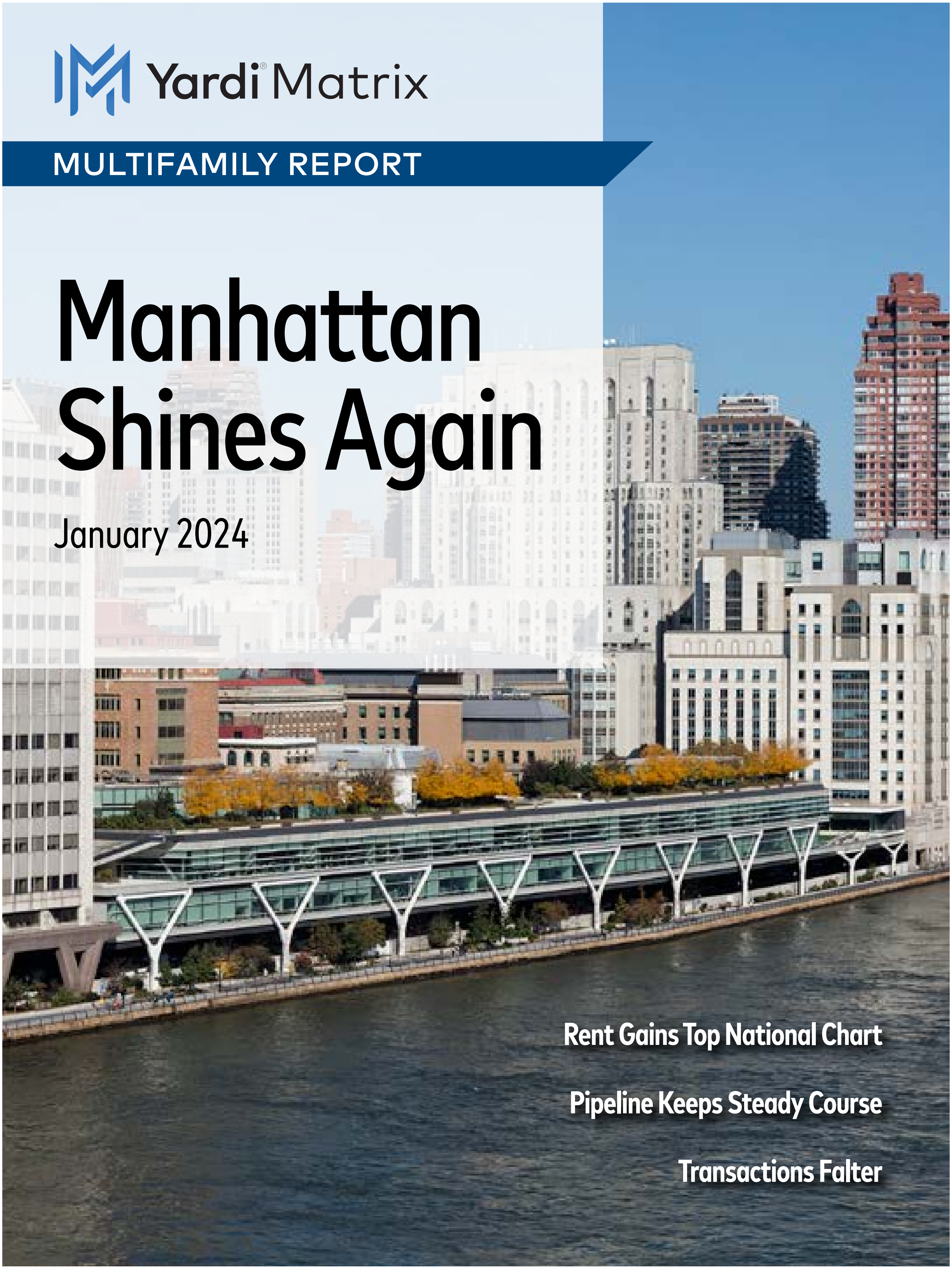
Yardi Matrix

MULTIFAMILY REPORT

Manhattan Shines Again

January 2024



Rent Gains Top National Chart

Pipeline Keeps Steady Course

Transactions Falter

MANHATTAN MULTIFAMILY

Yardi Matrix

Borough Bucks National Trend

The New York City multifamily sector showed resilience amid continued deceleration, as economic pressures and seasonal trends have dragged short-term rent movement into negative territory nationwide. Manhattan rents were up 0.2% on a trailing three-month basis as of November, while the U.S. figure was down 0.2%.

Metro NYC added 161,500 jobs in the 12 months ending in September, up 2.7% and 30 basis points higher than the national rate. The metro's top growth sector was also its largest, as education and health services added 122,500 jobs, up 7.7% year-over-year.

Despite a challenging year for the office sector, even in sought-after gateway markets, life sciences has been a key driver of economic growth for New York City. The SPARC master-planned mixed-use project in Kips Bay will add health care space, life science space and public health facilities, supporting continued growth in the life sciences sector throughout this decade.

Manhattan's pipeline is solid, with 9,102 units underway in the borough as of November. However, only 566 units were delivered through the first 11 months of 2023. Another 35,000 units were in the planning and permitting stages, though ongoing capital woes may eventually dent that figure. The sales volume has taken a serious dip, down to just $1.1 billion through November, from $4.9 billion during the same interval in 2022.

