



MULTIFAMILY REPORT

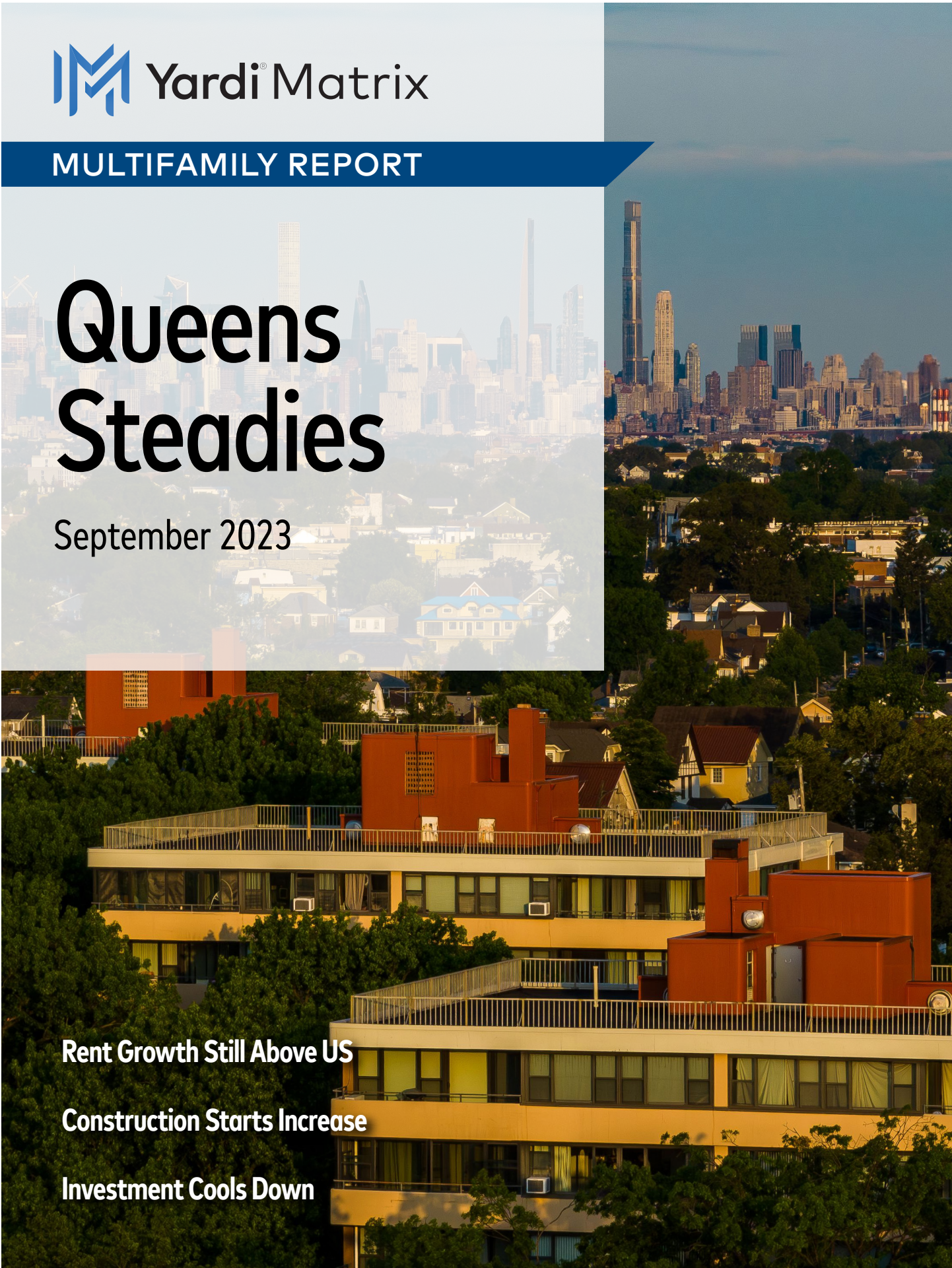
Queens Steadies

September 2023

Rent Growth Still Above US

Construction Starts Increase

Investment Cools Down



QUEENS MULTIFAMILY



Market Fundamentals On Solid Ground

As the second half of the year unfolds, economic crosswinds continue to impact multifamily markets. New York City's Queens borough remained resilient, however, with rents up 0.6% on a trailing three-month basis through July, to \$2,919. Meanwhile, the U.S. rate of growth held steady, at 0.3%. Demand in the borough remained solid, with occupancy recording an uptick of 10 basis points over 12 months, to 98.8% as of June, while national occupancy dropped to 95.0%.

New York City unemployment reached 4.6% as of June, 100 basis points higher than the U.S. figure. Employment gains in the city amounted to a 3.5% expansion of the labor pool, with 212,600 jobs added over a 12-month period ending in May. Education and health services led