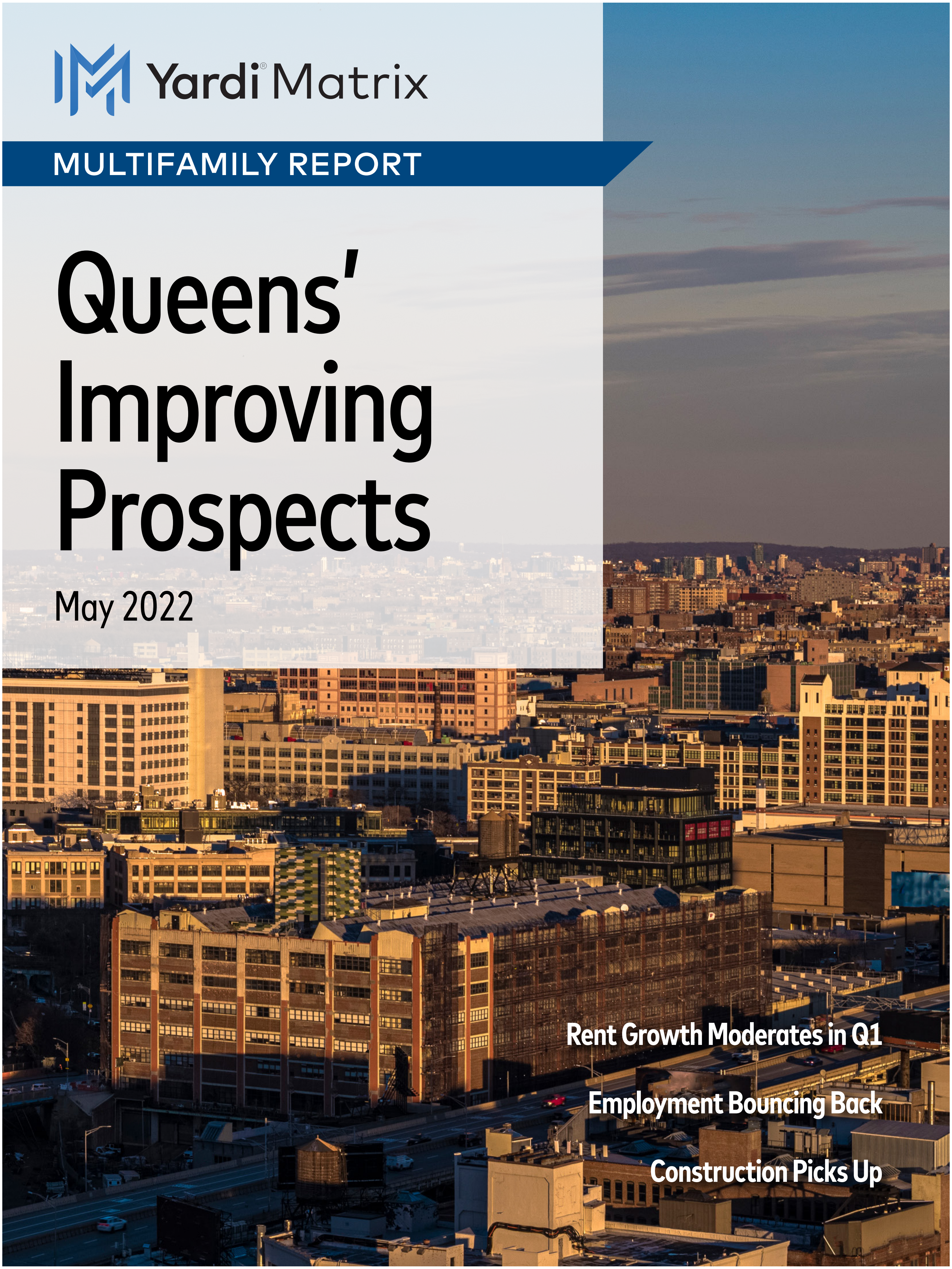
Yardi Matrix

MULTIFAMILY REPORT

Queens' Improving Prospects

May 2022



Rent Growth Moderates in Q1

Employment Bouncing Back

Construction Picks Up

QUEENS MULTIFAMILY

Yardi Matrix

Construction Activity Finds Its Footing

New York City's largest borough started 2022 with promising multifamily fundamentals. The average rent in the borough increased 30 basis points on a trailing three-month (T3) basis through March, to $2,768. While the average rate remained well above the $1,642 U.S. figure, growth trailed the nation's 0.7% pace of growth. Lifestyle properties recorded a 60-basis-point increase to $3,658, while the Renter-by-Necessity rate remained flat, at $2,151.

