



MULTIFAMILY REPORT

Manhattan Rebounds

August 2023



Rent Growth Stays Strong

Occupancy at Healthy Levels

Construction Starts Match 2022

MANHATTAN MULTIFAMILY



Fundamentals Solid, Rebound Picks Up Pace

Although economic softening has had an impact on most major metros, Manhattan fell back on its strong fundamentals throughout the first half of the year. Rents recovered once more, and growth improved 0.9% on a trailing three-month basis through June—more than double the U.S. pace—to an average of \$4,743. Occupancy in stabilized assets remained high in the borough, at a healthy 97.7% as of June and 270 basis points above the U.S. rate. This highlighted the market's strong return.

New York City unemployment was at 3.9% as of June, according to preliminary data from the Bureau of Labor Statistics, 30 basis points higher than the U.S. figure. Employment growth slowed down from the strong performance recorded last year, but remained solid. The rate was 3.7%, with the city adding 209,600 jobs in the 12-month period through April. Meanwhile, a new tax incentive program, M-CORE, designed to reduce office vacancy and revitalize underperforming assets, will provide resources for building owners. The program will benefit up to 10 million square feet of office space in Manhattan.

Construction activity remained on par with previous years, as Manhattan developers had 8,391 units underway, with an additional 35,000 in the planning and permitting stages. Investment activity for the first half of the year totaled \$342 million, which was 10 times less than the \$3.2 billion recorded in the same period last year.

Market Analysis | August 2023

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Recent Manhattan Transactions

Columbus Townhouse



City: New York
Buyer: Slate Property Group
Purchase Price: \$120 MM
Price per Unit: \$722,891

Mercedes House



City: New York
Buyer: Namdar Realty Group
Purchase Price: \$103 MM
Price per Unit: \$636,872

51 Irving Place

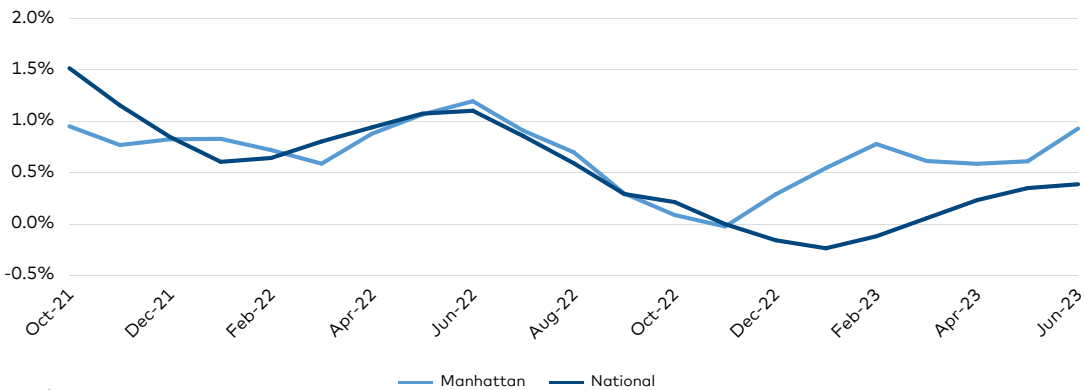


City: New York
Buyer: Global Holdings
Management Group
Purchase Price: \$31 MM
Price per Unit: \$548,188

