Yardi® Matrix

MULTIFAMILY REPORT

Manhattan's Momentum

May 2023

YoY Rents Outpace US

Job Gains Contract Slightly

Investment Volume Triples YoY

MANHATTAN MULTIFAMILY

Yardi Matrix

Job Growth Slows, Rents Going Strong

Manhattan started 2023 with solid fundamentals, despite the nationwide economic slowdown. Year-over-year, rents in Manhattan were up 7.8% as of March, to an average of $4,631, with growth still outpacing most major metros. Demand remained positive, and occupancy rates for stabilized assets were unchanged from a year ago, at 97.5% as of February—240 basis points above the overall U.S. figure.

New York City job growth remained above the national average throughout 2022, but a slowdown started in the first quarter of 2023. The city regained 289,500 jobs across all sectors last year, representing a 5.0% expansion. Although this was 130 basis points above the national rate, job growth slowed down from the 6.0% rate recorded in July 2022. According to the NYC Economic Development Corp., the city's private sector has returned to 99.5% of pre-pandemic job levels. Education and health services led job growth, with 86,700 positions gained and a 5.6% yearly expansion.

Developers brought 2,231 units online in 2022, representing a 0.7% expansion of stock—160 basis points below the U.S. rate. Although completions improved from the previous year, they remained below the borough's five-year average. Multifamily investment has ramped up considerably, with $4.9 billion in sales last year—the highest amount since 2015.

Market Analysis | May 2023

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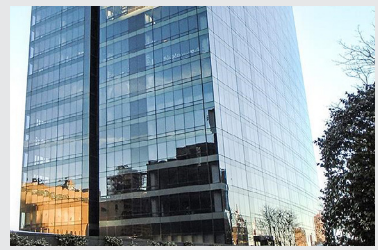
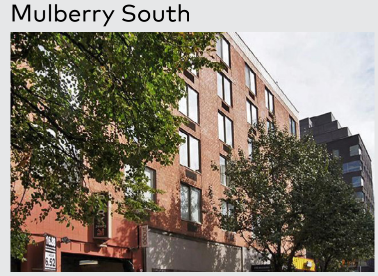
Recent Manhattan Transactions

One East River Place



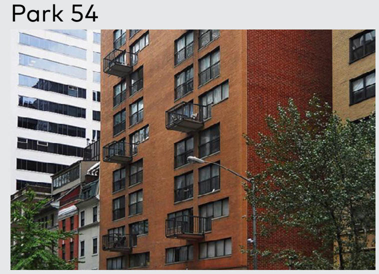
City: New York City
Buyer: Black Spruce
Purchase Price: $410 MM
Price per Unit: $987,952

Mulberry South



City: New York City
Buyer: Empire State Realty Trust
Purchase Price: $115 MM
Price per Unit: $1,196,875

Park 54

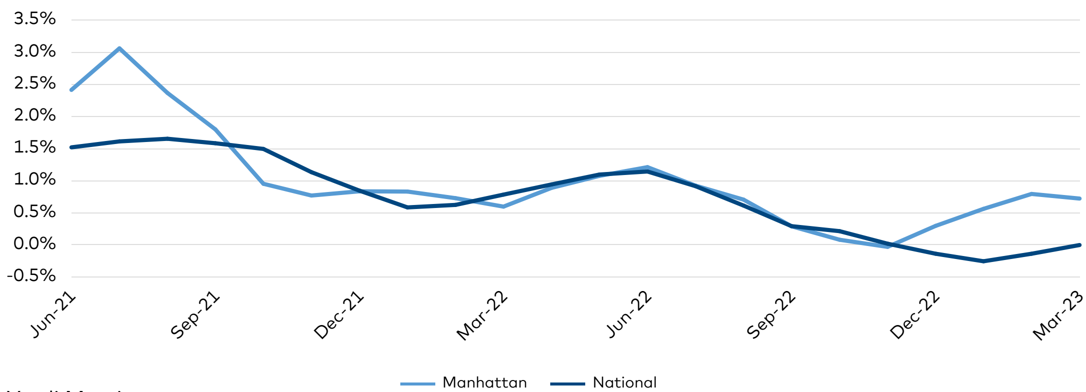


City: New York City
Buyer: Slate Property Group
Purchase Price: $38 MM
Price per Unit: $588,906