gains, with 89,700 jobs, followed by leisure and hospitality, which added 70,700 positions. The city maintained its footing in 2022 but showed signs of softening during the first half of this year. In Queens, projects such as the \$2 billion Innovation QNS and the redevelopment at Willets Point are set to add more affordable housing and revitalize neighborhoods.

Investment in Queens stalled during the first seven months of the year—two properties of more than 50 units changed hands, for a total of \$126 million. Although no projects were completed in this period, the pipeline remained significant, with 12,521 units under construction.

Recent Queens Transactions

Queenswood



City: New York City
Buyer: Slate Property Group
Purchase Price: \$39 MM
Price per Unit: \$132,653

Market Analysis | September 2023

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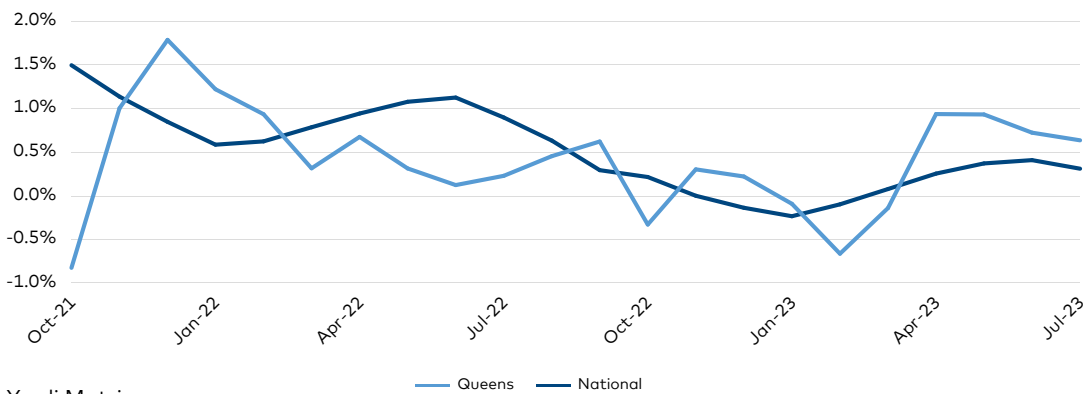
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RENT TRENDS

