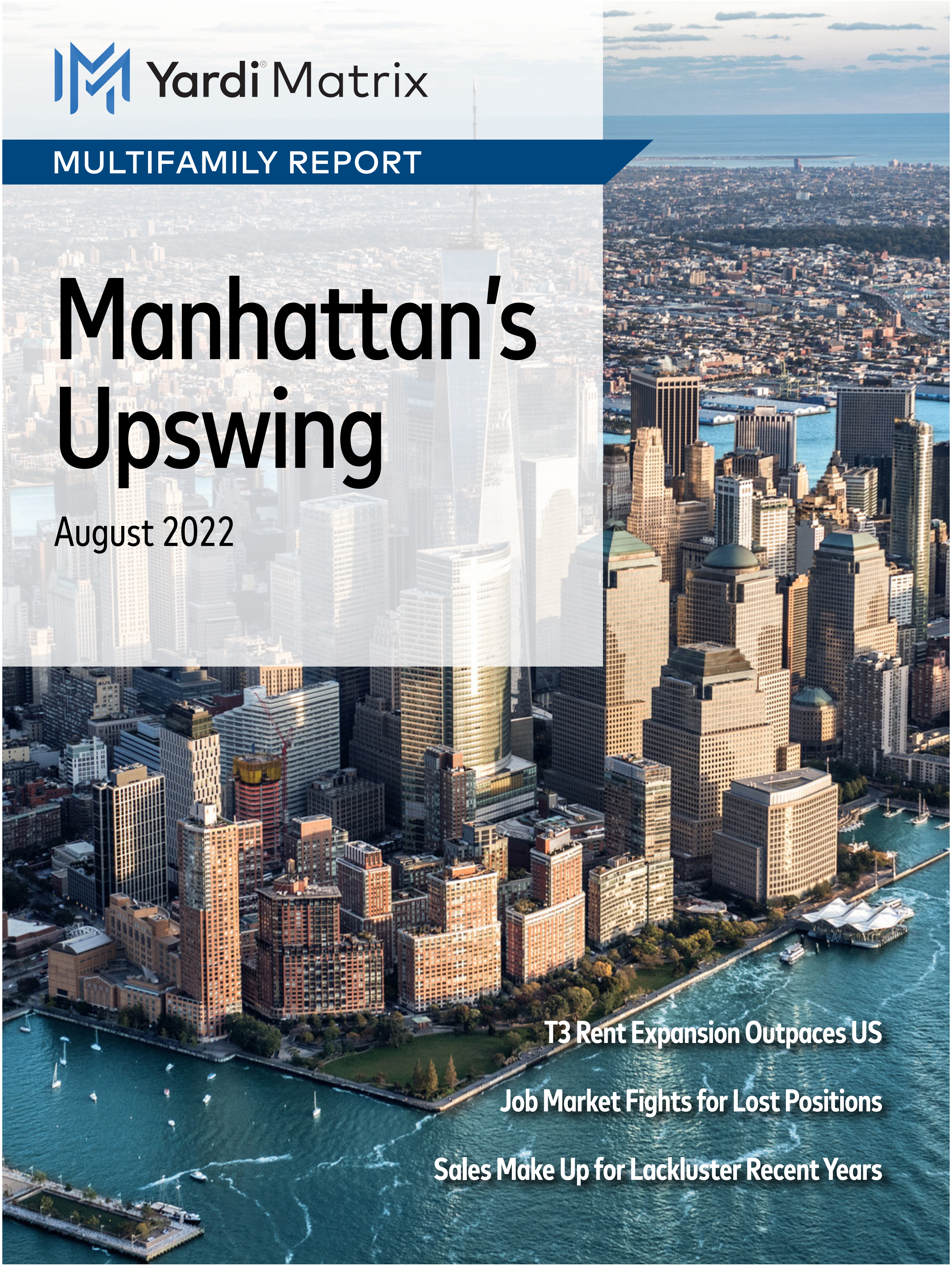

Yardi Matrix

MULTIFAMILY REPORT

Manhattan's Upswing

August 2022

T3 Rent Expansion Outpaces US

Job Market Fights for Lost Positions

Sales Make Up for Lackluster Recent Years

MANHATTAN MULTIFAMILY

Yardi Matrix

Rents, Occupancy Continue Recovery

Manhattan had a tall task set for itself at the midpoint of 2021, with rents still down and occupancy cratering, but one year later, the comeback is well underway. The borough's rent growth, at 1.2% on a trailing three-month basis as of June, outpaced the nation by 10 basis points, while the average rate reached $4,445, the highest level in the U.S. Meanwhile, the average occupancy rate in stabilized assets was 97.2% as of May, up 210 basis points year-over-year.

