



Yardi® Matrix

Queens Braces For Supply Boom

Multifamily Report Spring 2018

Development to Hit Cycle High

Affordability Issues Persist

Rents Continue to Slip

Market Analysis

Spring 2018

Contacts

Paul Fiorilla

Associate Director of Research
Paul.Fiorilla@Yardi.com
(800) 866-1124 x5764

Jack Kern

Director of Research and Publications
Jack.Kern@Yardi.com
(800) 866-1124 x2444

Author

Bogdan Odagescu

Senior Associate Editor

Supply Wave to Further Soften Demand

Following nationwide trends, Queens' expanding multifamily pipeline is set to hit a cycle peak in 2018, with rising affordability issues and possible oversupply in key areas further softening the market in the short term. Queens rents were down 50 basis points year-over-year through March, as job gains across the metro decelerated and demand hit a small bump.

Metro New York added 84,200 jobs in 2017 for a 1.6% expansion, almost on par with the national average. Like Brooklyn, Queens continues to benefit from Manhattan's prohibitive prices as residents are being priced out and some office-using companies choose to settle across the East River. And although most large-scale construction projects are concentrated in Long Island City, several areas further east—including Willets Point, Jamaica and Edgmere—could see significant development in the coming years.

Roughly 1,600 units came online last year, and another 11,000 units were underway as of March. Queens should remain a stable market in the long run, due to New York City's solid fundamentals and because affordability in the outer boroughs, although a pressing concern, is nowhere as pressing an issue as it is in Manhattan. Occupancy in stabilized properties slid 50 basis points in 2017, but at 98.3% as of December, remains above the 95.2% U.S. average. Overall, we expect New York City rents to decline 1.0% in 2018.

Recent Queens Transactions

71-05 37th Ave.



City: New York
Buyer: Persaud Rajmattie
Purchase Price: \$32 MM
Price per Unit: \$297,170

22-11 New Haven Ave.

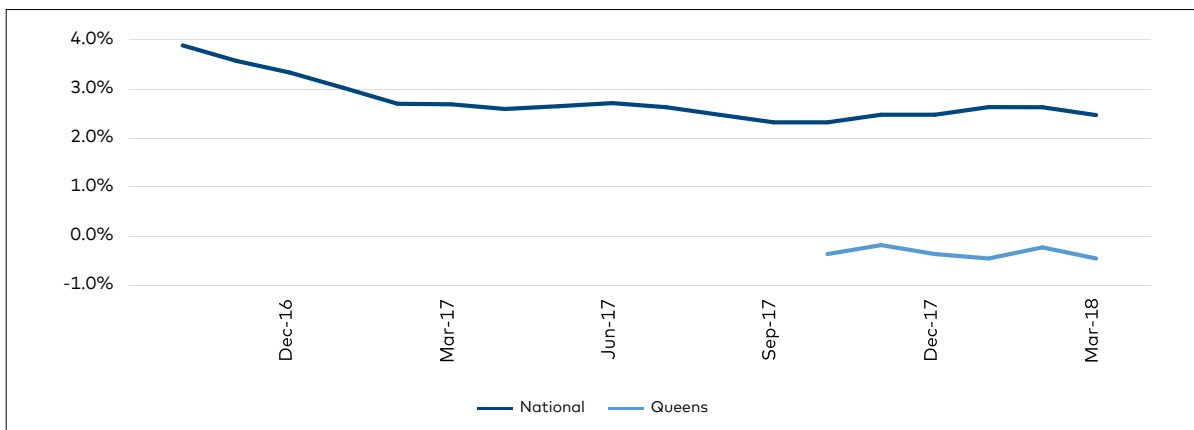


City: New York
Buyer: Vincent Ragosta
Purchase Price: \$22 MM
Price per Unit: \$203,704

