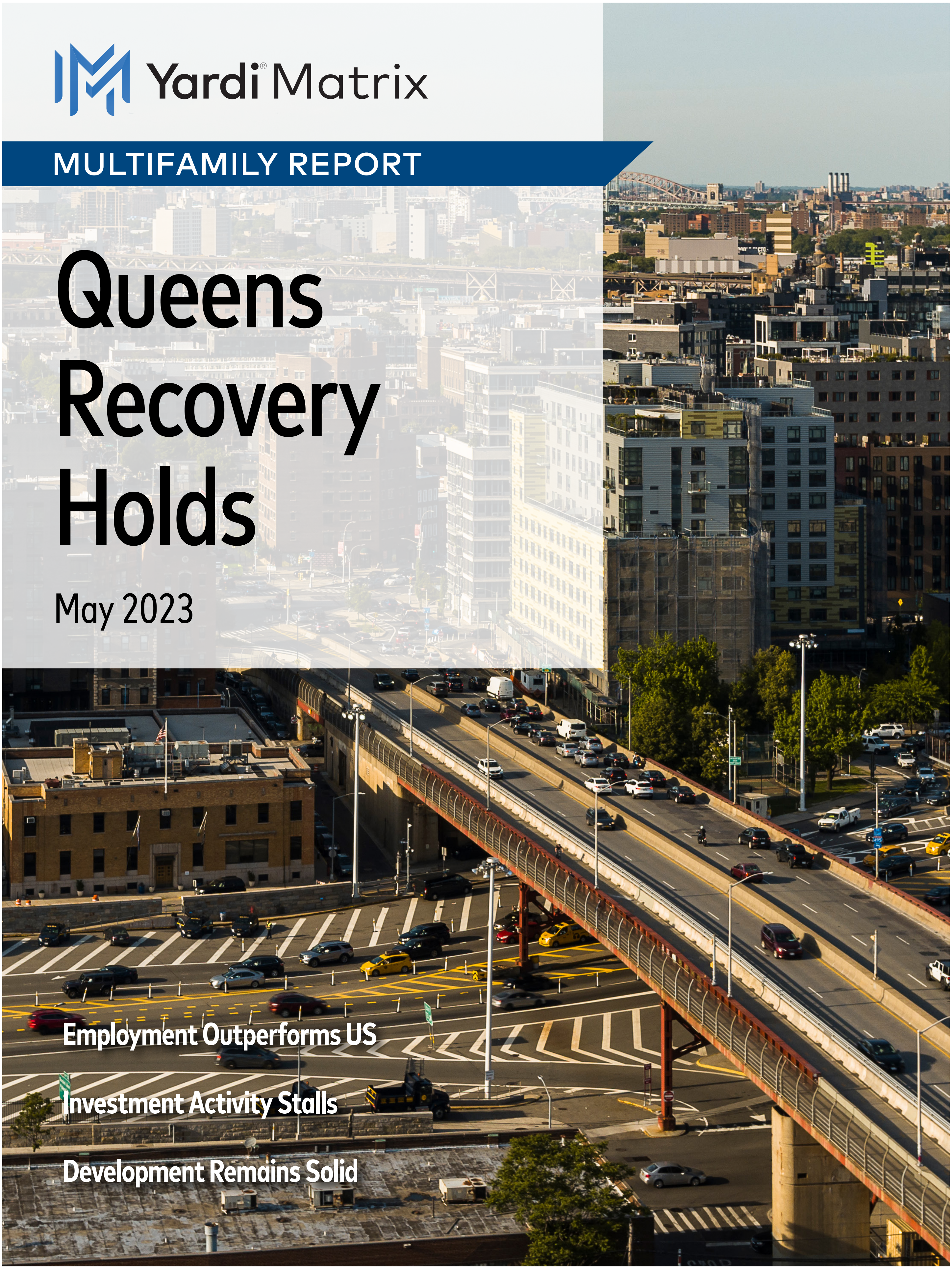
Yardi Matrix

MULTIFAMILY REPORT

Queens Recovery Holds

May 2023



Employment Outperforms US

Investment Activity Stalls

Development Remains Solid

QUEENS MULTIFAMILY

Yardi Matrix

Quality Segment Split Makes for Odd Mix

A slowing economy and other woes have affected the borough's high-end rental sector, exacerbating the divide between quality segments. Overall, Queens rents were down 0.7% on a trailing three-month basis, to an average of $2,788, while U.S. figures plateaued. The metro's slide was due to a sharp 1.4% drop in the Lifestyle segment, while Renter-by-Necessity rates saw a 0.1% uptick. Occupancy was still very tight, at 98.7%, following a trend-bucking, 10-basis-point increase year-over-year, showcasing New York City's enduring multifamily appeal.

New York City employment saw steep losses during the pandemic, and the market has been striving to recover the jobs lost. New York City added 289,500 positions