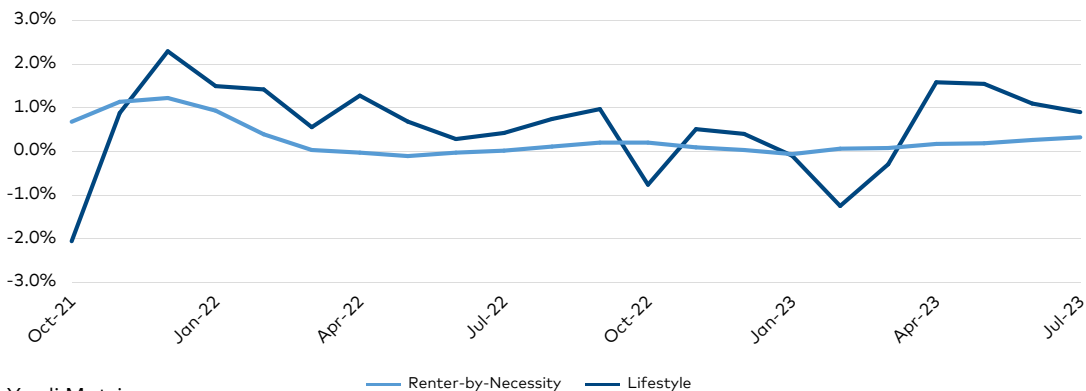
- Rent growth in Queens was at 0.6% on a trailing three-month (T3) basis through July, twice the U.S. pace, but also 30 basis points lower than the 0.9% figure recorded in April and May—the highest so far this year. Year-over-year, rents in the market were up 3.4%, more than double the 1.6% U.S. figure.
- The average rent in the borough clocked in at \$2,919 as of July. The Lifestyle segment recorded a 0.9% increase in rents on a T3 basis through July, to \$3,956, while working-class Renter-by-Necessity rates were up just 30 basis points, reaching \$2,193. Lifestyle rent growth consistently outpaced RBN expansion after the first quarter, peaking at 1.6% in April.
- Overall occupancy in stabilized assets ticked up 10 basis points year-over-year, to 98.8% as of June, a rare feat nationwide. In fact, Queens was one of the few major markets to see occupancy improve, alongside Brooklyn (0.2%) and Chicago (0.2%). The rate for RBN assets was up 30 basis points, to 99.2%, highlighting the need for additional development in the segment. Meanwhile, Lifestyle assets clocked in at 97.9%, down 30 basis points year-over-year.
- Long Island City led rent development, with rates up 7.2%, to \$4,096. Other submarkets with significant gains included Astoria (up 4.3% to \$3,073), Little Neck (3.2% to \$2,192) and Jamaica (2.3% to \$2,104).

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 gained 212,600 jobs over the 12 months ending in May 2023. This represented a 3.5% expansion of the labor pool, with the city staying ahead of the U.S. rate by 70 basis points. While it took some time, NYC is recording one of the strongest post-pandemic recoveries. Nonetheless, the job market has been slowing down, with employment growth decelerating 170 basis points since December 2022.
- ▶ Unemployment in NYC reached 4.6% as of June, according to preliminary data from the Bureau of Labor Statistics. The rate ticked back up 20 basis points from January as the economy started to slow down but remained above the state's 3.9%. Meanwhile, the U.S. unemployment figure clocked in at 3.6%.
- ▶ Education and health services led growth, with 89,700 jobs added, or a 5.6% expansion. Leisure and hospitality followed closely, with 70,700 positions gained, or 11.2%. Meanwhile, the information sector lost 4,600 jobs, marking a 1.6% contraction.
- ▶ At 3.3 million square feet, the Willets Point redevelopment project is one of the largest private-public efforts to revitalize an area of Queens. The plan includes the construction of 2,500 fully affordable units, a 25,000-seat stadium and infrastructure improvements.

New York Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
65	Education and Health Services	1701	23.2%
70	Leisure and Hospitality	701	9.6%
60	Professional and Business Services	1195	16.3%
55	Financial Activities	652	8.9%
15	Mining, Logging and Construction	276	3.8%
80	Other Services	291	4.0%
90	Government	909	12.4%
30	Manufacturing	193	2.6%
40	Trade, Transportation and Utilities	1139	15.5%
50	Information	277	3.8%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- ▶ Between 2020 and 2021, Queens County's population contracted by 64,648 residents, or 2.7%—the largest such decline in a decade. Economic woes and the pandemic mainly contributed to this decline, but the tide is already starting to reverse.