Rent Trends

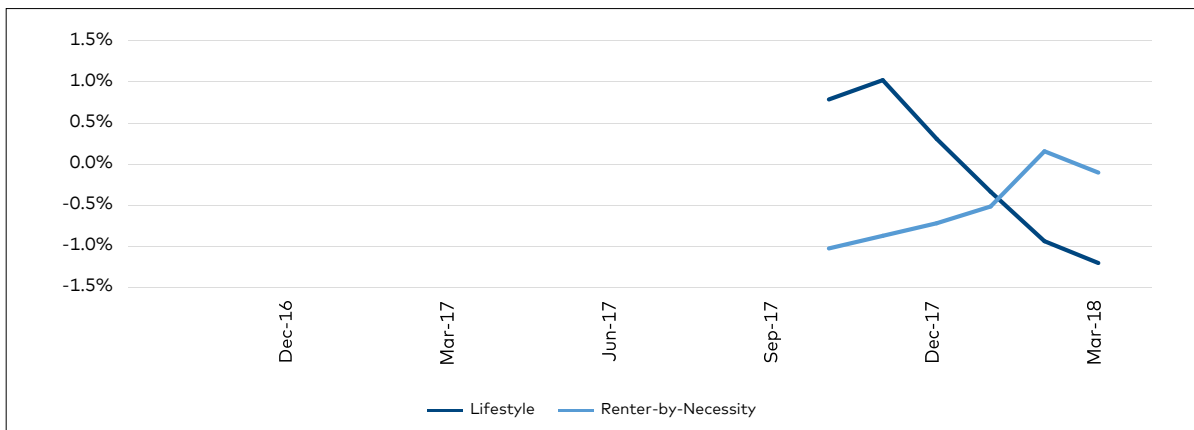
- Queens rents slid 50 basis points in the 12 months ending in March, bucking the 2.5% national growth rate. At \$2,192, the average Queens rent was well above the \$1,371 U.S. figure, but way behind Manhattan and Brooklyn averages (\$4,061 and \$2,678). The softening of the overall New York multifamily market is largely due to the supply surge and the metro's already exceptionally high rents.
- The slide was mainly caused by rents in the Lifestyle segment, which dropped 120 basis points, as the large majority of recently delivered units are in well-located, high-end communities. While the construction surge mainly dampened upscale demand, rents in the working-class Renter-by-Necessity segment were down only 10 basis points as of March, reaching \$1,925.
- Rates continued to grow across several submarkets, including Astoria (2.7%), Corona (1.5%) and Flushing (1.1%). Meanwhile, rents in development hotbed Long Island City were down 2.5%. Even so, the submarket remains by far the most expensive Queens area, with the average rent at \$3,380.
- Due to the combination of strong supply and deep affordability issues, New York City is the only major U.S. metro where rents are slated to contract this year. Overall, Yardi Matrix expects New York City rents to drop 1.0% in 2018.

Queens vs. National Rent Growth (Sequential 3 Month, Year-Over-Year)



Source: YardiMatrix

Queens Rent Growth by Asset Class (Sequential 3 Month, Year-Over-Year)