RENT TRENDS

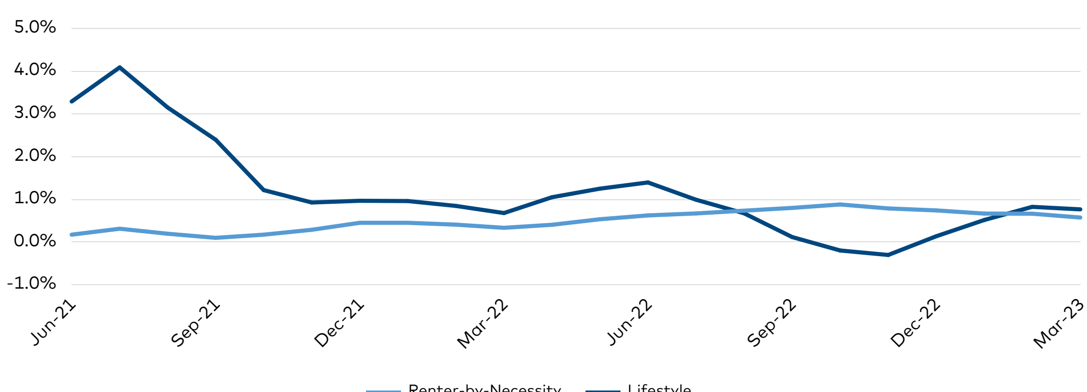
- Rents in the borough were up 0.7% on a trailing three-month (T3) basis through March, while the U.S. rate stood still. After the second half of 2022 brought tepid rent gains nationwide, Manhattan started 2023 on a strong note. For much of last year, the borough recorded T3 growth on par with the national average. Year-over-year, Manhattan rents were up 7.8%, continuing to outperform most other major metros, as well as the 4.0% U.S. rate.
- At an average of $4,631, Manhattan remains the nation's priciest market. The U.S. figure stood at $1,706 as of March. Rents for Lifestyle assets in the borough were up 0.8% on a T3 basis, to $5,154, ahead of the working-class Renter-by-Necessity segment, which recorded a 0.6% uptick, to $3,558.
- Occupancy in stabilized assets reached 97.5% as of February, virtually unchanged from a year ago. Manhattan's overall rate stood 240 basis points above the national figure. Although the overall rate remained the same, occupancy for Lifestyle assets recorded an uptick of 20 basis points, to 98.1%, while RBN properties saw the rate drop by the same proportion, to 96.8%.
- A handful of submarkets recorded outstanding year-over-year rent growth. Gains were led by Carnegie Hill (up 17.1% to $4,903), the Lower East Side (12.3%, to $4,944), Roosevelt Island (11.8% to $3,537), the Theater District (11.4% to $4,926) and the East Village (10.6% to $5,101), Yardi Matrix data shows.

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 unemployment stood at 5.4% as of February. Although much improved from last year, the metro's rate was 190 basis points higher than the U.S., and 120 basis points above the state.

- New York City gained 289,500 jobs in 2022, representing a 5.0% expansion, and coming in at 130 basis points above the U.S. figure. Although in a strong position, job expansion has slowed from the first half of 2022—in July, the rate reached a peak of 6.0%. According to the New York City Economic Development Corp., the city's private sector has returned to 99.5% of pre-pandemic job levels.

- Education and health services led job growth, with 86,700 positions gained, or a 5.6% expansion year-over-year. The leisure and hospitality sector remained a strong performer, with 66,300 jobs added (11.7%) as did professional and business services (50,200 positions, up 4.3%).