New York City continued its job recovery, adding 403,000 jobs in the 12 months ending in May, for employment growth of 5.8% year-over-year. Leisure and hospitality jobs accounted for more than a third of that number, as the sector continues to drive employment activity through the recovery. Megaprojects are still a presence in Manhattan. Part of the Hudson Yards master planned district, 601 West 29th Street is the largest multifamily project underway, set to add 938 units when completed.

Investment activity was tepid during the previous two years, mostly due to the health crisis and rent control measures, but sales activity during the first half of 2022 made up for that, with more than $3 billion in multifamily deals recorded. The average per-unit price reached $752,988, having more than doubled during the past decade. Construction activity remained very limited, with just 339 units added to the borough's inventory.

Market Analysis | August 2022

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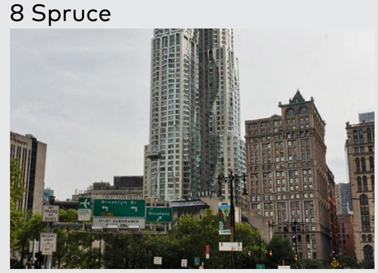
On the cover: Photo by Predrag Vuckovic/iStockphoto.com

Recent Manhattan Transactions

8 Spruce

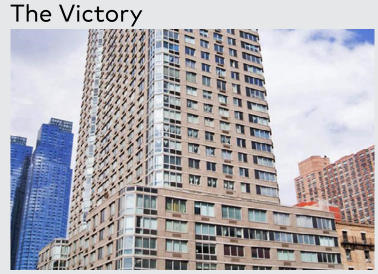


City: New York City
Buyer: Blackstone Group
Purchase Price: $930 MM
Price per Unit: $1,040,268

140 Riverside Boulevard

City: New York City
Buyer: A&E Real Estate Holdings
Purchase Price: $266 MM
Price per Unit: $750,424

The Victory



City: New York City
Buyer: Empire State Realty Trust
Purchase Price: $153 MM
Price per Unit: $365,842

Aimco 181-199 Columbus Avenue

City: New York City
Buyer: HUBB NYC Properties
Purchase Price: $61 MM
Price per Unit: $1,025,424

RENT TRENDS

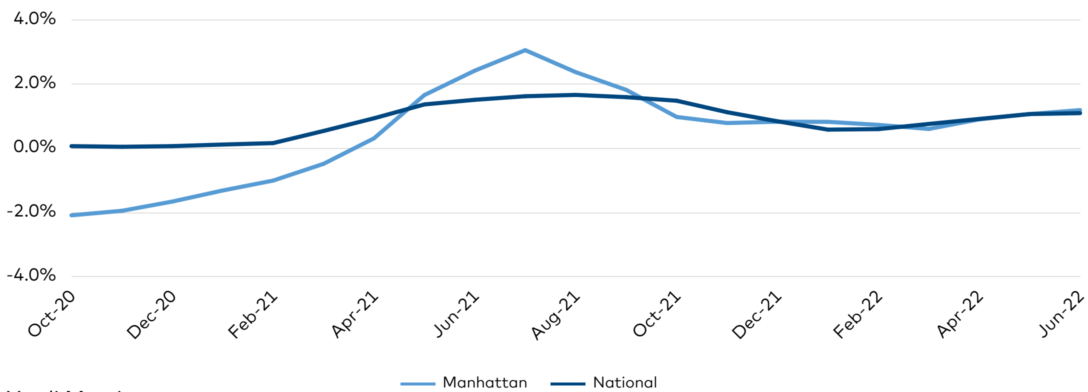
- Manhattan rents rose 1.2% on a trailing three-month (T3) basis as of June, 10 basis points above the U.S. rate. Following a tough run during the first 18 months of the health crisis, rent growth started rebounding during the second half of 2021, even outpacing national levels through that time. As a result, Manhattan rents remained the highest in the U.S., at $4,445, while the national average reached a record $1,706.