RENT TRENDS

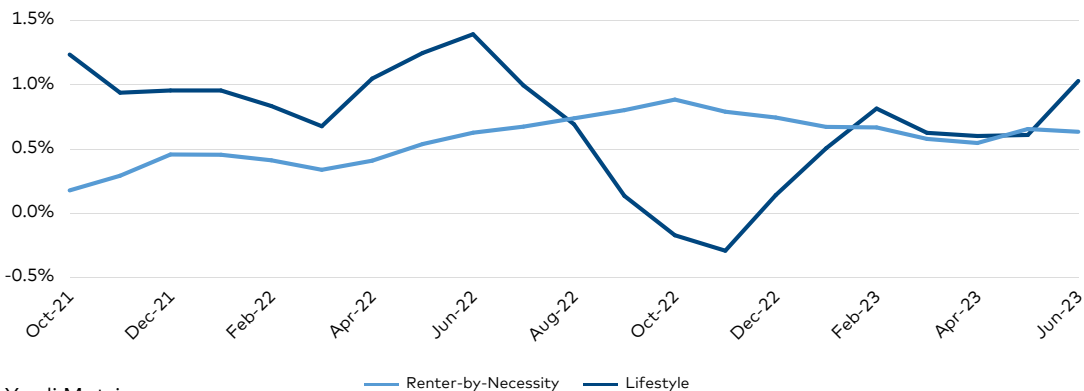
- ▶ Manhattan rents were up 0.9% on a trailing three-month (T3) basis through June, 50 basis points ahead of the U.S. figure. While nationwide rent development was slower to pick up at the beginning of 2023, Manhattan rates continued to improve, at a positive 0.5% on a T3 basis, even in January. In fact, rent gains in the borough have been consistently above U.S. averages for 12 straight months. On a year-over-year basis, rents in the borough were up 6.6%, one of the highest rates nationwide.
- ▶ The average rent reached \$4,743 in June—more than double the national average of \$1,726—as Manhattan maintained its spot as the priciest market. Lifestyle figures were up 1.0% on a T3 basis through June, to \$5,292, remaining ahead of the working-class Renter-by-Necessity segment, which saw rents improve 0.6%, to \$3,626.
- ▶ Demand remained solid in the borough, with overall occupancy in stabilized assets at 97.7% as of June, the same rate recorded 12 months prior and 270 basis points above the U.S. average. Both quality segments showcased this trend, with Lifestyle recording a 10-basis-point uptick, to 98.2%, while RBN dipped 20 basis points, to 97.1%.
- ▶ Three submarkets recorded year-over-year rent growth above 10%—Carnegie Hill (up 14.9%, to \$4,969), Roosevelt Island (up 11.8%, to \$3,700) and the Lower East Side (up 11.6%, to \$4,988). Other submarkets saw gains ranging from 2.8% (the Financial District) to 9.8% (Flatiron).

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 clocked in at 3.9% as of June, according to preliminary data from the Bureau of Labor Statistics, 30 basis points higher than the U.S. figure. Unemployment in the city continued last year's positive trend and was down 30 basis points since January.
- Over a 12-month period ending in April, New York City added 209,600 jobs, a 3.7% expansion and 80 basis points above the U.S. rate of growth. The pace slowed down significantly from 2022's peak of 7.3% but remained solid.
- Gains were led by education and health services, which expanded by 5.2%, or a total of 83,400 positions. Leisure and hospitality remained a strong performer as well, with 64,200 jobs gained—up 10.6%—followed by professional and business services (up 2.2%, 26,300 jobs), financial activities (up 2.3%, 14,700 jobs) and construction (4.6%, 11,900).
- Manhattan's office sector is still struggling to recover, with owners and developers looking for solutions for underperforming space. In May, the NYC Economic Development Corp. and the Industrial Development Agency launched M-CORE. The tax-incentive program aims to support the renovations and conversions of some 10 million square feet of office space.

New York Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
65	Education and Health Services	1695	23.3%
70	Leisure and Hospitality	669	9.2%
60	Professional and Business Services	1199	16.5%
55	Financial Activities	650	8.9%
15	Mining, Logging and Construction	272	3.7%
80	Other Services	289	4.0%
90	Government	909	12.5%
30	Manufacturing	193	2.7%
50	Information	278	3.8%
40	Trade, Transportation and Utilities	1128	15.5%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- After a dramatic crunch brought by the pandemic, New York City continues to lose residents, but the rate is decelerating. The city's population, for example, slid by 3.2% between mid-2020 and mid-2021. The contraction rate appreciated to -1.5% in the subsequent 12 months.