in 2022, for a 5.0% uptick, outperforming the 3.7% national rate. No sector lost jobs last year, as strong gains in education and health services and leisure and hospitality provided boosts. Spanning five city blocks, Innovation QNS is one of the largest development projects in the metro, set to take shape in Astoria.

Transaction activity has been limited, with only $640 million in rental assets trading in the borough since 2019, $340 million less than 2018's total. Development rebounded after a tough stint during the early days of the pandemic, with 2,517 units delivered in 2022. Another 11,628 apartments were under construction in Queens as of March.

Recent Queens Transactions

The Urban

City: New York City
Buyer: BLDG Management
Purchase Price: $87 MM
Price per Unit: $839,805

Market Analysis | May 2023

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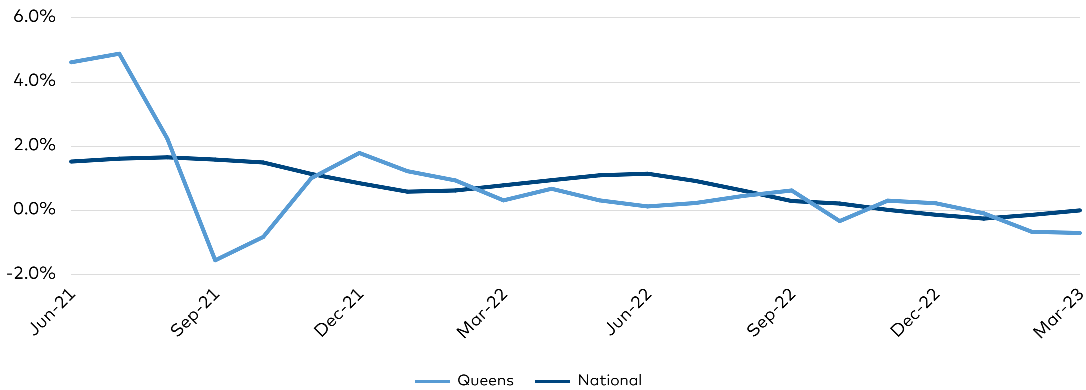
On the cover: Photo by Alex Potemkin/iStockphoto.com