New York City's unemployment rate dropped to its lowest point since the onset of the health crisis at 5.1%, according to preliminary February data from the Bureau of Labor Statistics. In the 12 months ending in February, NYC added 389,600 jobs for a 5.4% expansion, 70 basis points above the national average. Leisure and hospitality continued to drive job growth, with 155,400 positions added for a 39.5% increase. At the beginning of March, Mayor Eric Adams announced the completion of a $50 million sewage and water main overhaul in southeast Queens meant to alleviate flooding damage in the area.

Developers completed 781 units across the borough in the first quarter of 2022. After plummeting in 2020 from a decade high of 3,782 units in 2019, construction activity picked up momentum in 2021, with 1,186 units added to the inventory. As of March, Queens had 10,741 units under construction.

Recent Queens Transactions

Cunningham Heights

City: New York City
Buyer: A&E Real Estate Holdings
Purchase Price: $130 MM
Price per Unit: $123,106

Market Analysis | May 2022

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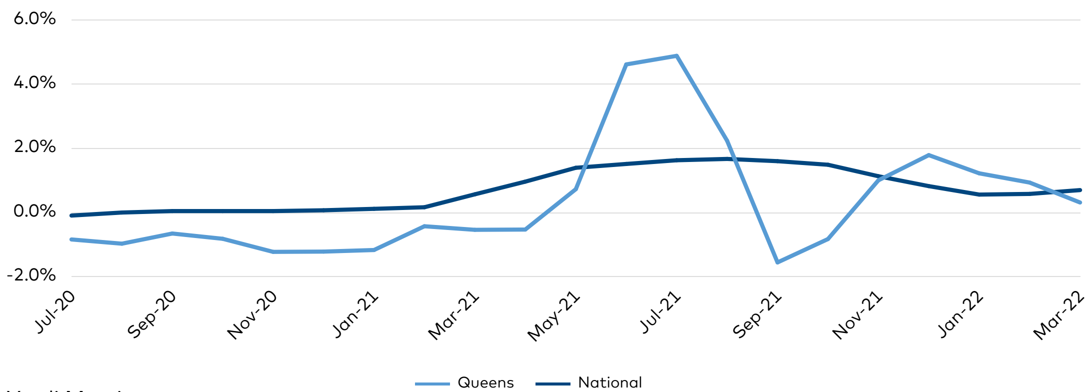
RENT TRENDS

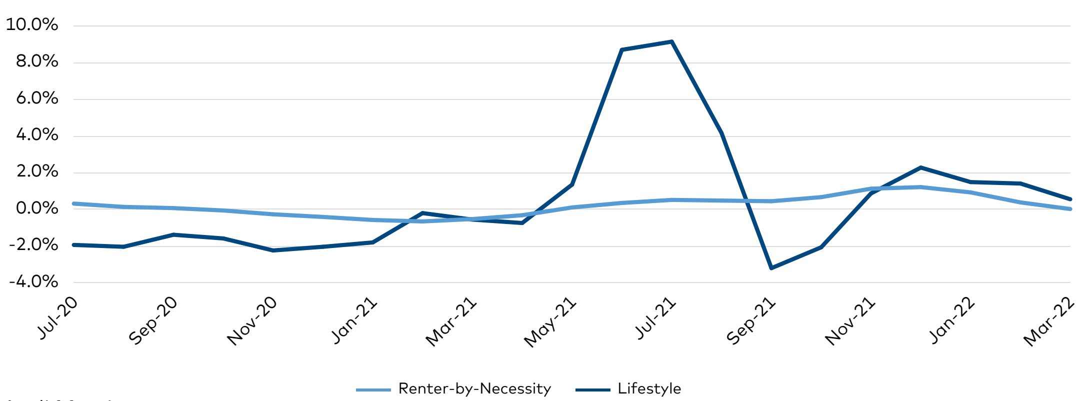
- Queens rates expanded by only 0.3% on a trailing three-month (T3) basis through March, 40 basis points behind the U.S. average. However, the borough has come a long way. While rent gains peaked in July 2021 with a T3 increase of 4.9%, year-over-year rates were up 15.9% as of March, 110 basis points above the national figure.
- The overall average rent in the borough rose to $2,768 as of March, still well above the national average of $1,642. Rents for Lifestyle communities increased 0.6% on a T3 basis, to $3,658. Meanwhile, the rate for the working-class Renter-by-Necessity segment remained flat, at $2,151.
- While progress has been made, the borough—and New York City as a whole—is still recovering from the exodus of residents at the beginning of the health crisis. Even so, the occupancy rate in stabilized assets increased 40 basis points year-over-year to 98.2% as of February. High-end properties experienced a 70-basis-point increase year-over-year, to 97.9%, while for RBN assets it rose 30 basis points to 98.3%. These numbers are expected to fluctuate, at least to a certain degree, as the statewide eviction moratorium put in place by Gov. Kathy Hochul expired in January.
- All submarkets recorded rent gains in the 12 months ending in March. Long Island City yet again led the way, representing the priciest and showcasing the largest improvement, with the average up 24.8% to $3.745. Forest Hills-Rego Park (18.3% to $2,955) and Astoria (8.7% to $2,946) followed.