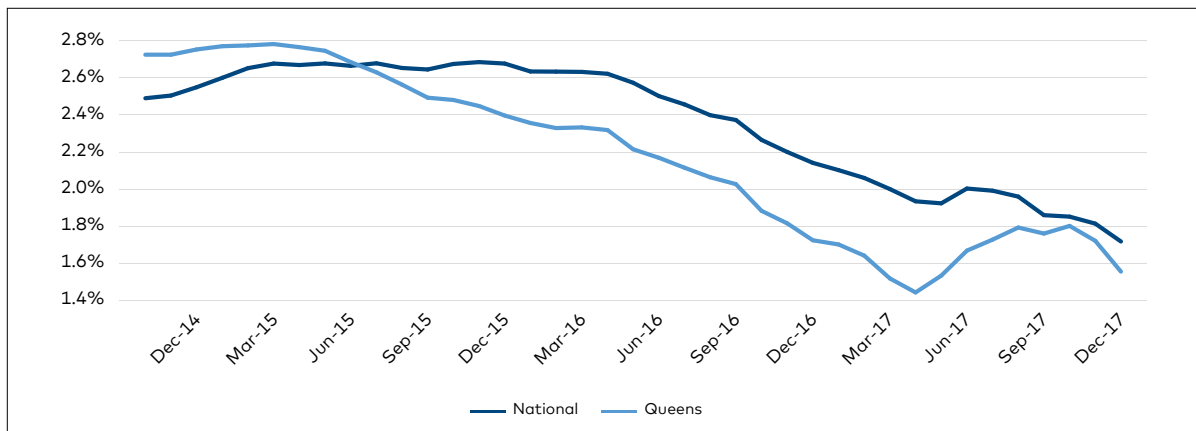


Source: YardiMatrix

Economic Snapshot

- New York City added 84,200 jobs in 2017 for a 1.6% uptick, just 10 basis points below the U.S. average. Although lagging behind the national growth rate since mid-2015, the metro is expanding and remains the East Coast's main economic engine, due to its financial and academic institutions, deep talent pool and real estate haven status, as well as foreign capital and international immigration.
- The metro continues to generate office-using positions at a rapid pace, with the addition of a combined 36,300 jobs in financial activities and professional and business services. And as some employers are choosing to set base east of Manhattan due to lower costs, developers are responding to growing demand in Brooklyn and Queens. According to Yardi Matrix, the two boroughs had 6.8 million square feet of office space underway as of mid-April, the bulk of it close to the East River shore.
- Construction added some 9,000 jobs in 2017 for a 3.5% expansion, as metro New York's building surge continues. Queens is no stranger to large-scale projects, with Long Island City serving as the epicenter for both office and residential development. Further east, the \$4 billion Willets Point redevelopment project close to Citi Field is back on the table and Jamaica is steadily turning into a transit-oriented destination. Meanwhile, Port Authority's \$10 billion plan to overhaul JFK Airport is moving forward, with the project likely to strongly benefit the borough's economy in the long run.

New York vs. National Employment Growth (Year-Over-Year)



Sources: YardiMatrix, Bureau of Labor Statistics (not seasonally adjusted)

New York Employment Growth by Sector (Year-Over-Year)

Code	Employment Sector	Current Employment		Year Change	
		(000)	% Share	Employment	%
65	Education and Health Services	1,465	20.7%	31,000	2.2%
60	Professional and Business Services	1,160	16.4%	21,500	1.9%
55	Financial Activities	629	8.9%	14,800	2.4%
70	Leisure and Hospitality	668	9.4%	11,500	1.8%
15	Mining, Logging and Construction	264	3.7%	9,000	3.5%
80	Other Services	304	4.3%	5,700	1.9%
90	Government	919	13.0%	2,700	0.3%
30	Manufacturing	209	3.0%	-100	0.0%
40	Trade, Transportation and Utilities	1,223	17.3%	-3,900	-0.3%
50	Information	239	3.4%	-8,000	-3.2%

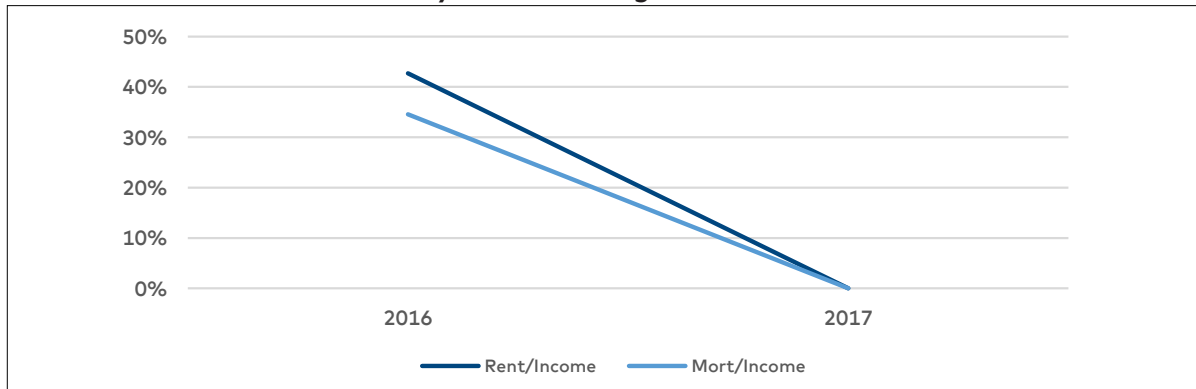
Sources: YardiMatrix, Bureau of Labor Statistics

