



MULTIFAMILY REPORT

Queens' Persistence

January 2023

Completions Double in 2022

Rent Growth Above US Average

Occupancy Rises to Pre-Pandemic Levels

QUEENS MULTIFAMILY



Good Run Despite Seasonal Slowdown

The Queens multifamily market saw demand maintain relatively strong levels this year. Overall, rents were up by 0.6% on a trailing three-month basis through November, 70 basis points above the U.S. rate, to \$2,883. Steady demand, mostly in the upscale segment, resulted in occupancy growth, even as the rate fell across most of the country. In the 12 months ending in October, Queens' occupancy rate climbed 30 basis points, to a strong 98.7%.

New York City employment expanded by 5.8% in the 12 months ending in September, with 359,200 jobs added. This was 160 basis points higher than the U.S. rate of growth. Meanwhile, unemployment clocked in at 5.9% as of October, according to preliminary data from the Bureau of Labor Statistics. Professional and business services led growth in the city, with 83,200 jobs added, representing a 7.5% expansion. Statewide, job growth will likely be impacted by Micron's historic \$100 billion investment in a new semiconductor plant in Syracuse. An initial \$20 billion is projected to be invested by the end of the decade. Following completion, the factory is expected to generate more than 9,000 permanent positions, as well as about 40,000 jobs during development.

Construction activity maintained a positive trend since 2020. In 2022 through November, Queens added 2,343 units, or a 2.2% expansion of existing stock, 20 basis points higher than the U.S. rate. The borough had an additional 10,764 units underway.

Recent Queens Transactions

New Haven Towers



City: New York City
Buyer: The Arker Cos.
Purchase Price: \$45 MM
Price per Unit: \$294,118

Market Analysis | January 2023

Contacts

Jeff Adler

Vice President & General
Manager of Yardi Matrix
Jeff.Adler@Yardi.com
(303) 615-3676

Ron Brock, Jr.