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

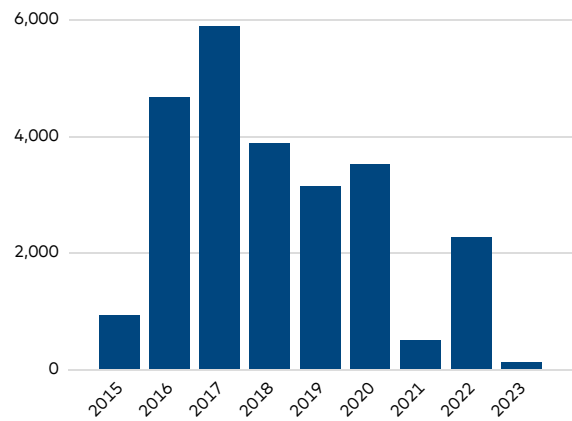
SUPPLY

- ▶ As of June, Manhattan had 8,391 units under construction. The pipeline remained heavily geared toward the Lifestyle segment, with more than 75% of units in this category, while 17.9% of units were in fully affordable projects. The borough had an additional 35,000 units in the planning and permitting stages.
- ▶ Developers completed 137 units in Manhattan during the first half of the year, representing less than 0.1% of existing stock. Completions nationwide temporarily slowed down after last year's outsize performance—the U.S. expansion rate stood at 0.8% as of June.
- ▶ In 2022, Manhattan saw the addition of 2,289 apartments—below the 2,673-unit five-year average. Yardi Matrix expects Manhattan developers to deliver 3,770 units to the market in 2023.
- ▶ Construction starts for the first half of the year amounted to 1,401 units across three properties, which was on par with the amount recorded during the same period last year—1,561 units. Although completions slowed down, development activity seems to be powering through.
- ▶ Out of Manhattan's 37 submarkets, 16 had multifamily properties of 50 units or more under construction. Activity was strongest in Chelsea

(1,885 units underway), followed by the Lower East Side (975), Inwood (873), the Financial District (838) and Hell's Kitchen (783).

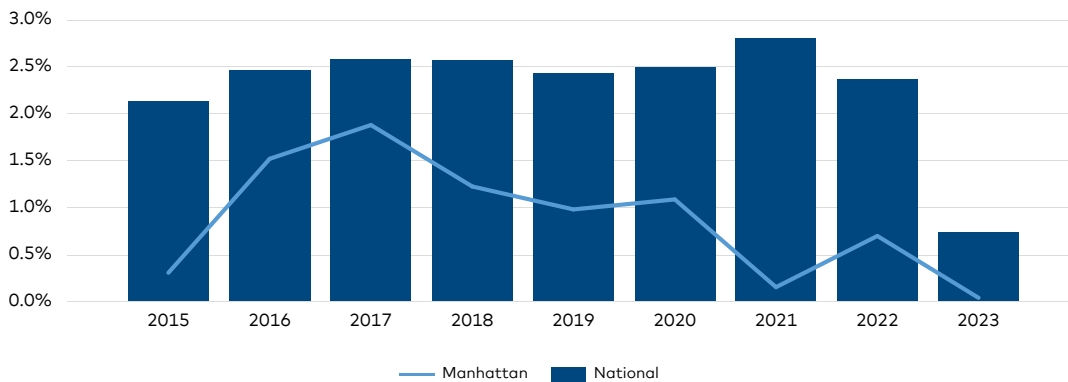
- ▶ The largest property underway was Douglaston Development's 3Eleven, in the Chelsea submarket. The 938-unit, 60-story building is set to come online in December and was 50 percent preleased as of June.

Manhattan Completions (as of June 2023)