- The gap between the upscale segment's average, which was just $2 shy of the $5,000 mark, and the working-class Renter-by-Necessity segment is the widest in the nation. The average rate in the upscale segment rose 1.4% on a T3 basis, driving the bulk of improvement. RBN rents rose 0.6% during that time, to $3,324.

- The average occupancy rate in stabilized assets in Manhattan has oscillated throughout the health crisis, reaching 97.2% in May, up 210 basis points year-over-year. Lifestyle assets had the tightest occupancy, at 97.9%, up 250 basis points year-over-year, while for Renter-by-Necessity assets, occupancy reached 96.4%.

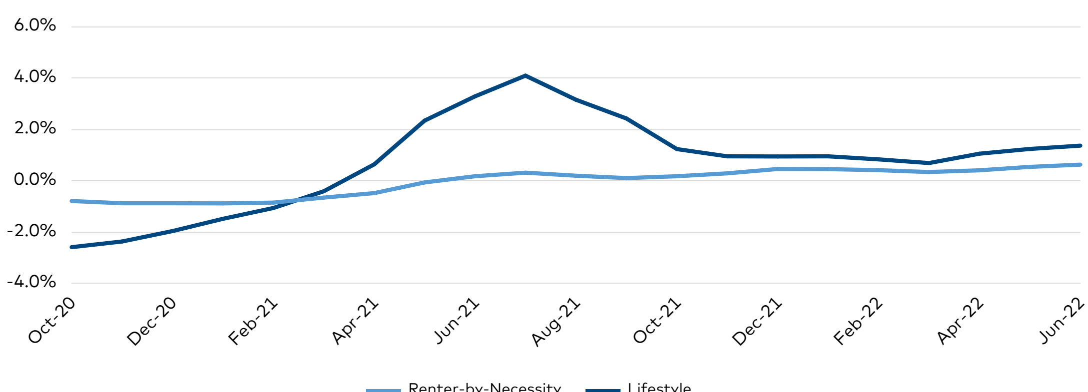
- Rent growth was strongest in Lincoln Square (up 22.9% year-over-year), the Financial District (21.7%) and Murray Hill (19.6%). The Financial District and Murray Hill also led in transaction activity. Rents in Tribeca and Lincoln Square rose on average by more than $1,000 during the past 12 months, far outpacing any other submarket in the borough in terms of absolute numbers. Despite economic uncertainty, NYC will likely see rates rise 6.4% in 2022.

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

- New York City employment growth continued strong, with the metro adding 403,000 jobs in the 12 months ending in May, up 5.8% year-over-year.
- With the market severely affected during the health crisis, the bounceback has proved difficult. Despite employment growth well outpacing the nation, at 4.7%, NYC still has a significant number of jobs to retrieve. The metro's unemployment rate stood at 4.6% in May, lagging the national average by 100 basis points. However, with significant move-outs and people leaving the workforce, the employment situation actually lags pre-pandemic levels by more than current numbers indicate. According to the New York State Department of Labor, the metro's share of working-age population that was employed or looking for a job was just 60% as of June.
- Leisure and hospitality, the most severely hit sector during the past two-and-a-half years, regained 139,200 jobs, up 29.0% year-over-year and accounting for more than a third of all added jobs. Professional and business services followed, with 79,500 jobs, while education and health services, the metro's main economic driver, rounded out the top three, adding 57,500 positions. The construction sector was the only one to contract, down 3,700 jobs, with office and multifamily development taking a step back amid work-from-home policies and extensive out-migration.