Demographics

Affordability

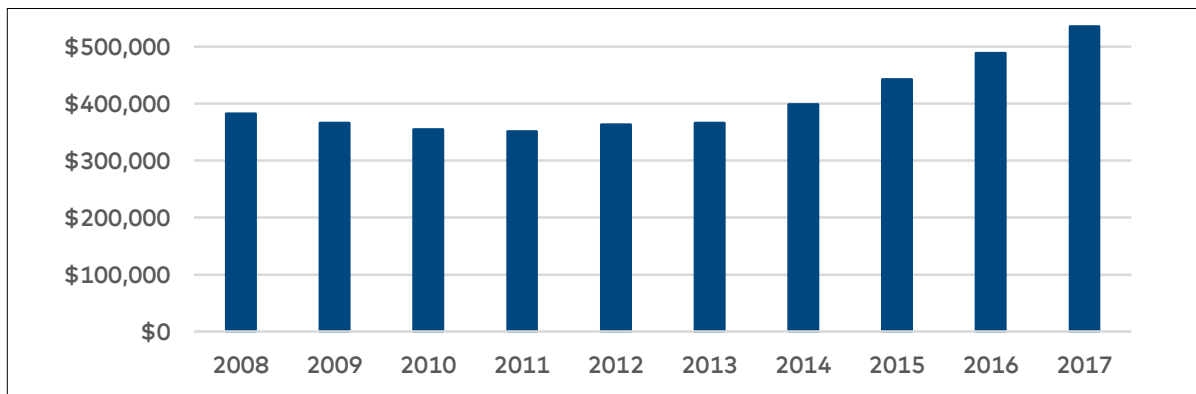
- The median home price in Queens continues to surge, up almost 10% last year, to \$535,738. That marks a 52% hike since 2011, when the market bottomed out. Although less costly than neighboring Manhattan and Brooklyn, the borough is facing mounting affordability issues: The average mortgage payment equated to 39% of the area's median income, while the average rent accounted for 44%.
- Affordability issues have deepened on the longer run, with mortgages and rents advancing faster than payrolls in many areas. In an effort to boost affordable housing, Mayor de Blasio's administration has pushed for the rezoning of several areas, including Far Rockaway and parts of Long Island City.

Queens Rent vs. Own Affordability as a Percentage of Income



Sources: YardiMatrix, Moody's Analytics

Queens Median Home Price



Source: Moody's Analytics

Population

- Queens added roughly 2,500 people in 2017 for a 10-basis-point increase, underperforming against the 0.7% U.S. average.
- The borough gained more than 120,000 residents since 2010, a 5.5% expansion.

Queens vs. National Population

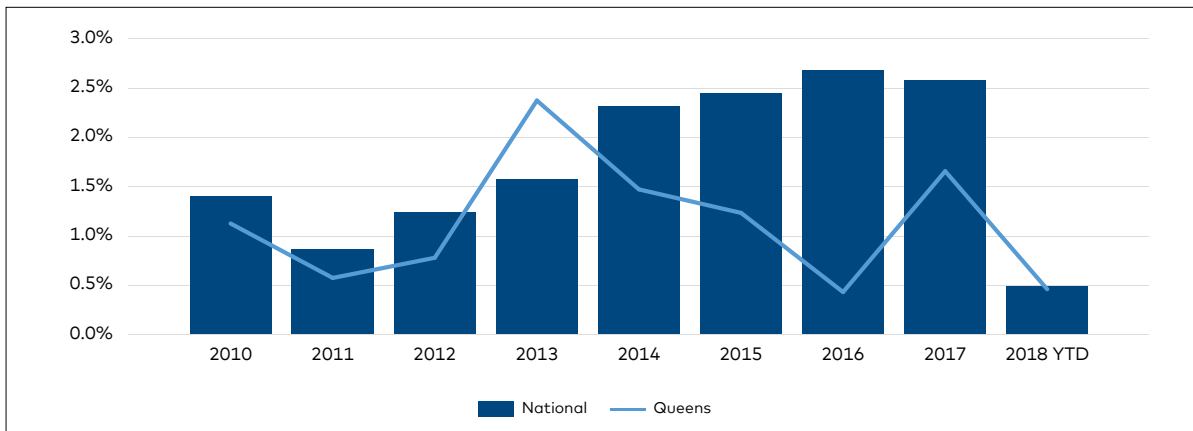
	2013	2014	2015	2016	2017
National	316,234,505	318,622,525	321,039,839	323,405,935	325,719,178
Queens	2,307,766	2,328,004	2,346,005	2,356,044	2,358,582