Industry Principal, Matrix
JR.Brock@Yardi.com
(480) 663-1149 x2404

Doug Ressler

Media Contact
Doug.Ressler@Yardi.com
(480) 695-3365

Author

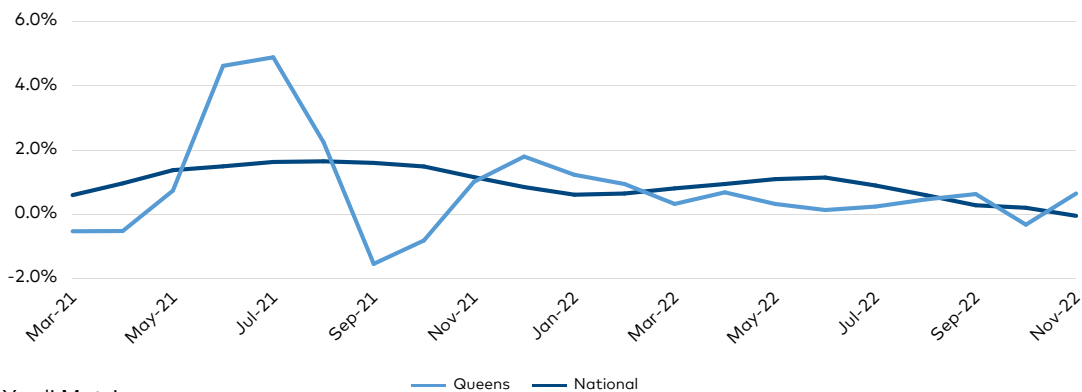
Tudor Scolca-Seuşan

Associate Editor

RENT TRENDS

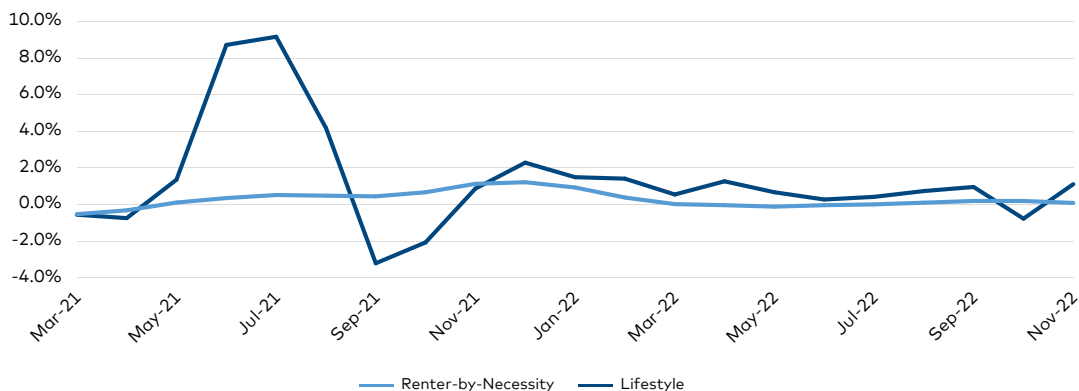
- ▶ The average Queens rent was up 0.6% on a trailing three-month (T3) basis through November, while the national rate contracted 10 basis points. Growth picked up after a slight decline in October (down 0.3%), having fluctuated in 2022 between 1.2% in January and 0.1% in June, mostly trailing the national growth rate. Year-over-year, rents were up 7.2%, 20 basis points above the U.S. figure.
- ▶ The average rent reached \$2,883 as of November, well above the national average of \$1,719. Lifestyle properties had a stronger year, with rents up 1.1% on a T3 basis through November, to \$3,922. Working-class Renter-by-Necessity assets recorded an uptick of 0.1%, to \$2,163. Lifestyle figures kept a stronger pace this year, with high points in January (1.5%) and April (1.3%) on a T3 basis, while RBN rents mostly stagnated, growing by 0.2% at most, as of September and October.
- ▶ Overall occupancy increased by 30 basis points in 12 months, to 98.7% as of October. During this period, the national average declined by 60 basis points, to 95.6%. Queens' occupancy in the Lifestyle segment was up 40 basis points, to 98.4%, while for RBN properties it went up 20 basis points, to 98.8%.
- ▶ Most submarkets recorded slight yearly rent gains, between 1.3% and 1.7%, with some exceptions. Forest Hills-Rego Park recorded the largest hike, 13.1% to \$3,022 as of November. It was followed by Long Island City (6.3%, to \$3,947) and Jamaica (2.2%, to \$2,067).

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 unemployment rate was 5.9% in October, according to preliminary BLS data, an improvement from the 7.6% recorded in January 2022, but still lagging the national rate by 220 basis points. Unemployment was down 200 basis points year-over-year, as workforce dynamics improved, but also lagged the statewide figure of 4.4%. In Queens County, unemployment stood at 4.9% in October, according to the New York Department of Labor.
- Over the 12 months ending in September, New York City added 359,200 jobs, representing a 5.8% expansion, 160 basis points higher than the national rate. This was up 30 basis points from the figure recorded in January.
- Almost all sectors recorded gains, except for construction, which lost 400 positions. Professional and business services led growth, with 83,200 jobs added, representing a 7.5% expansion. It was followed by leisure and hospitality, which expanded by 81,600 jobs, or 14.7%, education and health services (78,400 or 5.2%), trade, transportation and utilities (50,600 or 4.7%) and other services (19,900 or 7.4%).
- New York City Council approved two developments that will collectively add more than 5,000 units in Brooklyn and Queens. One of the projects is Innovation QNS in Astoria, which will comprise 12 buildings and add 3,190 units, of which 1,436 will be fully affordable.

New York Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
60	Professional and Business Services	1198	16.8%
70	Leisure and Hospitality	637	9.0%
65	Education and Health Services	1574	22.1%
40	Trade, Transportation and Utilities	1139	16.0%
80	Other Services	287	4.0%
50	Information	293	4.1%
55	Financial Activities	633	8.9%
90	Government	906	12.7%
30	Manufacturing	190	2.7%
15	Mining, Logging and Construction	259	3.6%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- Queens County's population declined by 64,648 residents between 2020 and 2021, representing a 2.7% contraction. However, compared to 10 years ago, the borough's population is 4.3% higher, with growth remaining positive in the long run.

Queens vs. National Population

	2018	2019	2020	2021
National	326,838,199	328,329,953	331,501,080	331,893,745
Queens	2,275,286	2,253,942	2,395,791	2,331,143