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 recorded a 5.1% unemployment rate in February, according to preliminary data from the Bureau of Labor Statistics. While the metro has made considerable progress recovering from the 17.0% peak in May 2020, it still has a long way to go before reaching pre-pandemic employment levels.
- NYC added 389,600 positions across nearly all sectors in the 12 months ending in February. This represented a 5.4% increase, 70 basis points above the national average.
- Leisure and hospitality continued to lead the recovery, with 155,400 jobs added, for a 39.5% increase. Professional and business services added 68,300 positions, for a 6.4% improvement, while trade, transportation and utilities added 59,000 jobs, for a 5.6% expansion.
- At the beginning of March, Mayor Eric Adams announced the completion of a $50 million sewage and water main overhaul in southeast Queens. The development is meant to alleviate flooding damage in the area, which most recently was hit by Hurricane Ida. The Department of Environmental Protection project—which brings 6 miles of new sewers and water mains to the borough—is part of an ongoing $2.5 billion initiative commenced by the previous administration in 2018 to improve drainage systems across the area.

New York Employment Share by Sector

		Current Employment	
Code	Employment Sector	(000)	% Share
70	Leisure and Hospitality	548	8.0%
60	Professional and Business Services	1138	16.6%
40	Trade, Transportation and Utilities	1116	16.3%
65	Education and Health Services	1543	22.5%
50	Information	279	4.1%
80	Other Services	277	4.0%
90	Government	903	13.2%
30	Manufacturing	186	2.7%
55	Financial Activities	617	9.0%
15	Mining, Logging and Construction	239	3.5%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- Queens is recording a population decrease, contracting by 8,900 residents between 2016 and 2020.
- Queens lost 64,648 residents in the 12 months ending in July 2021, mostly due to pandemic-driven domestic migration.

Queens vs. National Population

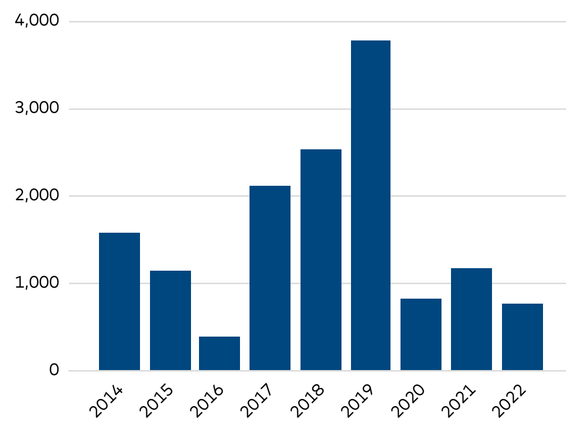
	2017	2018	2019	2020
National	325,147,121	327,167,434	328,239,523	329,484,123
Queens	2,296,865	2,278,906	2,253,858	2,225,821