RENT TRENDS

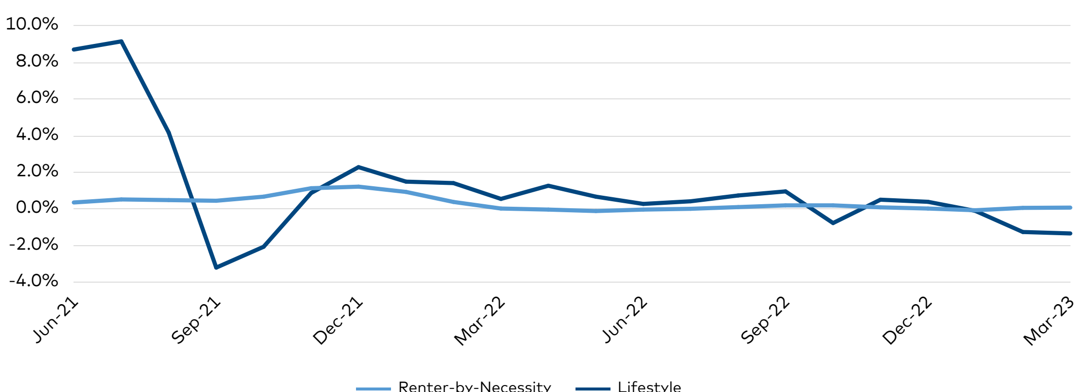
- Queens rents continued a downward trajectory, contracting 0.7% on a trailing three-month (T3) basis as of March, as the national figure plateaued through the same interval. The borough's overall average rent was $2,788, which was still within the country's top 10. Even so, Queens heavily trailed other boroughs, with Brooklyn clocking in at $3,269 and Manhattan far outpacing both, at $4,631.
- Sliding rents were due to a sharp drop in Lifestyle average rates, down 1.3% on a T3 basis. Meanwhile, the supply-constrained Renter-by-Necessity segment saw rents rise 0.1%. Despite opposing trends in rent trajectory, the spread between quality segments is still substantial, at $1,512 as of March.
- Occupancy rates were very high in Queens, with average overall levels in stabilized assets at 98.7% as of February, up 10 basis points on a year-over-year basis. Here, the spread between quality segments was significantly tighter, with Lifestyle occupancy at 98.4%, while Renter-by-Necessity assets were at 98.8%.
- Long Island City saw rents rise the fastest on a year-over-year basis, up 4.1%, to an average of $3,897, the highest in the borough. Jamaica (up 1.6% to $2,085) and Rockaway (up 1.0% to $2,443) rounded out the top three. The only submarket to record a yearly decrease was Forest Hills-Rego Park, down 1.8%, to $2,903.

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

- The local economy added 289,500 jobs in 2022, with employment growth reaching 5.0% year-over-year, outperforming the 3.7% U.S. rate. New York City was arguably the hardest-hit economy during the pandemic, with lockdowns forcing businesses to lay off large swaths of the workforce, generating the need for a significant renewal of jobs. While employment hasn't yet returned to pre-pandemic heights, the metro has consistently outpaced the national rate of job growth over the past two years. The New York City unemployment rate was at 4.7% as of January, 130 basis points above the 3.4% national figure, but still well below the long-term average recorded in the market.
- No employment sectors recorded losses on a year-over-year basis. Education and health services added 86,700 jobs, as the metro's main economic driver continued to strengthen its position. Leisure and hospitality—the fastest-growing sector—followed with 66,300 jobs, up 11.7%, as job recovery continues. One of the city's largest projects will take shape in Queens: Innovation QNS is a proposed development that will span five city blocks in the Astoria submarket and provide community space, middle-income housing, retail, entertainment, senior housing and outdoor space. BedRock Real Estate Partners, Silverstein Properties and Kaufman Astoria Studios debuted the project.

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

- Queens recorded significant population variation during the past decade, and the trend was exacerbated by the pandemic. The borough added 140,000 residents between 2019 and 2020. Since then, demographic growth has reversed, at -2.7% in 2021.

Queens vs. National Population

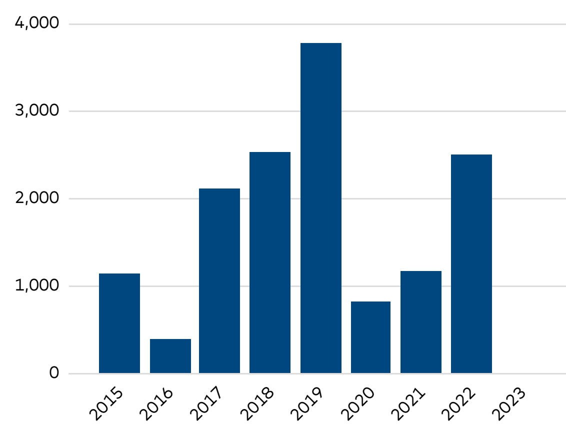
	2018	2019	2020	2021
National	326,838,199	328,329,953	331,501,080	331,893,745
Queens	2,275,286	2,253,942	2,395,791	2,331,143