Source: U.S. Census

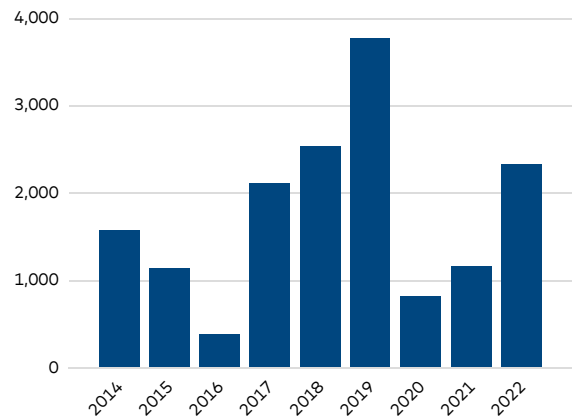
SUPPLY

- ▶ In November, Queens had 10,764 units under construction. Developers focused on Lifestyle assets, which comprised 63.9% of the pipeline. Fully affordable projects amounted to 26.0% of development, while the remaining 10.1% were Renter-by-Necessity units. The borough had an additional 23,500 units in the planning and permitting stages.
- ▶ In 2022 through November, 2,343 units were completed in Queens—almost double the amount recorded during 2021 (1,186 units). Completions in the first 11 months of 2022 represented a 2.2% expansion of stock, 20 basis points higher than the national rate. Construction activity is picking up again after the major drop recorded in 2020. The past two years have seen a steady increase in deliveries. Over a five-year period, developers added 2,091 units annually to the market. Deliveries favored the Lifestyle segment this year, with 1,659 units completed. Construction activity simmered down, as 1,777 units broke ground, down 14.7% from the same period last year.
- ▶ The submarkets of Long Island City (4,205 units underway) and Jamaica (2,051 units) continued to lead development activity. Rockaway (1,617

units) and Astoria (1,300) also had more than 1,000 units under construction each.

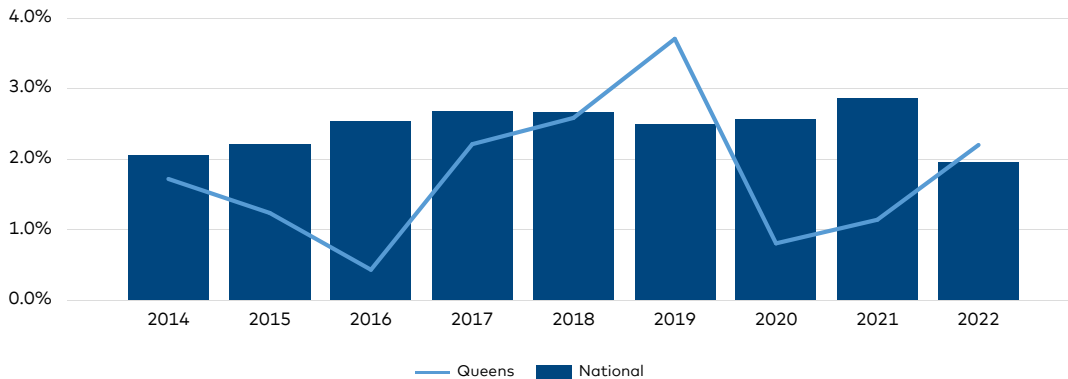
- ▶ The top four largest properties under construction are all located in Long Island City. The largest of these is Sven, a 958-unit project under development by The Durst Organization, which started construction in 2019. The partially affordable property is designed to earn LEED certification and features 300 fully affordable units. The developer obtained a \$360 million construction loan for the project.

Queens Completions (as of November 2022)



Source: Yardi Matrix

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



Source: Yardi Matrix

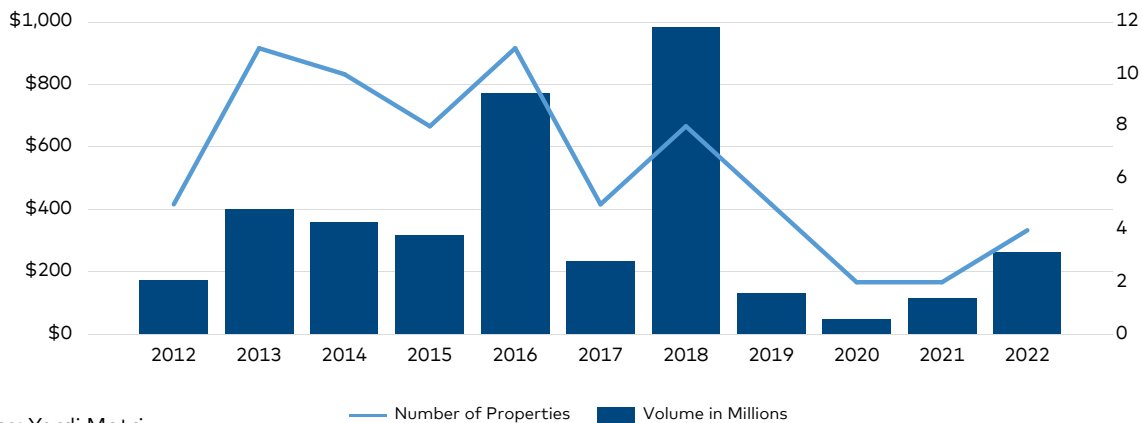
TRANSACTIONS

- ▶ In 2022 through November, only four multifamily properties of more than 50 units changed hands in Queens, amounting to \$262 million, an increase of 122% over the volume recorded last year. All transactions occurred during the first two quarters.
- ▶ The average price per unit for 2022 sales was \$164,802. While this represents a 60% decline from 2021, it's in the context of only two sales for properties of more than 50 units recorded

in that year. The figure was also 23.5% lower than the national per-unit average. The average per-unit price for the previous five years in the borough was \$277,807.