Source: Yardi Matrix

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



Source: Yardi Matrix

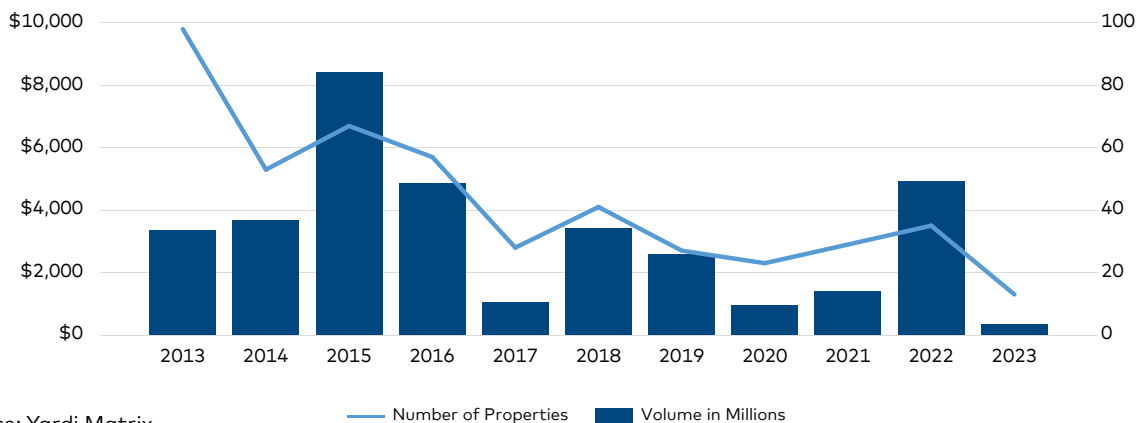
TRANSACTIONS

- ▶ Year-to-date through June, investment activity totaled \$342 million across 13 sales involving properties of 50 units or more—almost 10 times less than the \$3.2 billion recorded in the first half of last year. Transaction activity fell across all major metros tracked by Yardi Matrix, considering high interest rates and other economic headwinds.
- ▶ In June, the average price per unit in Manhattan clocked in at \$368,467—more than double

the national figure but significantly below the market's usual values. Of the 13 sales recorded, 11 were for RBN properties, which partially explains the large difference.

- ▶ The largest transaction confirmed during the first half of the year was the \$120 million sale of a 166-unit property that came online in the Upper West Side in 1986. Slate Property Group purchased 600 Columbus Ave. from its developer, benefiting from a \$68 million acquisition loan.

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



Source: Yardi Matrix

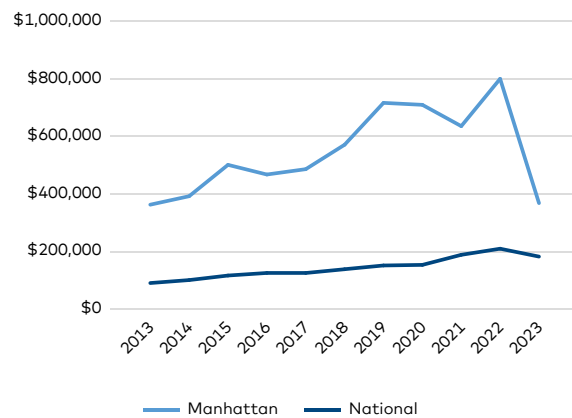
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
Lennox Hill	\$825
Lincoln Square	\$415
Upper West Side	\$262
East Village	\$179
Greenwich Village	\$115
Hell's Kitchen	\$104
West Village	\$80

Source: Yardi Matrix

¹ From July 2022 to June 2023

Manhattan vs. National Sales Price per Unit



Source: Yardi Matrix

Top 10 Markets for Multifamily Construction

By Anca Gagiuc

U.S. multifamily construction was robust at the start of the new leasing season, with the pipeline amounting to nearly 1.1 million units underway across 4,910 properties, according to Yardi Matrix data. However, deliveries were slow, with just 73,506 units coming online this year through April. That's less than 7% of the national pipeline and accounts for 20% of last year's 369,827-unit total.

Metro	Units Under Construction	Units Completed Year-to-Date	Construction Starts/Units January - March 2023
Austin	61,873	2,547	6,013
Dallas	60,532	2,016	5,864
Miami	44,533	2,732	3,612
Atlanta	41,204	2,679	4,120
Phoenix	39,875	3,811	1,985
New York City	38,859	137	3,304
Denver	35,893	1,696	1,580
Houston	34,709	1,686	1,660
Los Angeles	32,306	1,926	814
Charlotte	32,188	1,538	1,459