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

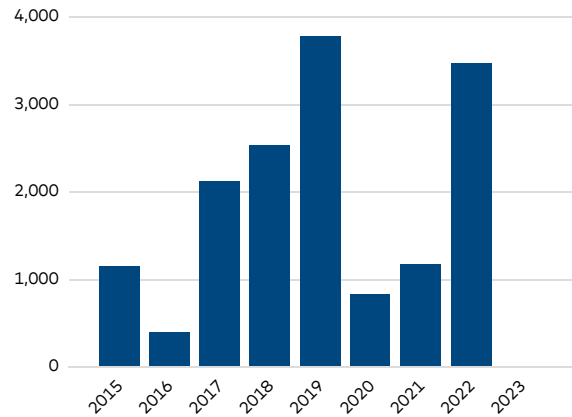
Source: U.S. Census

SUPPLY

- ▶ As of July, Queens had 12,521 units under construction. Of these, more than two-thirds were in Lifestyle properties, while 21.0% were in fully affordable projects and the remaining share in RBN developments. The borough had an additional 23,700 units in the planning and permitting stages.
- ▶ No deliveries of more than 50 units were recorded during the first seven months of 2023. Last year, developers brought 3,475 units online, representing 3.2% of existing stock, 80 basis points above the national rate. And in the past five years, developers have added an average of 2,362 units annually to the market, with the expansion rate mostly lagging the national average, except for last year and 2019.
- ▶ Three properties broke ground year-to-date through July—totaling 1,505 units—a major increase from the 324 units construction started on during the same period last year. Although completions lagged, the upward trajectory of new development suggests yet another change of pace. Yardi Matrix expects almost 10,000 units to come online across Queens until the end of 2024, more than any year during the past decade.

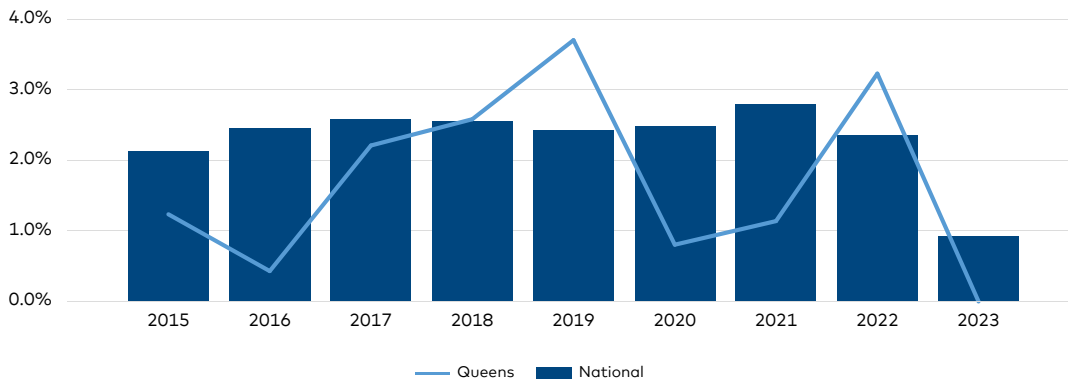
- ▶ Four submarkets had more than 1,000 units underway each. Long Island City led development activity, with 3,910 units under construction, followed by Jamaica (2,491 units), Astoria (2,306) and Rockaway (1,617).
- ▶ The top three properties underway were all in the Long Island City submarket. The largest of these was the 812-unit property at 2-10 54th Ave. TF Cornerstone is developing the 39-story building that is set to include 12,840 square feet of retail. Completion is expected in 2026.

Queens Completions (as of July 2023)