New York Employment Share by Sector

		Current Employment	
Code	Employment Sector	(000)	% Share
70	Leisure and Hospitality	620	8.8%
60	Professional and Business Services	1176	16.7%
65	Education and Health Services	1577	22.4%
40	Trade, Transportation and Utilities	1130	16.0%
80	Other Services	286	4.1%
50	Information	283	4.0%
90	Government	910	12.9%
55	Financial Activities	624	8.9%
30	Manufacturing	188	2.7%
15	Mining, Logging and Construction	252	3.6%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- Following almost a decade of near-stagnation, Manhattan's population contracted by nearly 111,000 residents in 2021, on the back of health crisis woes, affordability problems and the rise of Sun Belt metros as a haven for job and population growth.

Manhattan vs. National Population

	2018	2019	2020	2021
National	326,838,199	328,329,953	331,501,080	331,893,745
New York County	1,632,393	1,632,326	1,687,834	1,576,876

Source: U.S. Census

SUPPLY

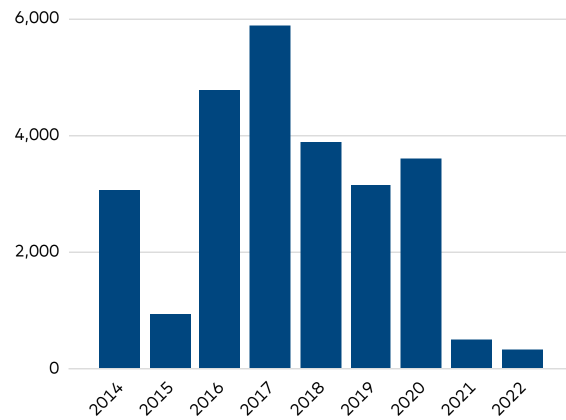
- Developers had 7,231 units under construction at the midyear point of 2022, while another 26,600 units were in the planning and permitting stages. Development has been slow in NYC overall during the health crisis, as demand has waned due to restrictions and a generalized avoidance of high-priced, high-density markets. Development is mostly focused on high-end, upscale projects, as construction costs in the metro largely drive developers to the Lifestyle segment. More than two-thirds of units underway as of June were in the Lifestyle class.

- Manhattan added 339 units during the first half of the year, accounting for 0.1% of existing multifamily stock, 80 basis points behind the national rate. Given NYC's propensity for condos and co-ops as residential options, the borough has historically lagged the national rate of deliveries, but new rent control measures and health crisis-related concerns have further limited incoming inventory: Deliveries accounted for just 0.2% of existing stock in 2021, following a 1.4% five-year average between 2016 and 2020.

- Chelsea (1,807 units under construction), Hell's Kitchen (1,445 units) and East Harlem (1,429 units) led development activity. The three submarkets were also the only areas with more than 1,000 units underway.

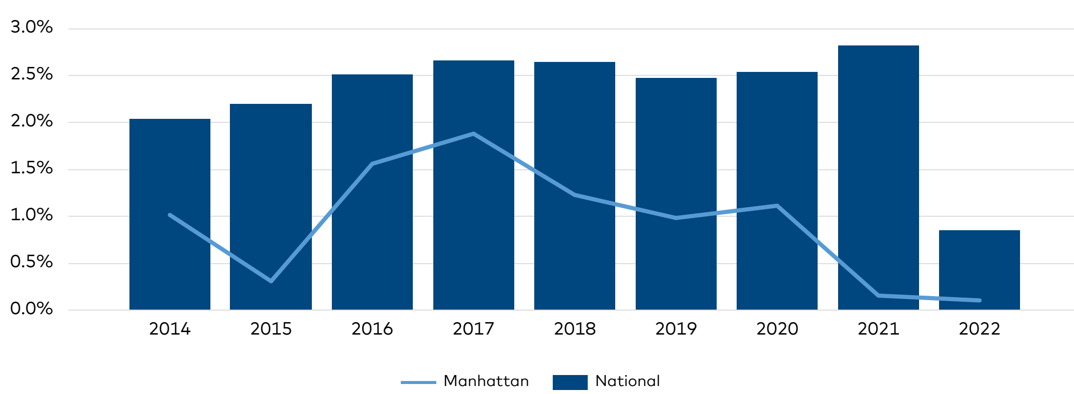
- The largest rental development being built in Manhattan is 601 West 29th Street in Chelsea, a Hudson Yards project that's set to feature 938 units at full build-out. Developed by Lalezarian Developers and Douglaston Development, the project topped out late last year and is slated for completion during the final quarter of 2023.