Source: U.S. Census

SUPPLY

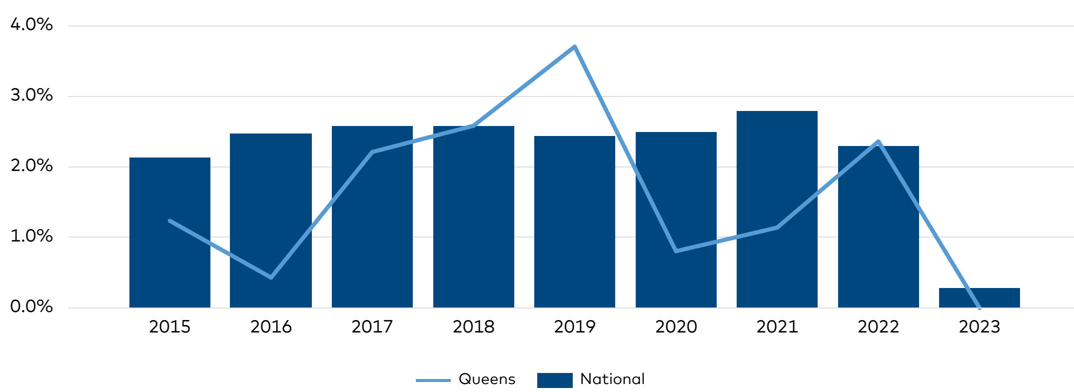
- Queens had 11,628 units under construction at the end of the first quarter, while another 22,600 units were in the planning and permitting stages. Despite having a large rental pipeline in all stages, economic concerns related to obtaining project financing and the current cost of materials and labor may significantly influence the rate at which these units will materialize.
- Although no significant deliveries were recorded in 2023, completions in Queens have been climbing, after a significant slowdown at the onset of the pandemic. A total of 2,517 units were completed in 2022, three times the amount added to the stock in 2020.
- Despite affordability concerns in New York City, developers are heavily targeting Lifestyle renters, as 68% of multifamily projects under construction are in the Class A+/B+ band. Meanwhile, fully affordable assets in the pipeline account for 23% of volume.
- The average overall occupancy rate in stabilized assets was 98.7% as of February, down just 10 basis points year-over-year. With limited deliveries in the past few years, occupancy remained high in Queens, which benefits from having lower average rents than neighboring boroughs.
- Development activity was strongest in Long Island City, the borough's hotbed for multifamily construction, where 4,369 units were underway. Jamaica (2,491 units under construction) and Rockaway (1,617 units) rounded out the top three submarkets for construction, Yardi Matrix data shows.

Queens Completions (as of March 2023)