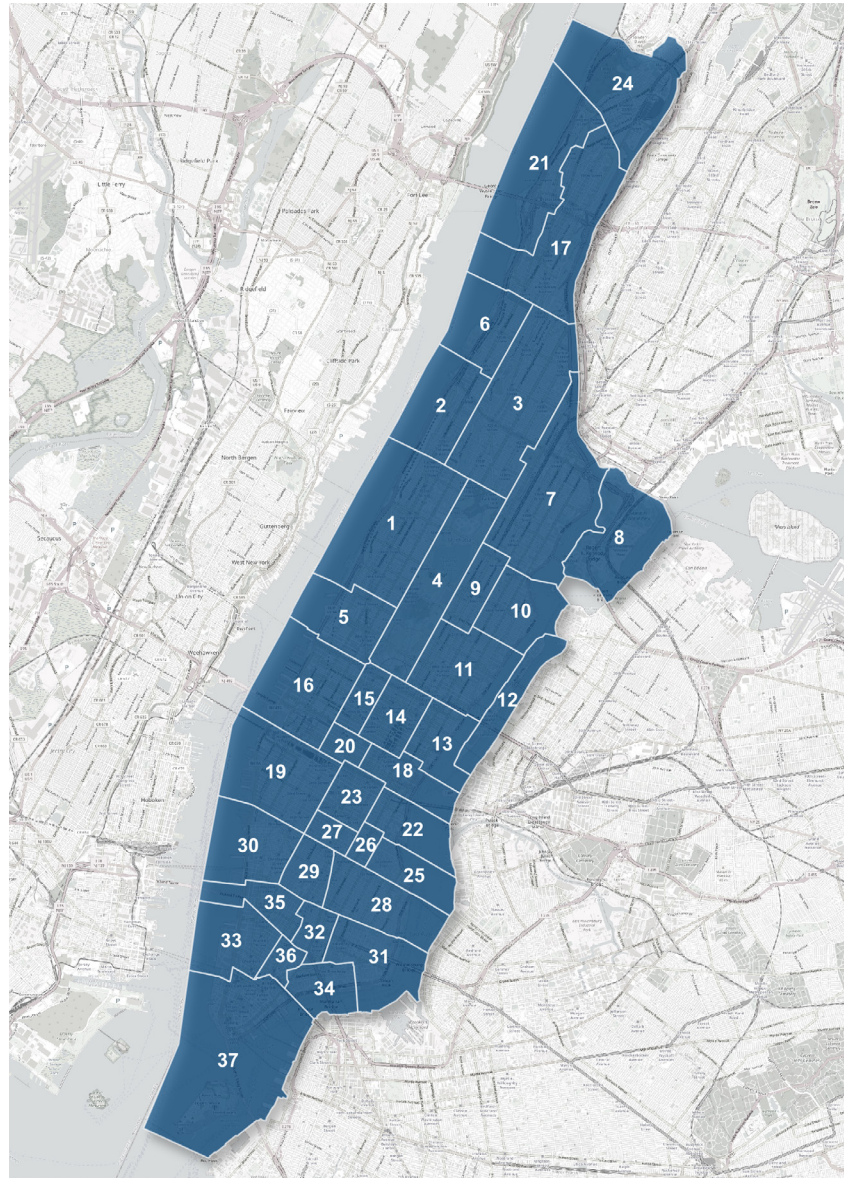
New York City

New York City was not far down the list, with 38,859 units in 124 properties under construction and more than 95,000 units in the planning and permitting stages. Inventory expansion through May was very limited, with just 137 units delivered, 0.2% of existing multifamily stock and the lowest rate on this list. However, New York City's multifamily market continues to improve and was the only market in this ranking to record increases in construction starts during the first quarter of 2023.



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	Lenox 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.



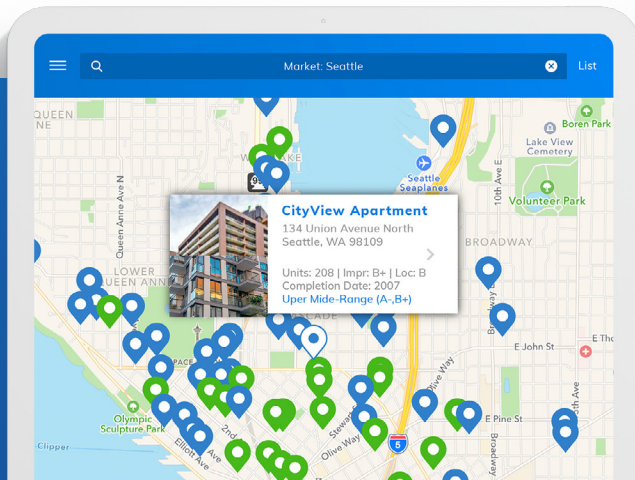
Yardi Matrix

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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



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