Manhattan Completions (as of June 2022)



Source: Yardi Matrix

Manhattan vs. National Completions as a Percentage of Total Stock (as of June 2022)

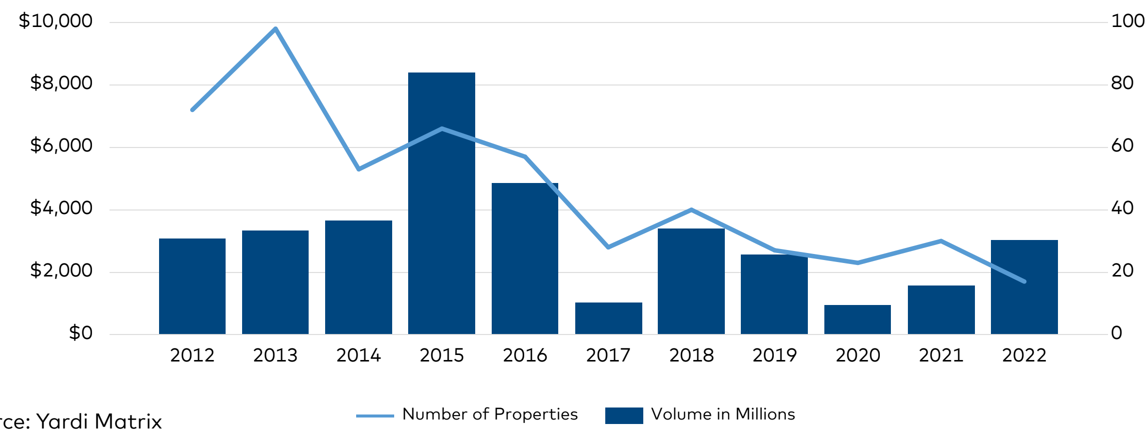


Source: Yardi Matrix

TRANSACTIONS

- Manhattan assets claimed $3 billion in total sales during the first half of 2022, after recording only $2.5 billion in 2020 and 2021 combined. That puts the borough on track for one of its best years for investment this decade, while its cycle-high of $8.4 billion in 2015 still feels unattainable in the current, largely uncertain economic climate.
- The average price per unit in 2022 through June was $752,988, more than double what it was a decade ago and more than three times the national figure of $217,310.
- Over the 12 months ending in June, investors targeted assets in the Financial District ($1.1 billion in sales), Murray Hill ($870 million) and the Upper West Side ($480 million). The Financial District led all submarkets; this is mostly attributable to the acquisition of 8 Spruce by the Blackstone Group—a deal worth more than $1 billion.

Manhattan Sales Volume and Number of Properties Sold (as of June 2022)



Source: Yardi Matrix

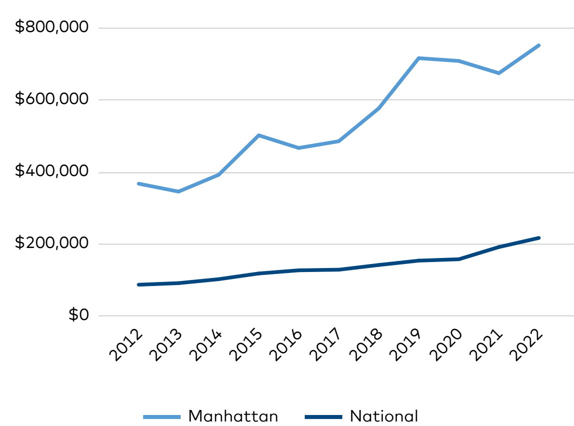
Top Submarkets for Transaction Volume[1]

Submarket	Volume ($MM)
Financial District	1,178
Murray Hill	870
Upper West Side	480
Lincoln Square	326
Hell's Kitchen	153
Harlem	131
Yorkville	128

Source: Yardi Matrix

[1] From July 2021 to June 2022

Manhattan vs. National Sales Price per Unit



Source: Yardi Matrix

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MULTI-HOUSING NEWS

Why Building Affordable Housing in NYC Has Rarely Been More Difficult

By Corina Stef

For more than four decades, Douglaston Development has been on a mission to ease New York City's affordable housing crisis. Active within the market-rate, affordable housing and senior affordable housing sectors across the five boroughs, the developer has been extremely busy. CEO Jed Resnick weighs in on both the challenges and the development opportunities arising across the metro.