Source: Yardi Matrix

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

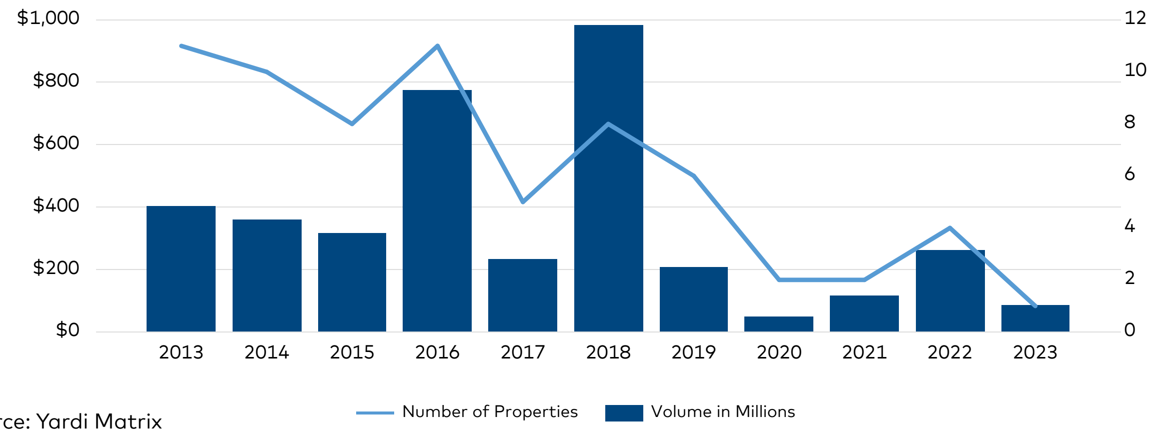


Source: Yardi Matrix

TRANSACTIONS

- With slowing sales nationwide, Queens saw only $87 million in transaction activity for assets of 50-plus units, on the back of a single recorded deal through the first quarter of 2023. Furthermore, 2022 was less than spectacular, as $175 million in rental assets traded. That's a far cry from the borough's record high for investment—$984 million recorded in 2018. With interest rates up and capital increasingly difficult to come by, sales will likely remain limited.
- Although fairly oscillating throughout the past decade, average per-unit prices reached their lowest rate in 11 years. That's mostly due to the fact that all recorded multifamily transactions of 2022 involved RBN assets, leading the average price per unit to $144,747, some $67,000 lower than the national figure.
- BLDG Management's purchase of The Urban in Flushing was the only deal completed in the first quarter involving a property of 50 units or more.

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



Source: Yardi Matrix

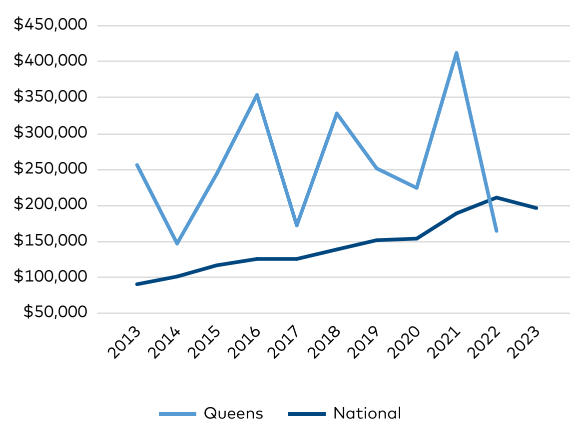
Top Submarkets for Transaction Volume[1]

Submarket	Volume ($MM)
Flushing	87
Rockaway	45

Source: Yardi Matrix

[1] From April 2022 to March 2023

Queens 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.