- Significant growth is expected to come from the 2023 Major League Baseball home games. According to the NYCEDC, home games for the Yankees and Mets teams will generate almost $1 billion in economic impact in 2023, boosting local businesses. The amount—based on estimated impacts from ticket sales, merchandise, transportation and lodging—may not seem large for New York City but is nonetheless a significant shot in the arm for a still struggling hospitality sector.

New York Employment Share by Sector

		Current Employment	
Code	Employment Sector	(000)	% Share
65	Education and Health Services	1638	22.5%
70	Leisure and Hospitality	632	8.7%
60	Professional and Business Services	1218	16.8%
80	Other Services	296	4.1%
40	Trade, Transportation and Utilities	1185	16.3%
55	Financial Activities	637	8.8%
90	Government	924	12.7%
50	Information	290	4.0%
30	Manufacturing	190	2.6%
15	Mining, Logging and Construction	257	3.5%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- In 2021, Manhattan's population declined by 6.6%, or 110,958 residents. The onset of hybrid work and a high cost of living has continued to fuel migration patterns toward smaller and more affordable metros. Meanwhile, the U.S. population grew by 0.1%.

Manhattan vs. National Population

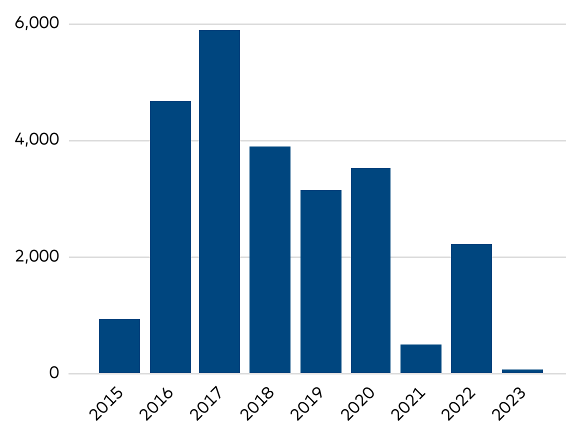
	2018	2019	2020	2021
National	326,838,199	328,329,953	331,501,080	331,893,745
Manhattan	1,632,393	1,632,326	1,687,834	1,576,876

Source: U.S. Census

SUPPLY

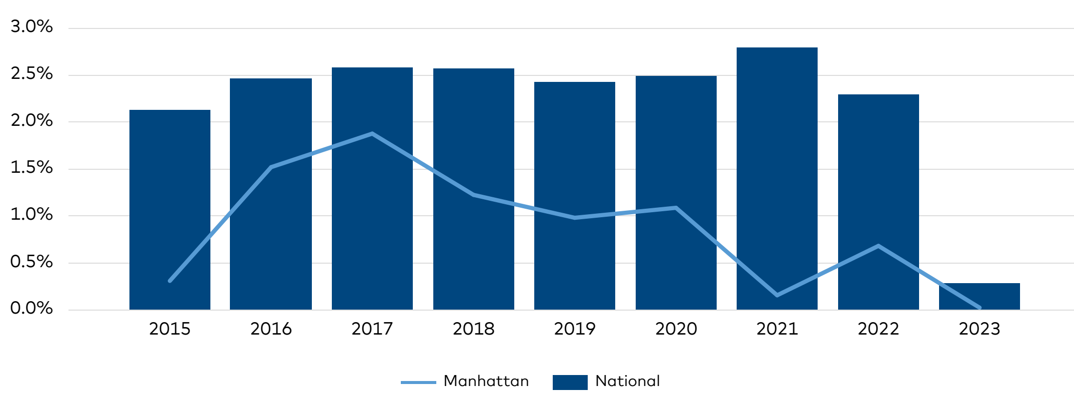
- As of March, Manhattan had 9,069 units under construction. More than two-thirds of these were in Lifestyle developments and 16.8% in fully affordable projects. As occupancy continued to slowly rise in upscale properties, developers kept their focus on the segment. Manhattan had an additional 32,000 units in the planning and permitting stages.
- Manhattan's inventory grew by 2,231 units in 2022, representing a 0.7% expansion of stock—160 basis points below the national rate of construction. Although the stock expansion rate increased by 50 basis points year-over-year, it was well below the figures recorded in previous years. On average, Manhattan added 3,393 units to the market annually over the previous five years.
- During the first quarter, developers broke ground on 2,190 units across three properties, a sharp increase from the 411 units recorded during the same period last year.
- Three submarkets accounted for almost half of the entire pipeline: Chelsea (1,885 units under construction), the Financial District (1,851 units) and the Lower East Side (1,034 units). Other submarkets with significant pipelines included Hell's Kitchen (783 units), East Harlem (664) and Inwood (649).
- As Manhattan's office market continues to feel the heat, some developers are looking to repurpose space—the largest property underway is an office-to-residential conversion. GFP Real Estate, Metro Loft Management and Rockwood Capital are redeveloping 25 Water Street into a 1,200-unit property, slated to come online in 2026.