How would you describe the multifamily climate in NYC today?

Currently, demand across the multifamily industry has never been stronger, with both rental prices and occupancy rates continuing to soar as the city continues its post-pandemic resurgence.

With the expiration of the 421-a tax abatement, ongoing COVID-19-related supply chain issues, and rising construction costs, creating new rental housing has seldom been more difficult.

What are the major changes NYC's affordable housing sector went through in the past couple of years?

Significant supply chain issues and the prolonged timeline on acquiring materials certainly elongated the development and construction processes.

What is hindering affordable housing development in NYC today?

The city has limited capital and staff capacity to close

proposed projects within the development pipeline. Due to this, many proposed projects remain backlogged in the city's systems, slowing the development of affordable housing.

For many of our residents, employment posed a large issue. Although many residents are back to work today, New York City is still down more than 200,000 jobs when compared with February of 2020, which continues to directly impact those residing across our affordable housing portfolio.

Elaborate on the development opportunities arising in the industry on a local level.

The demand for affordable housing remains as strong—if not stronger—than ever. It is crucial to the vitality of New York City that quality and affordable living options are available to the entirety of our city's workforce across all industries. On the market-rate side of the industry, we see opportunity in developing for-sale projects that are not reliant on tax abatements to be financeable.

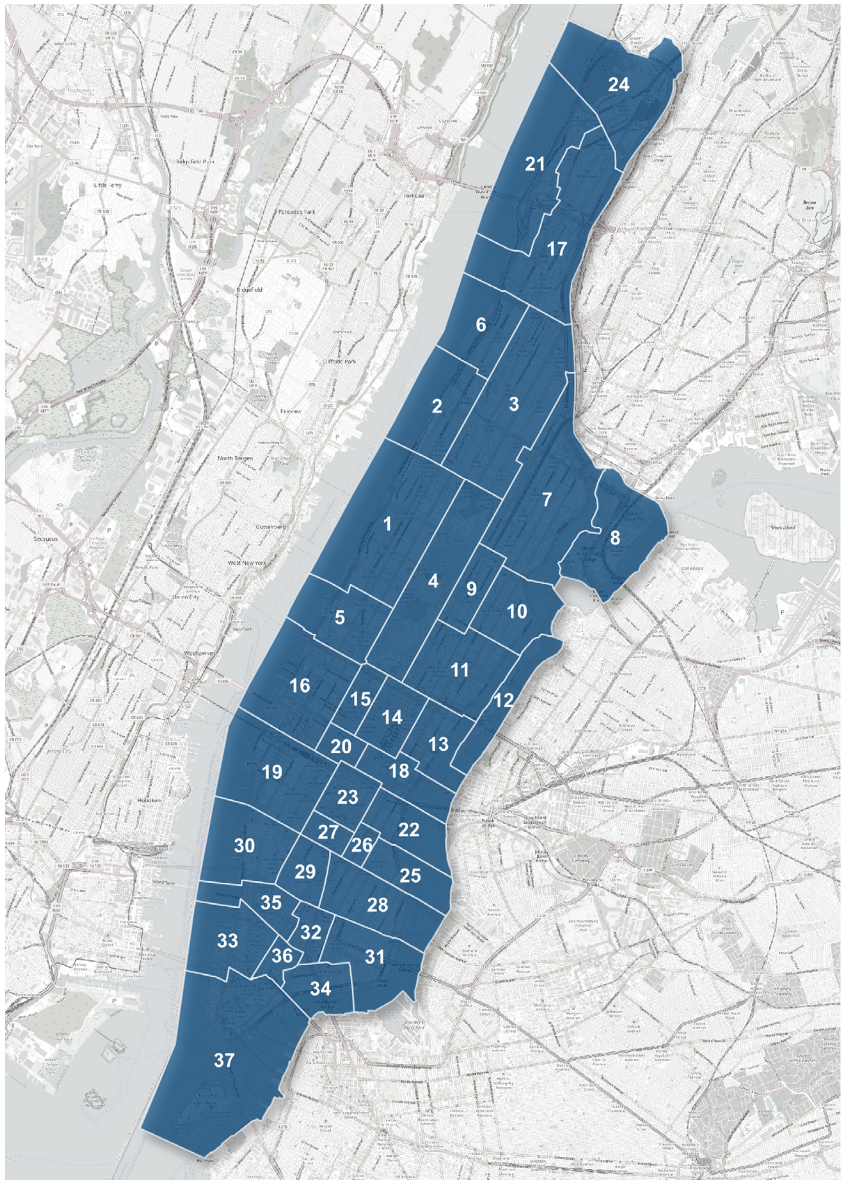
How do you see NYC's affordable housing sector going forward?

