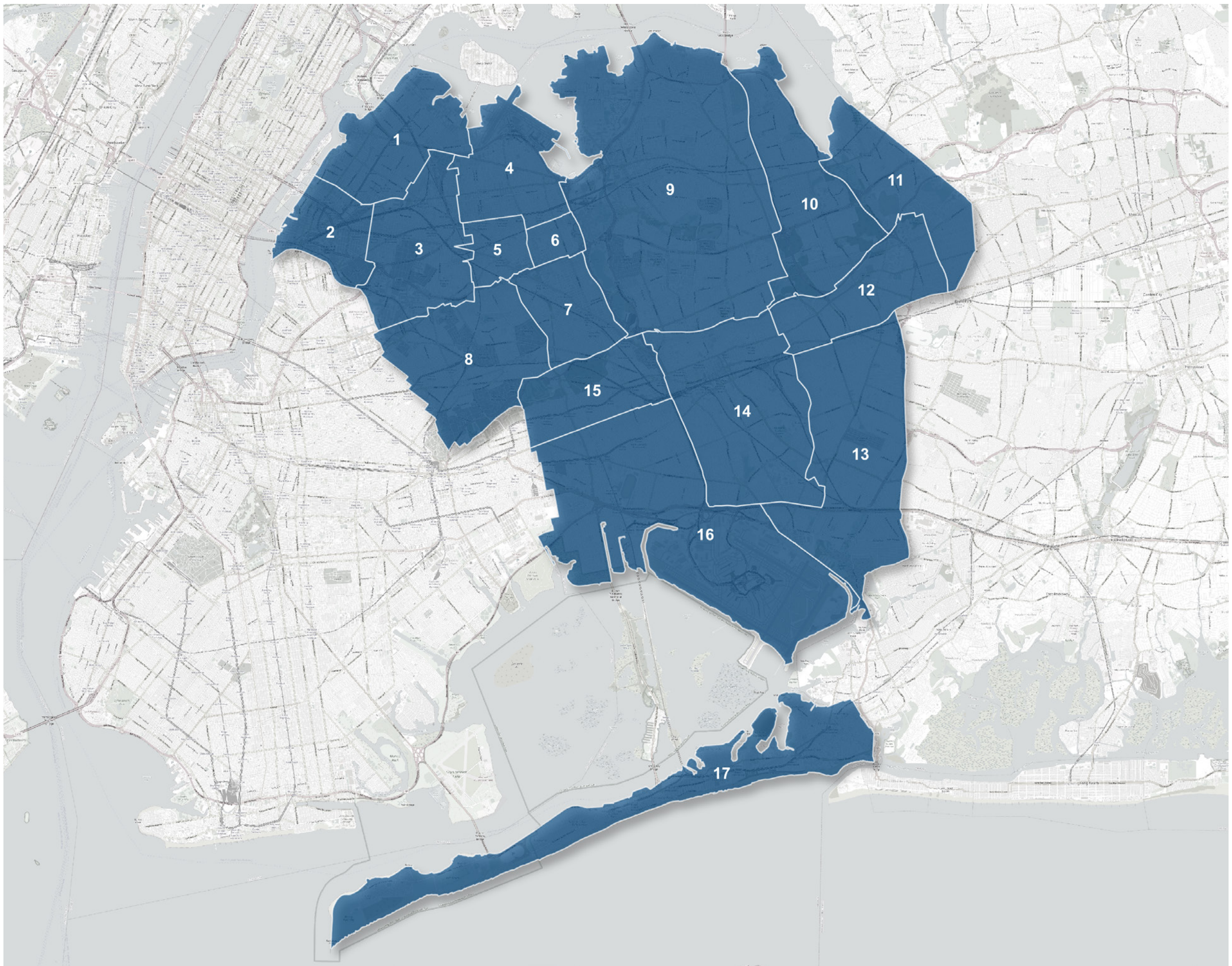
Tenant concessions have been slowing over the last several weeks. Tenants that are coming back should sign leases in the next few weeks, while concessions in the best neighborhoods still exist. While the market is strengthening, certain submarkets and unit types will continue to struggle to absorb their vacancy.

What can owners and landlords do to navigate this still unpredictable market?

Reporting on a granular level to understand revenue, occupancy and operating expenses is the key to operations in a challenging market. Data and business intelligence can provide color and insight, which can change how an owner makes decisions.