Manhattan Completions (as of March 2023)



Source: Yardi Matrix

Manhattan vs. National Completions as a Percentage of Total Stock (as of March 2023)

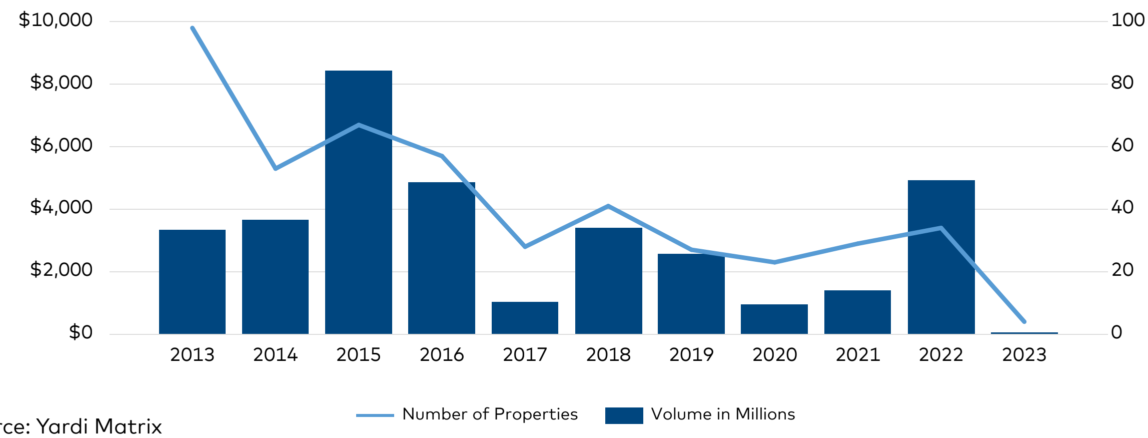


Source: Yardi Matrix

TRANSACTIONS

- Four sales involving properties of 50 units or more closed in Manhattan during the first three months of the year, amounting to $65 million. In 2022, multifamily investment volume more than tripled year-over-year. At $4.9 billion, it marked the best year for sales since 2015. Of the total 34 sales recorded, 16 were for Lifestyle assets, which had an outsize share of the entire volume, at $4.2 billion.
- The average per-unit price reached $801,009 in 2022, up 25.9% year-over-year. The average national per-unit price stood at $211,072, Yardi Matrix data shows.
- Recent large transactions included the $115 million acquisition of Mulberry South by Empire State Realty Trust in December. The deal marked the highest per-unit price of 2022, at roughly $1.2 million.