Sources: U.S. Census, Moody's Analytics

Supply

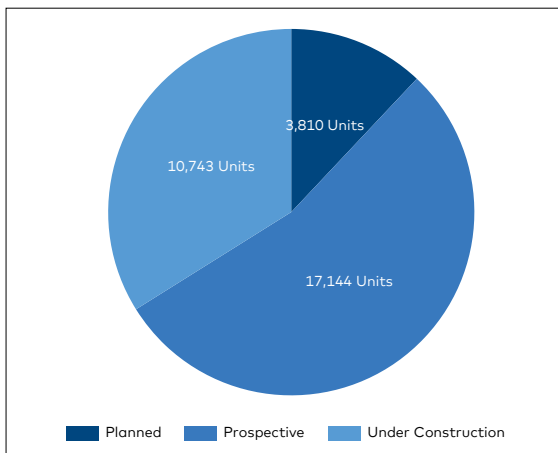
- Roughly 1,600 multifamily units came online in Queens last year, accounting for 1.7% of total stock. As Manhattan's affordability issues spill over into the outer boroughs, developers continue to respond to heightened demand in transit-oriented locations that offer quick access to the metro's large employment clusters. More than 7,000 units were delivered in Queens since the beginning of 2013, the vast majority of them grouped in Long Island City and Astoria.
- Rents may be dropping across New York City, but developers have ramped up construction, as Queens gears up for a new cycle high in 2018. There were about 11,000 units underway across the borough as of March, with an additional 21,000 units in the planning and permitting stages.
- Due to its proximity to Manhattan and good transit options, Long Island City continues to heavily dominate the pipeline, with almost 7,000 units under construction as of March. The borough's three-largest rental developments are located in the submarket: Tishman Speyer's three-tower, 1,789-unit Jackson Park; G&M Realty's 1,115-unit 22-44 Jackson Ave. project; and The Durst Organization's nearly 1,000-unit Queens Plaza Park skyscraper.

Queens vs. National Completions as a Percentage of Total Stock (as of March 2018)



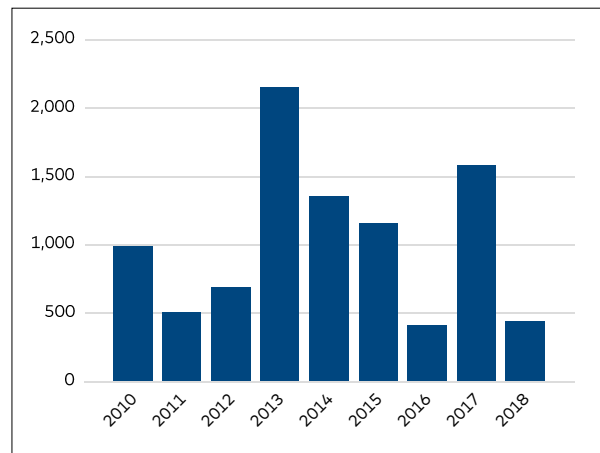
Source: YardiMatrix

Development Pipeline (as of March 2018)



Source: YardiMatrix

Queens Completions (as of March 2018)