- ▶ The year's largest transaction closed in March. A&E Real Estate Holdings acquired the 1,056-unit Cunningham Heights from The Benjamin Cos. for \$130 million. The fully affordable asset, located in Queens Village, traded at approximately \$123,106 per unit.

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



Source: Yardi Matrix

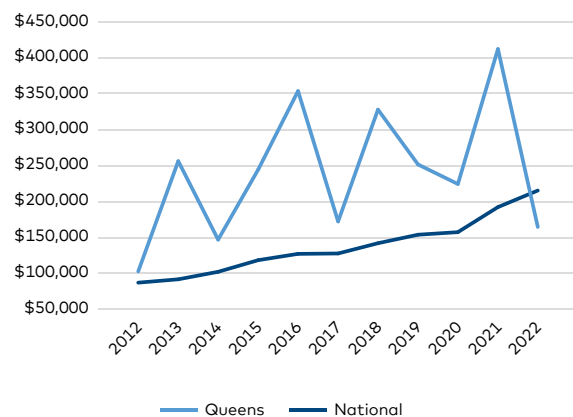
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
Queens Village	130
Jamaica	87
Rockaway	45
Jackson Heights	33

Source: Yardi Matrix

¹ From December 2021 to November 2022

Queens vs. National Sales Price per Unit



Source: Yardi Matrix



An Insider's Perspective on Financing Affordable Development in NYC

By Anda Rosu

Black and Brown developers involved in low-income housing in the nation's largest market, New York City, have experienced firsthand all the difficulties that one needs to overcome to gain access to critically needed capital and resources. Harlem native and Carthage Real Estate Advisors CEO Ed Poteat shared his thoughts on ways to induce systemic change for minority-owned companies that strive to address the chronic affordable housing shortage in the metro.

How difficult is it for Black developers to obtain capital for their projects?

Over the past five to seven years, the city and state have done a good job finding incentives within existing programs to make the process as simple as possible for Black and Brown developers. There's been a lot of progress since I began my career.

However, barriers still exist regarding access to capital. People prefer to work with people that look like them. It's human nature. Today, capital markets are mostly made up of non-Black and Brown people. It's no one's fault but does explain why Black developers are constantly fighting for access to funding.

The expiration of the 421a tax abatement has generated a lot of concern. How do you expect the industry to move on without it?

Individuals who aren't well-versed in our local real estate industry don't understand how



detrimental the elimination of the 421a program is to New York City.

With the elimination of the program, we'll no longer see affordable housing development in Manhattan, downtown Brooklyn and Long Island City. Legislature leaders believe the \$1.7 billion-a-year developer tax break can be used to build pure affordable housing, but the mechanisms aren't there yet. We'll lose mixed-income units in better parts of the city and won't be successful in building units elsewhere.

Why is it important for you to focus on affordable housing development specifically?