Manhattan Sales Volume and Number of Properties Sold (as of March 2023)



Source: Yardi Matrix

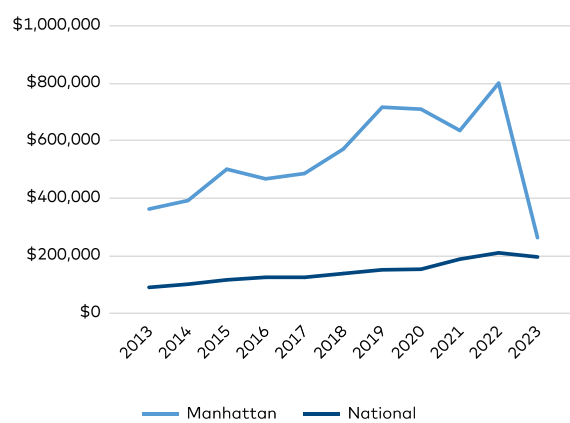
Top Submarkets for Transaction Volume[1]

Submarket	Volume ($MM)
Financial District	930
Lennox Hill	874
Lincoln Square	681
Upper West Side	491
West Village	182
East Village	179
Greenwich Village	115

Source: Yardi Matrix

[1] From April 2022 to March 2023

Manhattan vs. National Sales Price per Unit



Source: Yardi Matrix

Easing NYC's Affordable Housing Crisis: A Construction Manager's Take

By Anda Rosu

In New York City, boosting the multifamily supply in the lower end of the quality spectrum has always been a pressing issue. The metro doesn't only need more affordable living options, but it also lacks enough transitional and supportive housing. Andy D'Amico, founding president & CEO of Urban Atelier Group, talks about all the headwinds the industry has been dealing with, and touches on what it takes to build successfully in a tough environment.

What are the top challenges for you as a construction manager today, considering the deteriorating economic conditions?

On the heels of various stressors such as the pandemic, labor shortages, material increases and schedule uncertainty, the 2022-2023 cost of money and rising interest rates struck the same companies again, making it even harder to withstand the market financially.

Several companies have closed their doors, while others have increased overall costs to mitigate these stressors, leading to high construction costs. And for developers, that challenge is compounded by the same rising interest rates and their ability to borrow money and finance new developments.

How do you keep your projects on time and on budget?

Since the onset of the pandemic, our team has cultivated a more holistic understanding of our partners' financial stability,

including product and materials sourcing, allowing us to manage client expectations and those risks. Our team is actively involved at the front end of the pre-development process across our projects, which drives our ability to derive cost and schedule certainty for our clients.

What do you think NYC lacks the most when it comes to addressing the homelessness crisis and making the city more inclusive?

The homelessness crisis in New York City is one of the most complex and challenging issues. Currently, the city lacks adequate rooms dedicated to transitional and supportive housing. Unlike homeless shelters, transitional housing offers temporary placement for specific segments of the homeless population, including working homeless individuals earning too little to afford long-term housing.

Do you feel like you're better prepared now for the next crisis that will affect the multifamily industry than you were three years ago?