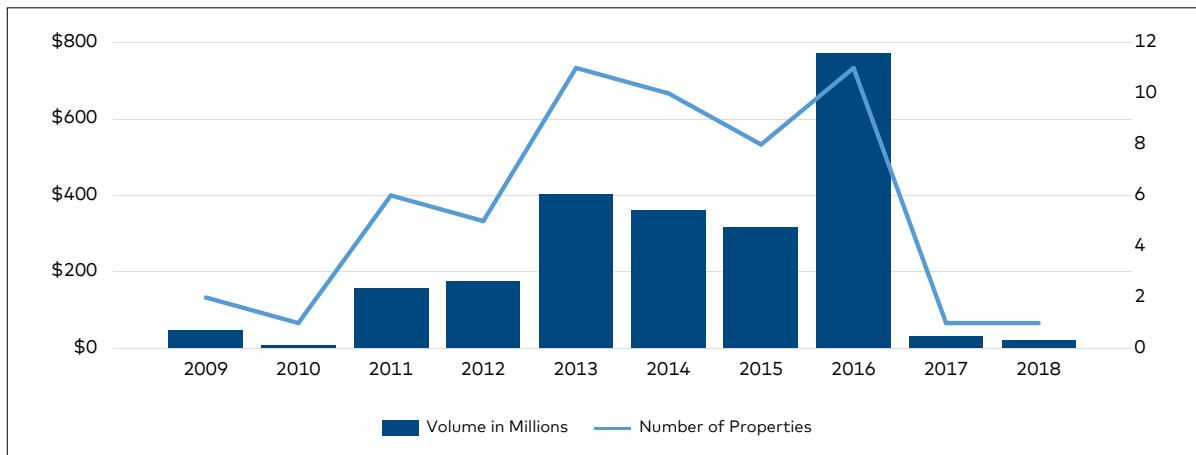


Source: YardiMatrix

Transactions

- After reaching a \$773 million cycle high in 2016, Queens multifamily investment activity shifted down a couple of gears. Political uncertainty at the beginning of 2017 and concerns regarding New York's rent stabilization laws, along with rising interest rates and the emergence of secondary markets as a viable alternative, have diminished investor appetite in an already softening multifamily market.
- Even so, New York City acquisition yields remain some of the lowest across the country, due to the city's overall stability and solid cash flows. According to Marcus & Millichap, Queens yields range between the low 4% and the low 5% brackets, depending mainly on asset proximity to the East River.
- Investors continued to focus on value-add plans: Of the 8,300 units that traded in Queens since the beginning of 2012, more than half are in workforce, market-rate communities.

Queens Sales Volume and Number of Properties Sold (as of February 2018)



Source: YardiMatrix

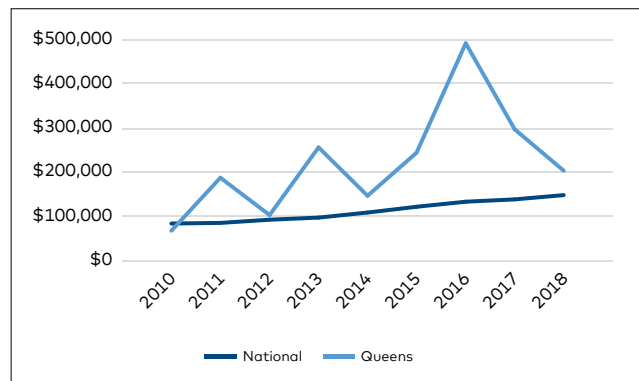
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
Woodside	32
Rockaway	22