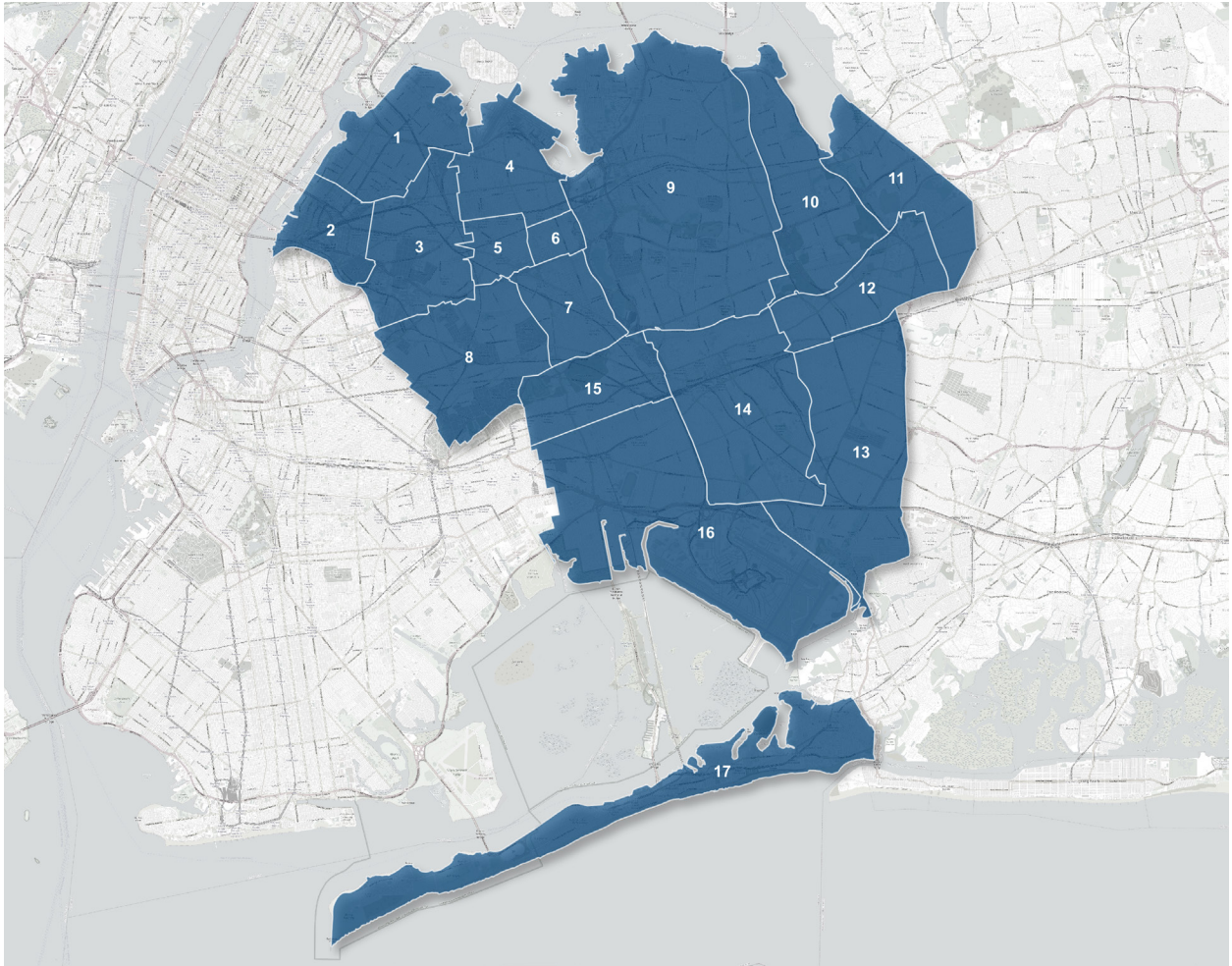
I grew up in the Mitchell-Lama Affordable Housing program. I always considered the roof over my head to be a gift and wanted to provide homes for Black and Brown people just like me. I've been happily pursuing this dream for more than 20 years.

How can minority-owned companies shape the future of New York City's affordable housing market?

Black and Brown developers understand the full impact affordable housing can have in empowering communities. Everyone recognizes that affordable housing benefits low-income tenants, but I like to argue there's a short-term economic stimulus that comes from it. New affordable housing developments create jobs through construction and staffing but can also introduce social good into a community.

(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 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.



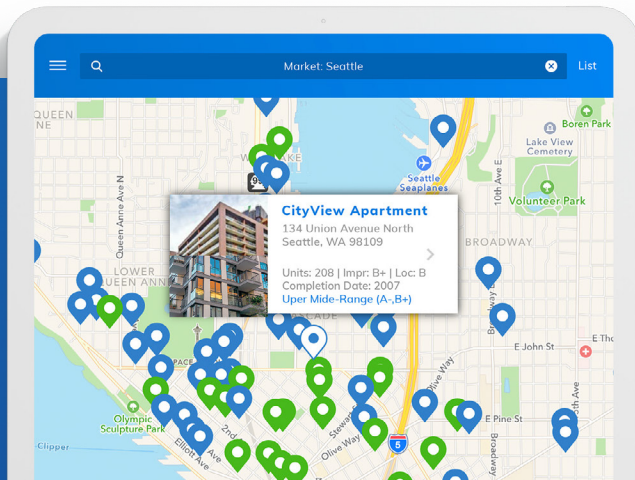
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- Pierce the LLC every time with true ownership and contact details
- Leverage improvement and location ratings, unit mix, occupancy and manager info
- Gain complete new supply pipeline information from concept to completion
- Find acquisition prospects based on in-place loans, maturity dates, lenders and originators
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