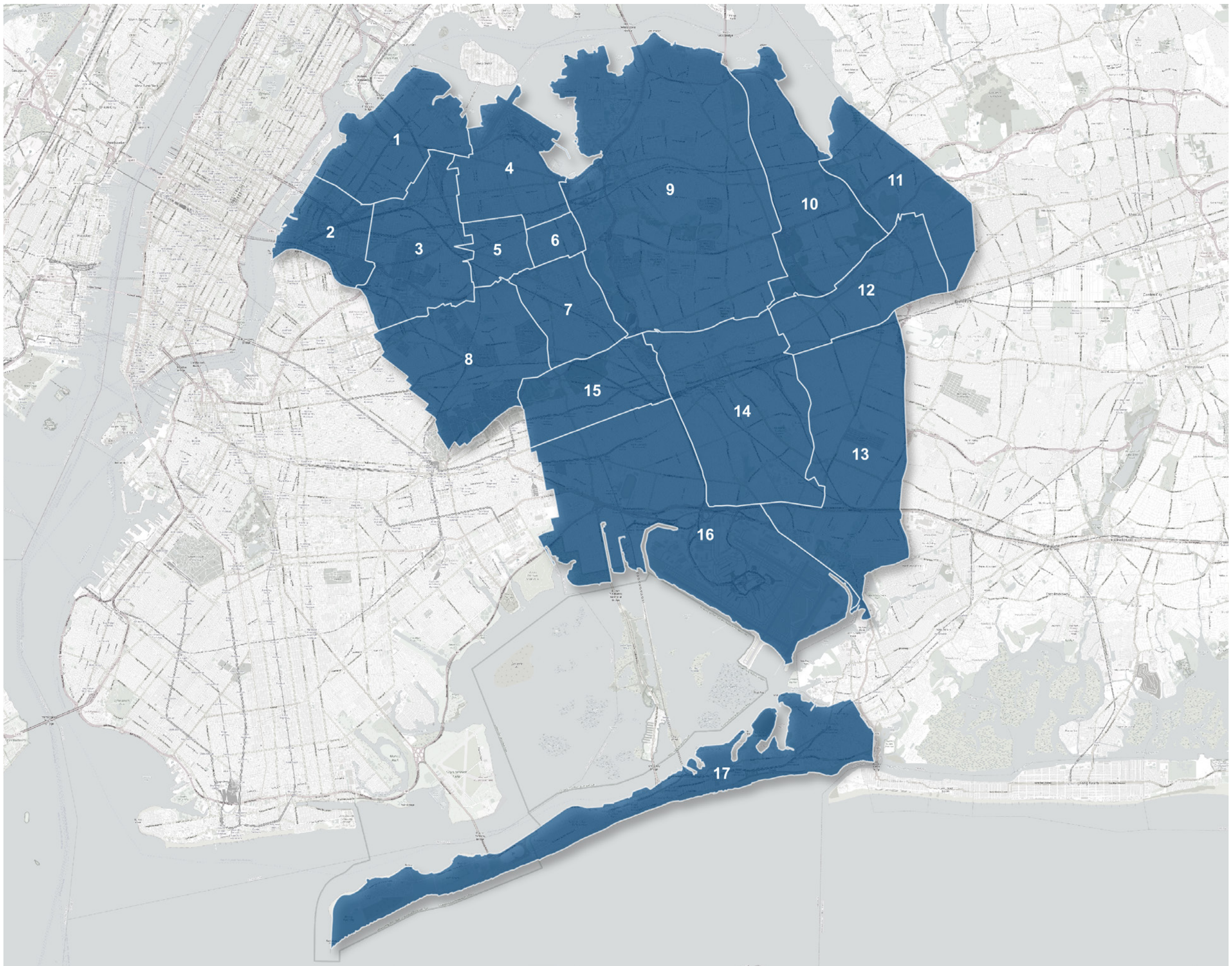
Do you feel like you're better prepared now for the next crisis that will affect the multifamily industry than you were three years ago?

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.)

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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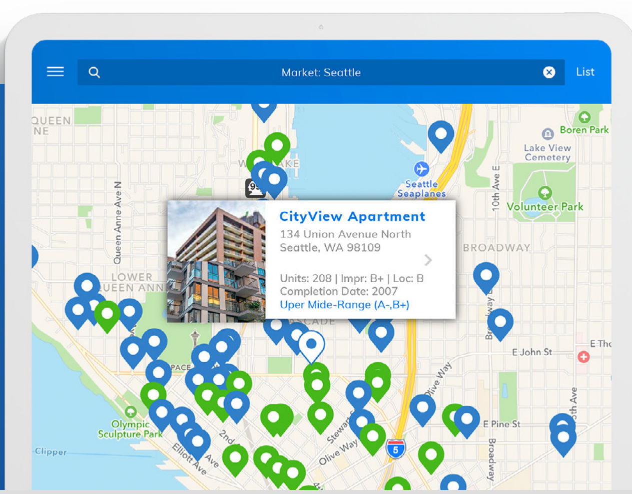

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