Source: U.S. Census

SUPPLY

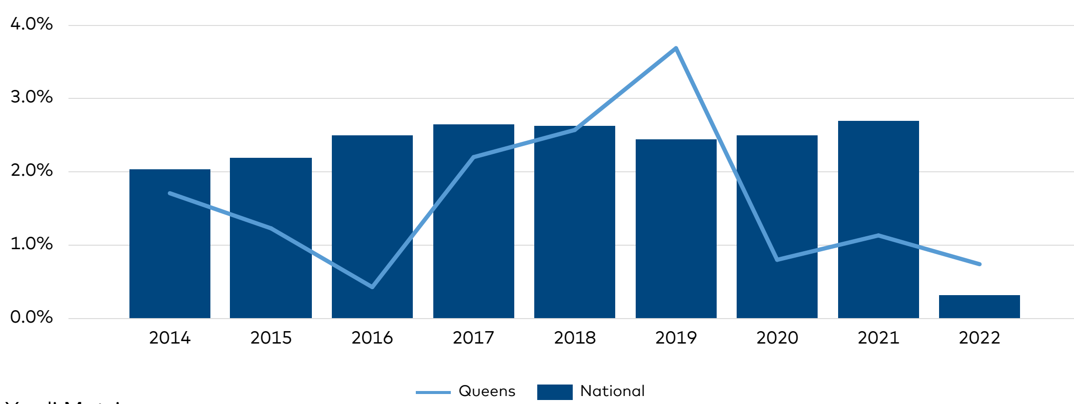
- Queens had 10,741 units under construction as of March, with developers mostly focusing on Lifestyle properties, as roughly 7,300 units underway target upscale renters. Meanwhile, only a little more than 2,000 units were in fully affordable projects. The borough also had an additional 44,000 units in the planning and permitting stages.
- The borough added 781 units in the first quarter, more than double the 394 units delivered in the same period of 2021. The figure represented 0.7% of the total stock and was more than double the national average of 0.3%. Both completed projects were developed to help tackle New York City's affordable housing crisis, with one project being fully affordable.
- The effects of the pandemic decelerated development, with deliveries at just 828 units in 2020 from the decade high of 3,782 apartments recorded in 2019. Construction, however, is finding its footing, and last year brought 1,186 units to the borough's stock.
- Long Island City remained the most active submarket and lead the way in terms of development, with 4,430 units under construction as of March across eight projects. This amounts to 41% of the total pipeline. Astoria (2,080 units) and Jamaica (1,776 units) completed the top three.
- Long Island City is also home to the largest development to come online in the first quarter of 2022. TF Cornerstone completed the first of the two-tower, 1,194-unit Center Blvd at Hunter's Point South located at the western edge of the borough. The 46-story property includes 185 of 394 units that are reserved as affordable.

Queens Completions (as of March 2022)



Source: Yardi Matrix

Queens vs. National Completions as a Percentage of Total Stock (as of March 2022)