As New York City continues growing coming out of the pandemic, we as a city and a region need to be increasingly aggressive in developing housing options for households at all income levels. That means we need more affordable housing and more market-rate housing, too. Otherwise, we are in danger of pricing ourselves out of competition with other cities in the other parts of the country.

(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



OTHER PROPERTY SECTORS

Office

- Manhattan has traditionally led pricing and development in the office sector, but recent changes in the industry, including work-from-home policies and corporate relocations to more affordable Sun Belt markets.
- While the market no longer led the nation for average vacancy, at 14.0% as of June, or transaction volume, at $3.2 billion, the borough still had the most high-priced office stock, at $892 per square foot, the most recent CommercialEdge office report shows.
- Nearby New Jersey's office market has been on the up and up of late. Vacancy is trending downward, at 17.0%, while investment activity has consistently risen, to more than $1.8 billion.

Industrial

- New York City largely relies on New Jersey for its logistics sector, and improvement has been noticeable. Rents in the industrial sector were up 5.4% year-over-year as of June, 50 basis points above the national rate, CommercialEdge data from the latest national industrial report highlighted. Meanwhile, the average rate for leases signed during the last 12 months was in the double digits, one of only six markets in the nation to reach the threshold.
- Property values in the industrial space have rapdly increased, with refinancing deals popping up immediately after construction completions. A solid example is the recent refinancing secured by JLL for an Ewing, N.J., asset just months after the asset was completed.

Self Storage

- Despite extensive out-migration during the health crisis, New York is still significantly undersupplied when it comes to self storage space, as residents still seek easement for small living spaces, especially in a work-from-home environment. As a result, the average combined 10x10 street-rate rent at $204, one of only two metros in the U.S. to record average rents above the $200-mark, Yardi Matrix's monthly national self storage report shows.
- Developers have taken note of elevated storage demand, with the metro leading the nation, with the under construction and planned pipeline accounting for more than 19% of existing self storage stock. The rate leads all U.S. markets and is 130 basis points higher than the second market in the country, Las Vegas.

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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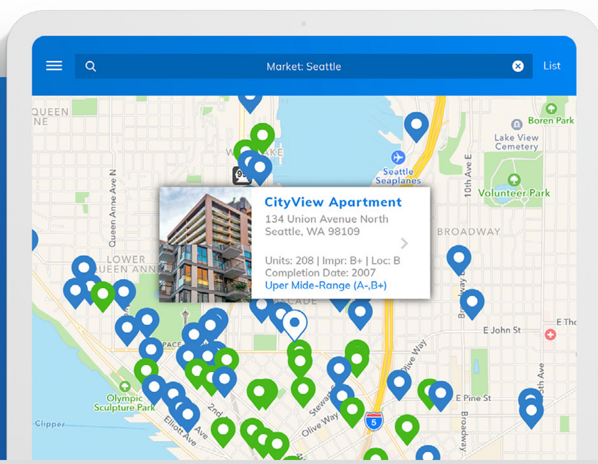
MULTIFAMILY KEY FEATURES

- Pierce the LLC every time with true ownership and contact details
- Leverage improvement and location ratings, unit mix, occupancy and manager info
- 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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