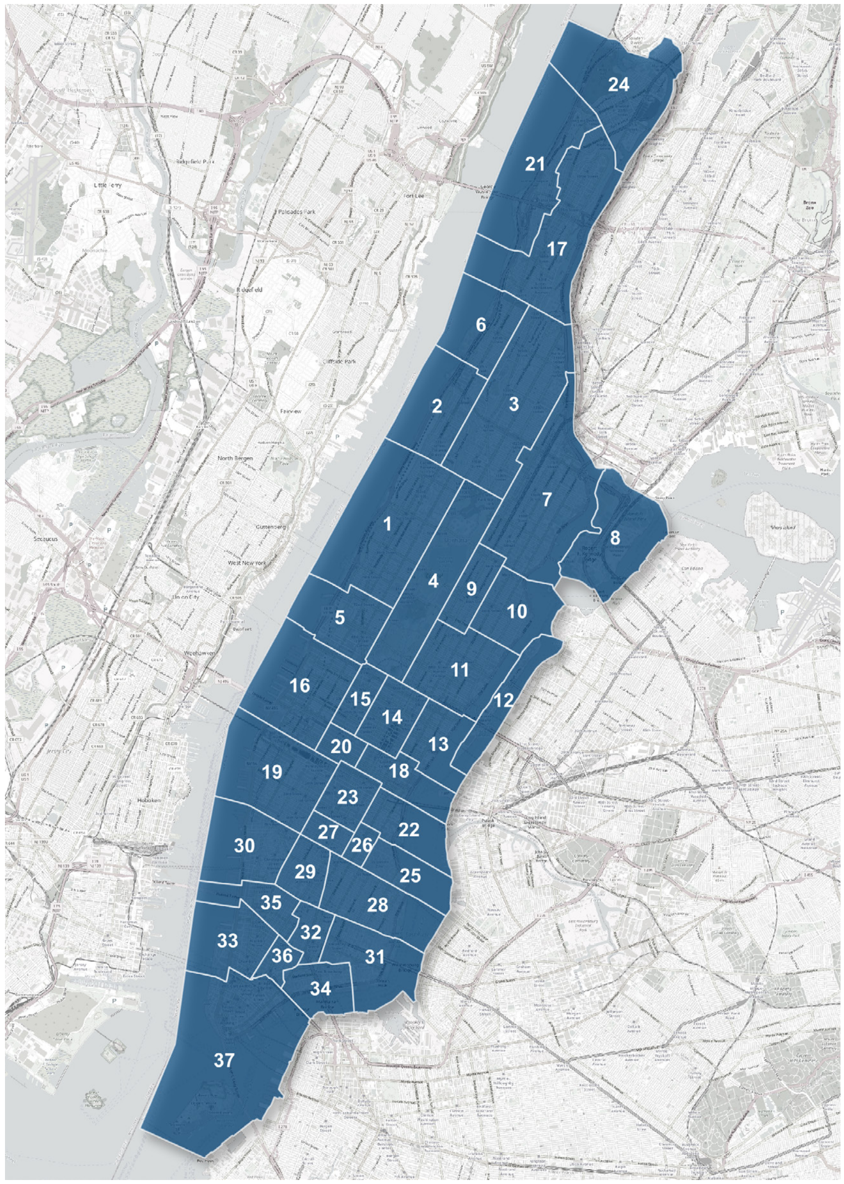
Yes—the experience of navigating through the obstacles posed by the COVID-19 pandemic and the resulting supply chain disruptions have better prepared us for the next crisis that might affect the multifamily industry.

No one could have predicted the past three years. Still, we developed greater agility and flexibility to respond to unforeseen events and have learned valuable lessons to help us be more strategic in our approach.

(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 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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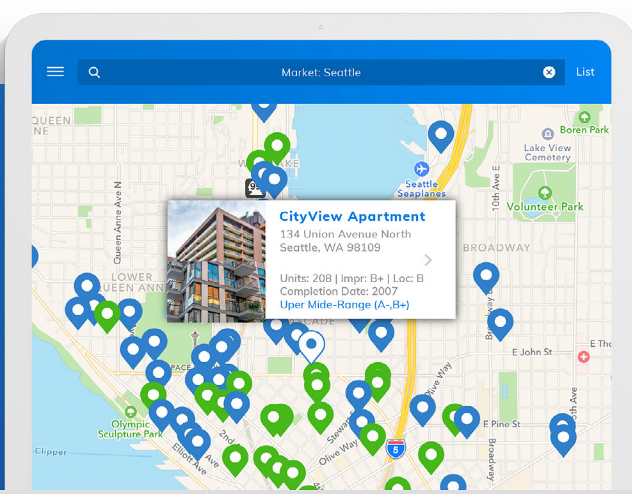
- Gain complete new supply pipeline information from concept to completion
- Find acquisition prospects based on in-place loans, maturity dates, lenders and originators
- Access aggregated and anonymized residential revenue and expense comps



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

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