Source: YardiMatrix

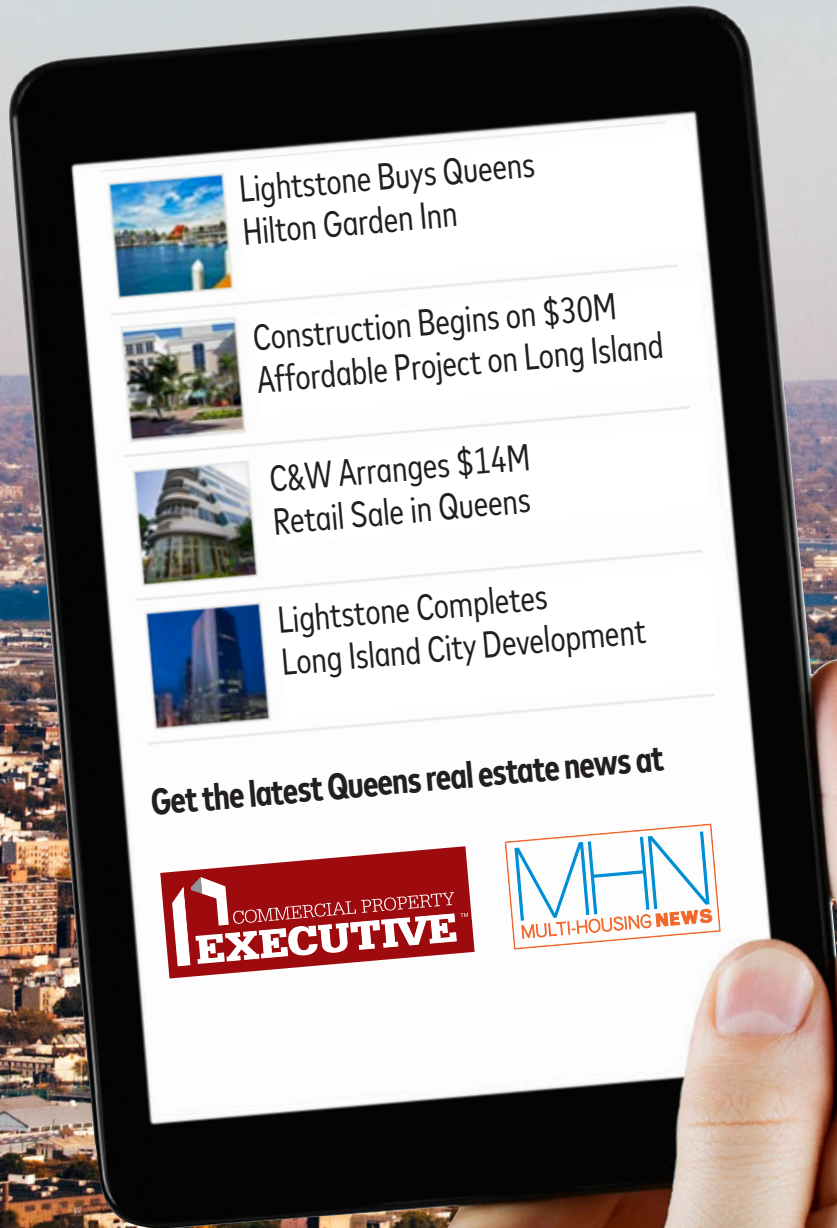
¹ From March 2017 to February 2018


Queens vs. National Sales Price per Unit



Source: YardiMatrix


Read All About It!