Source: Yardi Matrix

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

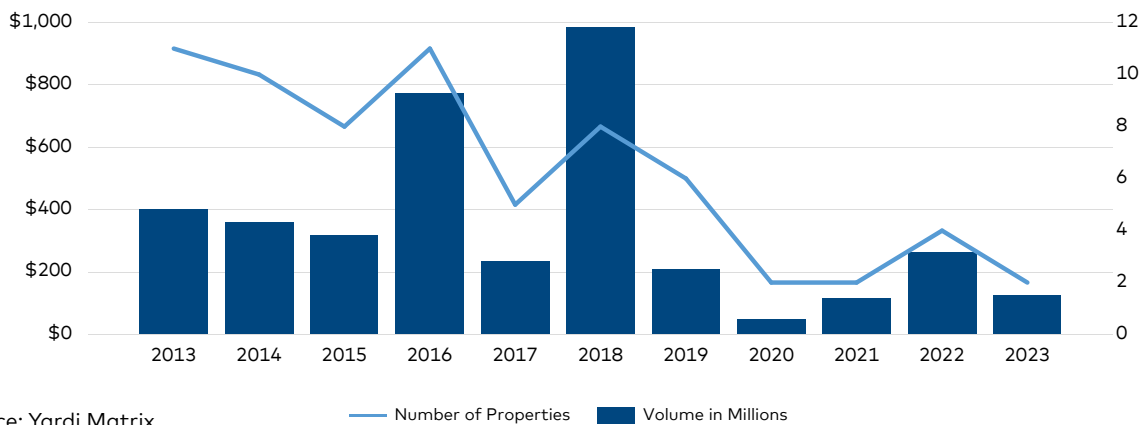


Source: Yardi Matrix

TRANSACTIONS

- ▶ Two properties of 50 units or more changed hands in Queens on a year-to-date basis through July. This amounted to a sales volume of \$126 million—down from the \$175 million recorded during the same period last year. Sales activity slowed across the whole country, as investors are riding out high interest rates and waiting for more favorable economic conditions. In Queens, the decade peak remained 2018's \$984 million total volume.
- ▶ The average per-unit price for the two sales of this year was \$132,653, almost one-third less than the national figure. Partly due to few sales, the average price reached its lowest point in more than a decade. It was the highest in 2021, at \$412,281.
- ▶ The only significant recent sale occurred in the Corona submarket, with Slate Property Group's acquisition of Queenswood—a 294-unit fully affordable asset. Brookfield Properties sold the property for \$39 million, or \$132,653 per unit.

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



Source: Yardi Matrix

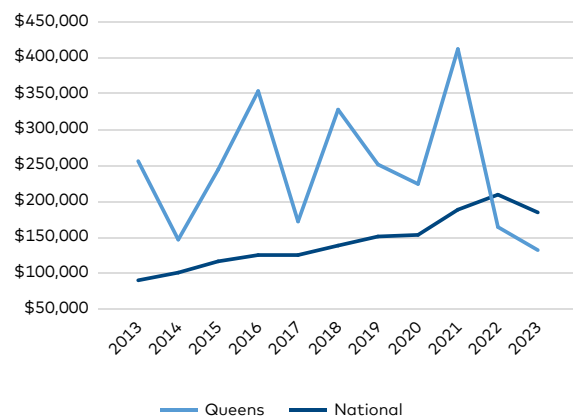
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
Flushing	\$87
Corona	\$39