(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

OTHER PROPERTY SECTORS

Office

- In June, Manhattan's office vacancy rate hit 10.9 percent, according to CommercialEdge data, maintaining its leading position among the country's gateway markets with the lowest vacancy, as well as making it the borough with the lowest vacancy in New York City. Vacancy in the Bronx stood at 11.1%, closely followed by Queens with a 13.2% vacancy rate. Queens' June vacancy was almost in line with the previous month but was down 94 basis points year-over-year. Brooklyn's vacancy rate climbed to 16.2 percent in June, up 100 basis points month-over-month.

- Of the 50 largest markets covered by Yardi Matrix, only seven have office-using employment levels above what they were prior to COVID-19. Salt Lake City (5.0%), Austin (4.5%), Raleigh-Durham (3.6%) and Tampa (3.0%) lead the way., while New York (-6.8%) is among struggling metros, after Las Vegas (-10.9%) and Los Angeles (-9.5%).

- As of June, 20.9 million square feet of office space was taking shape within Manhattan, a 15 percent expansion year-over-year, according to CommercialEdge data. By mid-2021, Manhattan's pipeline amounted to 4.3 percent of total stock, well above the national average of 2.4 percent, and exceeding that of other gateway markets, such as San Francisco (4.1 percent), Miami (3.7) and Los Angeles (3.2), but falling behind Boston (5.5) and Seattle (4.7).

Industrial

- Northern New Jersey had 8.6 million square feet of industrial space under construction as of July, equal to 1.6 percent of inventory, CommercialEdge data shows. By comparison, projects at the national level comprised 3.1 percent of stock. Developers in the market have turned to infill opportunities due to the dearth of land, as several of the largest properties underway show.

- Average sales prices have increased the most in New Jersey (from $134 per foot in 2020 to $202 this year, a 51% increase), Orange County ($224 to $322, 4%) and Denver ($119 to $164, 39%). In New Jersey, 10Edison, a 900,000-square-foot building leased to Amazon, sold for $274 per foot.

Self Storage

- After years of trailing other metros in construction activity, New York once again led the top markets in self storage development in June, with projects under construction or in the planning stages equal to 17.5% of existing stock.

- In June, New York ranked first among top markets for transactions, with some $261 million in self storage deals completed from January through June 2021. That is almost double the $139 million traded during the same period in 2020, and 7.5 percent higher than the $243 million recorded before the pandemic in 2019.

- Year-to-date through June, New York City had a total of 5,842 affordable housing units under construction and 1,380 in the planning stages. This year, developers also completed five fully affordable properties comprising 1,163 units, Yardi Matrix shows.

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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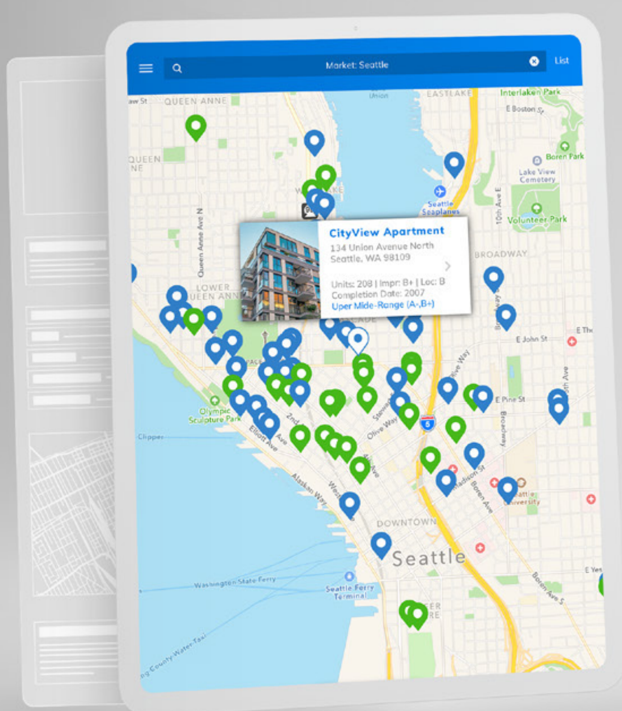

Yardi Matrix Multifamily provides accurate data on **19+ million units**, covering over **90% of the U.S. population**.

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