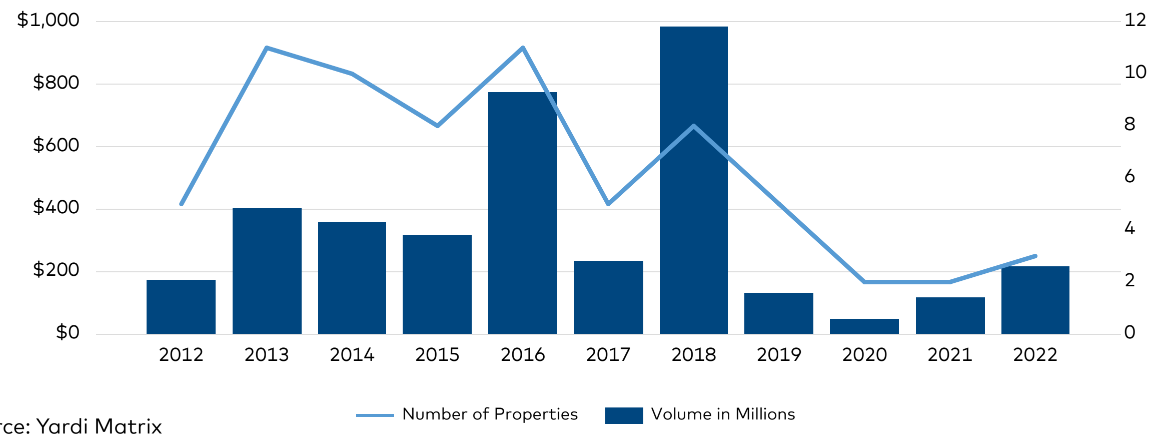


Source: Yardi Matrix

TRANSACTIONS

- Transaction activity in Queens made a significant comeback in the first quarter of 2022, as investors spent $217 million on properties of 50-plus units. The first three months of the years surpassed last year's total, when only $118 million in assets changed hands. While investors are regaining confidence in the borough, there is a significant gap compared to the previous decade-high recorded of 2018, when the transaction volume neared $1 billion.
- The $412,281 average price per unit recorded in 2021 marked a decade high and was more than double the national figure of $151,043. Per-unit prices were up 84% in 2021 compared to the previous year, when the average was $224,654.
- The largest transaction in the first quarter of the year was the sale of Cunningham Heights. A&E Real Estate bought the 1,056-unit asset in the Queens Village submarket for $130 million.

Queens Sales Volume and Number of Properties Sold (as of March 2022)



Source: Yardi Matrix

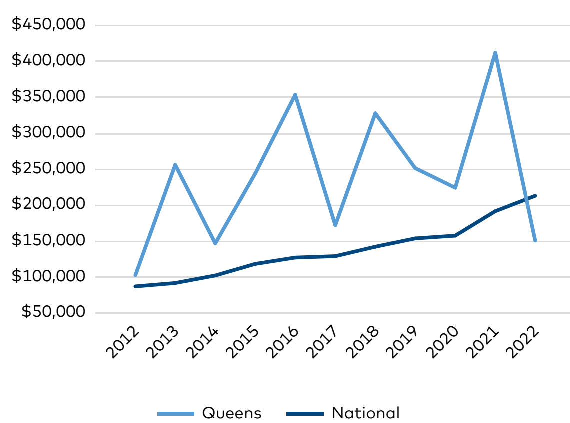
Top Submarkets for Transaction Volume[1]

Submarket	Volume ($MM)
Queens Village	130
Jamaica	87
Long Island City	85
Jackson Heights	33

Source: Yardi Matrix

[1] From April 2021 to March 2022

Queens vs. National Sales Price per Unit



Source: Yardi Matrix

Meredith Marshall on the Need for Housing to Reflect Society

By Denile Doyle

Meredith Marshall's career spans 20-plus years in commercial real estate development. As the co-founder & managing partner of BRP Cos., Marshall is active in all phases of origination, construction and development of affordable, mixed-income and market-rate housing developments. Marshall calls for more naturally occurring affordable housing and discusses the need for more Black and Brown housing developers.

Have you seen meaningful progress when it comes to diversity in the industry?

Four years ago, I was the only African American at a conference with the top 50 developers in the affordable housing space. Last year at that conference, there were two African Americans and one Hispanic developer. Yes, that's progress, but there were almost 50 other people there, so we are still underrepresented.

Affordable housing, especially, is a space where we should have more representation because we represent many of the low-income neighborhoods.

Tell us about the barriers housing developers face.

The approval process is extremely lengthy. I worked on a transaction with the City of New York that took four years to break ground on because we were waiting. That's an issue because so many people need construction jobs to feed their families. Besides needing a lot of capital, NIMBYism and other

pressures are working against you that prevent you from closing that deal.

You have been a big proponent of mixed-income developments. Why are these buildings successful?

Building a 100 percent low-income development and getting all the available subsidies is not what's best for these neighborhoods. I would rather build a mixed-income project.

The alternative is a neighborhood where there's concentrated poverty. It's better to increase the density of units and have market-rate and low-income together. It contributes to social mobility.