 Lightstone Buys Queens Hilton Garden Inn

 Construction Begins on \$30M Affordable Project on Long Island

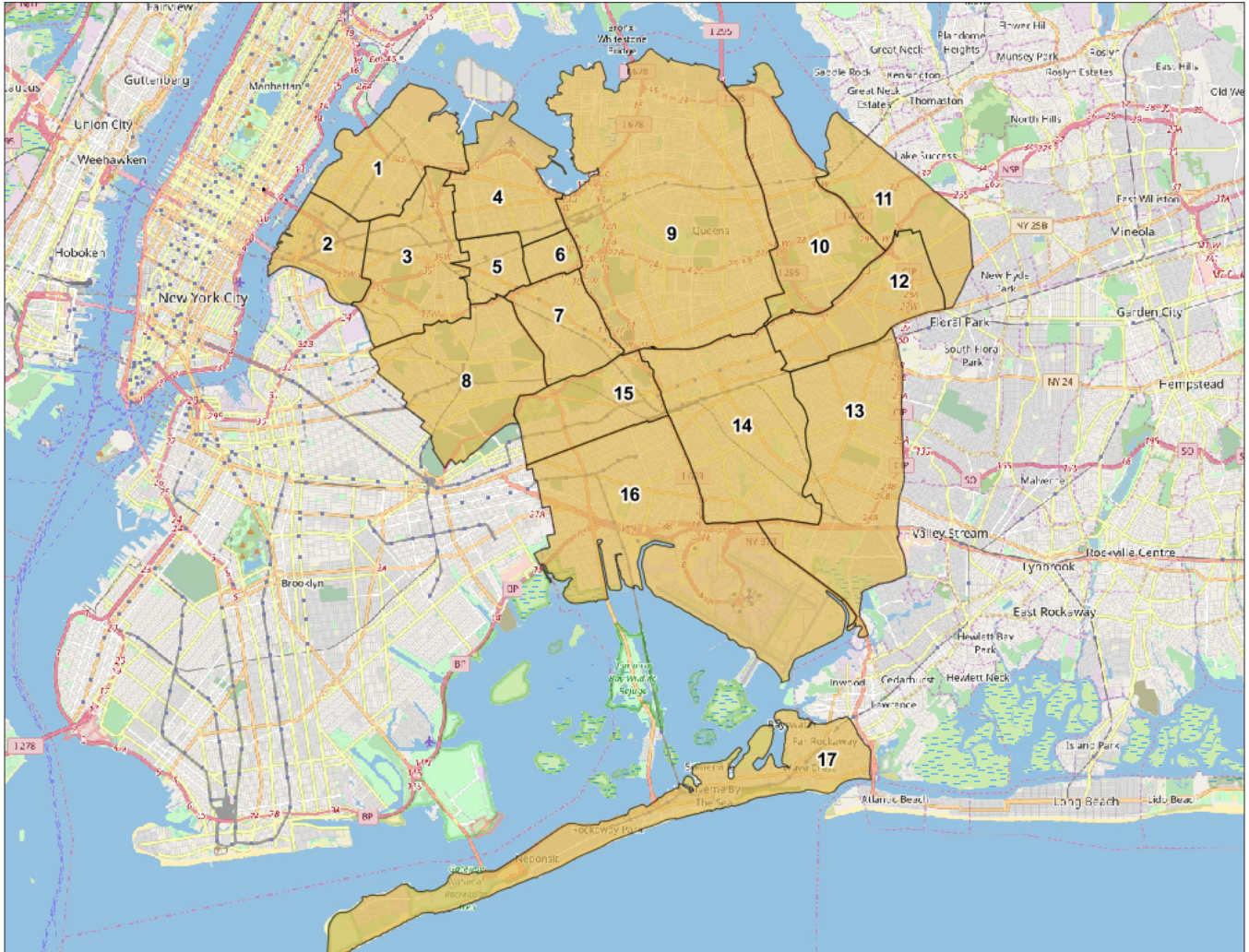
 C&W Arranges \$14M Retail Sale in Queens

 Lightstone Completes Long Island City Development

Get the latest Queens real estate news at



Queens Submarkets



Area #	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 #	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 may 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 may 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, may 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.

Fogelman drives deals with Yardi® Matrix



"Yardi Matrix is a major contributor to our profitable investments and informed property management."

Mark Fogelman
President
Fogelman Properties

800.866.1144
YardiMatrix.com



Energized for Tomorrow

DISCLAIMER

Although every effort is made to ensure the accuracy, timeliness and completeness of the information provided in this publication, the information is provided "AS IS" and Yardi Matrix does not guarantee, warrant, represent or undertake that the information provided is correct, accurate, current or complete. Yardi Matrix is not liable for any loss, claim, or demand arising directly or indirectly from any use or reliance upon the information contained herein.

COPYRIGHT NOTICE

This document, publication and/or presentation (collectively, "document") is protected by copyright, trademark and other intellectual property laws. Use of this document is subject to the terms and conditions of Yardi Systems, Inc. dba Yardi Matrix's Terms of Use (<http://www.yardimatrix.com/Terms>) or other agreement including, but not limited to, restrictions on its use, copying, disclosure, distribution and decompilation. No part of this document may be disclosed or reproduced in any form by any means without the prior written authorization of Yardi Systems, Inc. This document may contain proprietary information about software and service processes, algorithms, and data models which is confidential and constitutes trade secrets. This document is intended for utilization solely in connection with Yardi Matrix publications and for no other purpose.

Yardi®, Yardi Systems, Inc., the Yardi Logo, Yardi Matrix, and the names of Yardi products and services are trademarks or registered trademarks of Yardi Systems, Inc. in the United States and may be protected as trademarks in other countries. All other product, service, or company names mentioned in this document are claimed as trademarks and trade names by their respective companies.

© 2018 Yardi Systems, Inc. All Rights Reserved.