Source: Yardi Matrix

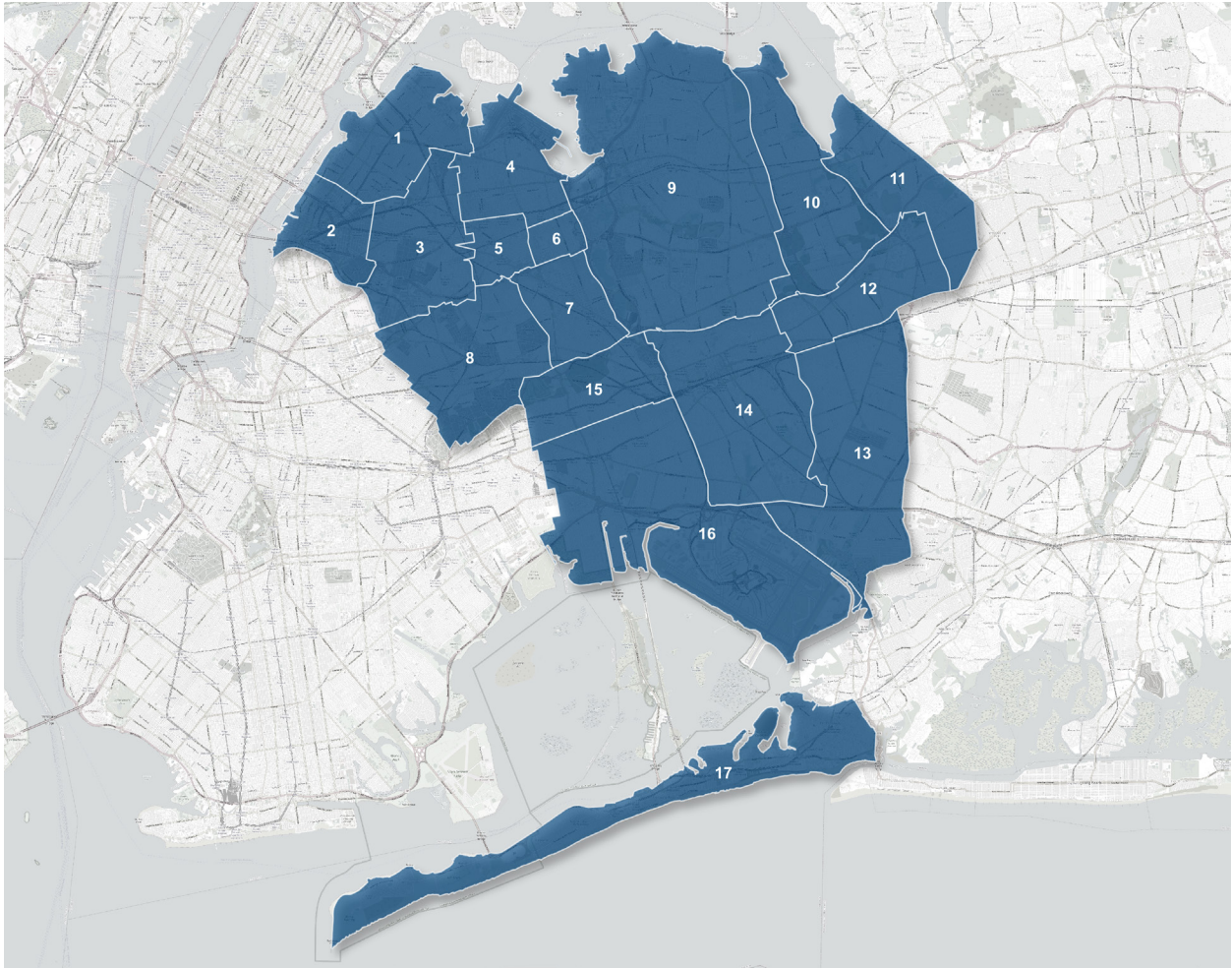
¹ From August 2022 to July 2023

Queens vs. National Sales Price per Unit



Source: Yardi Matrix

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.



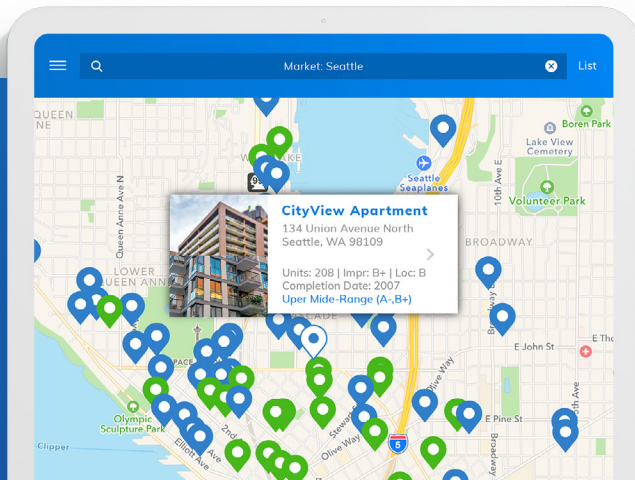
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with the industry's
leading data provider



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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