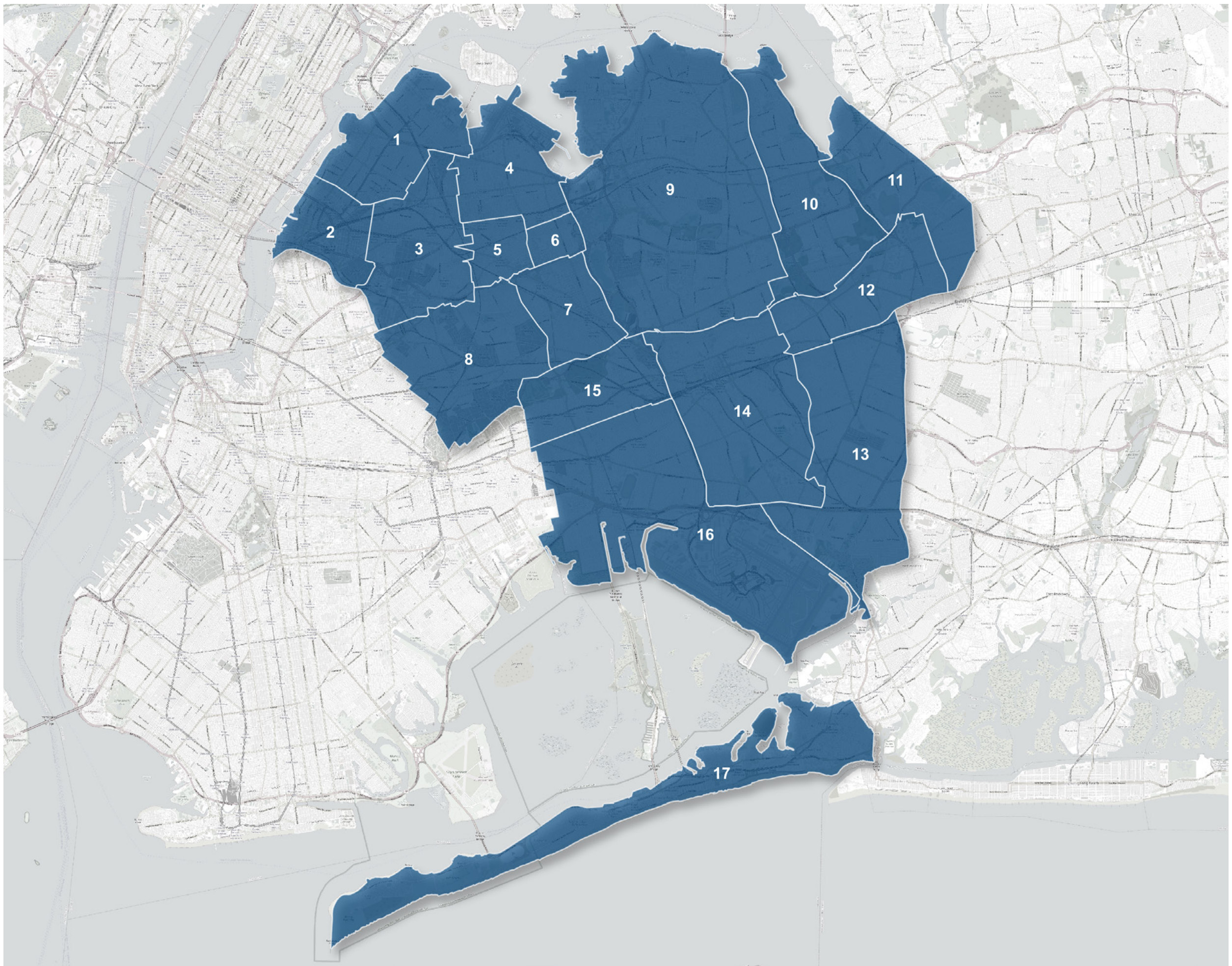
Apart from changing tax policies, what else needs to be done to fill the gap?

We need 500,000 additional housing units by 2030 in New York City, and we're building 20,000. Of that, 6,000 to 8,000 is affordable. The math doesn't add up. We need to put $25 billion a year over a 10-year period into the market. We should be able to source that because we are the financial capital of the world. That's where naturally occurring affordable housing comes in, but we also need a system.

Housing units are part of a city's infrastructure. And how are we benefiting from that? We have 100,000 of our children in the public-school system who are in shelters—most of them are Black and Brown. I think you'll see smarter policies coming to the fore and that's my hope. I'm optimistic about that glass being half full.

(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

- As government mandates expire, companies are slowly calling back workers to the office, even in hybrid configurations. Despite the push to repopulate office buildings, many workers look unwilling to trade the flexibility of remote work. This mirrors the uncertainty in office market fundamentals, with the March U. S. vacancy rate at 15.9%, up 20 basis points month-over-month and 30 basis points year-over-year, according to CommercialEdge data. Meanwhile, the full-service equivalent listing rate for office space clocked in at $38.65 per square foot as of March, down 2.6 percent year-over-year, according to the same source.
- Manhattan's office vacancy climbed to 13.1 percent as of February, recent Commercial Edge data shows. The borough's vacancy rate increased by 2.6% since February 2021 and represents the largest year-over-year gain among gateway cities after San Francisco. At the end of March, Manhattan recorded the largest lease in 18 months, with MJHS Health System taking 138,374 square feet for 30 years at the 3.6 million-square-foot high-rise 55 Water St. in Lower Manhattan.
- While as of February more than 19 million square feet were under development, representing 4.0% of current stock, Manhattan office construction is showing signs of a slowdown. Since the beginning of 2021, construction began on only 2.1 million square feet of office space. This is significantly below the 3.2 million square feet in 2019 and the 5.7 million in 2020. At the beginning of the year, Brookfield Properties topped out the 2 million-square-foot Two Manhattan West. The 58-story project is expected to be completed in 2023.
- Uncertainty still looms for the sector, but the transaction volume in Manhattan totaled almost $7 billion in 2021. While an improvement from the $5.3 billion reached in 2020, the borough fell behind the $9.9 billion in sales closed in 2019. In February, Sotheby's spent $82.5 million to acquire Gantry Point, a 237,718-square-foot office building in Long Island City from Columbia Property Trust.

Industrial

- The industrial sector continued its record-breaking trajectory, with demand for space being primarily driven by e-commerce. According to a recent report, more than 350 million square feet— representing 2.0% of total stock—came online in 2021 across 117 markets. This represents the highest level of new supply since the turn of the century. Additionally, 592.5 million square feet of industrial space was under construction as of February and an additional 625.5 million square feet are in the planning stages.
- Investor appetite for the asset type has not shown signs of decline, with $9.1 billion in sales closed in the first two months of 2022. East End Capital spent $41.7 million for a two-building three-story distribution center in Queens from Empire Office at the beginning of the year.

Self Storage

- Even if 2022 began with flat rents, the self storage sector was headed into spring with strong fundamentals, a recent Yardi Matrix report shows. As demand for the product remains high, street-rate rents increased 7.6% for 10×10 non-climate-controlled and 7.4% for 10×10 climate-controlled units in the 12 months ending in February.
- On a national level, as of February, 3,864 self storage properties were in various stages of development, with 730 under construction, 1,359 in the planning stages and another 532 prospective properties. These represented 9.2% of the existing inventory, 20 basis point more than in January.
- New York City remains one of the most underserved major metros in the country, as space is limited. The metro led the way in terms of new development under construction and planned as percent of existing stock, closing February at 18.6% and up 30 basis point from the previous month.
- At the end of March, Storage Post Self Storage bought its 27th New York facility with the acquisition of a 148,000-square-foot property in Staten Island.

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 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 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, 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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MULTIFAMILY KEY FEATURES

- Pierce the LLC every time with true ownership and contact details
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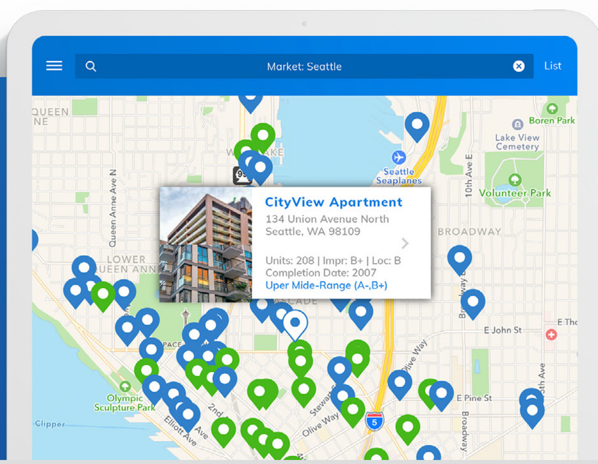
- Gain complete new supply pipeline information from concept to completion
- Find acquisition prospects based on in-place loans, maturity dates, lenders and originators
- Access aggregated and anonymized residential revenue and expense comps



Yardi Matrix Multifamily provides accurate data on **19.7+ million units**, covering over **92% of the U.S. population.**

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