Market Analysis | January 2024

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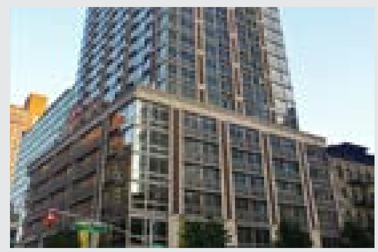
On the cover: Photo by Bim/iStockphoto.com

Recent Manhattan Transactions

The Lanthian

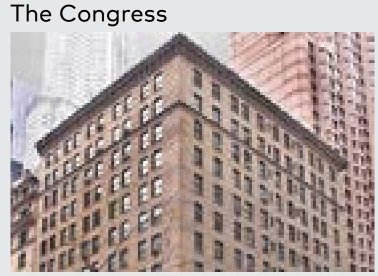
City: New York City
Buyer: New York University
Purchase Price: $210 MM
Price per Unit: $1,004,784

RiverEast



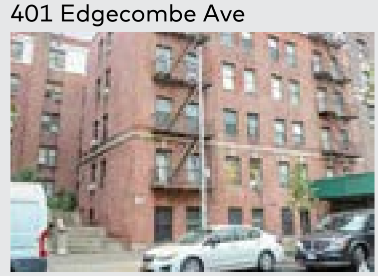
City: New York City
Buyer: The Carlyle Group
Purchase Price: $114 MM
Price per Unit: $581,632

The Congress



City: New York City
Buyer: 3rd Avenue Real Estate
Purchase Price: $40 MM
Price per Unit: $740,740

401 Edgecombe Ave

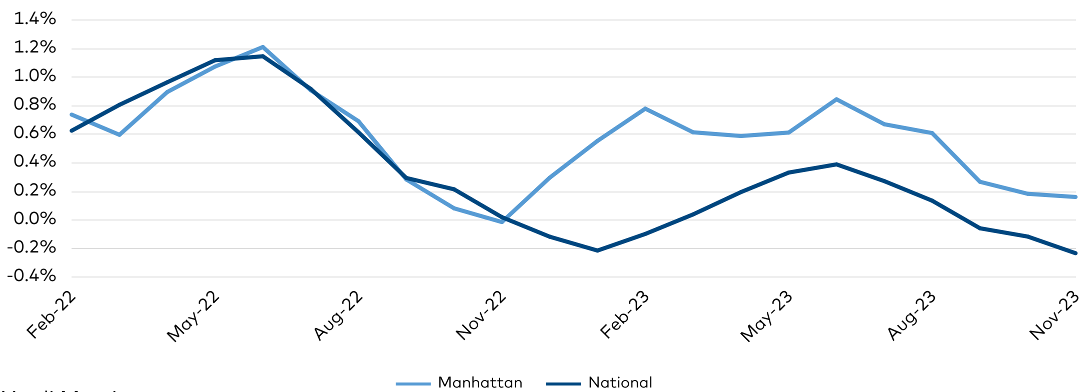


City: New York City
Buyer: PH Realty Capital
Purchase Price: $11 MM
Price per Unit: $171,969

RENT TRENDS

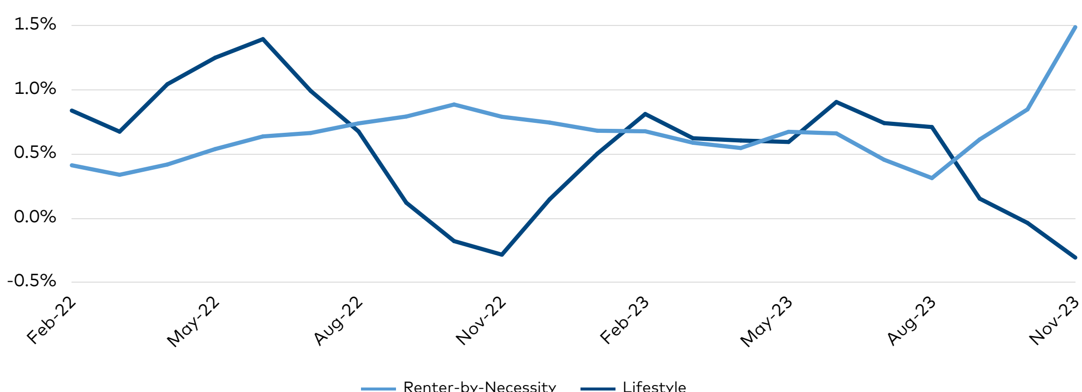
- Manhattan rents rose 0.2% on a trailing three-month (T3) basis as of November, while the national average recorded its third consecutive month in the red, at -0.2%. Year-over-year, New York City led all major U.S. metros, at 6.2%, while the national rate of growth remained positive, albeit slightly so, at 0.4%.
- At $4,793 as of November 2023, Manhattan's average rent topped the U.S., with neighboring Brooklyn ($3,524) and Queens ($2,945) following in the ranking. The overall national average as of November stood at $1,713.
- The spread between New York City boroughs and trailing metros is only increasing, as both San Francisco (-2.2% to $2,754) and Los Angeles (-1.0% to $2,570) saw negative movement year-over-year. NYC is also the national leader for occupancy, with the overall average rate in stabilized assets at 98.1% as of October. Meanwhile, Manhattan stood at 97.7%, flat over 12 months.
- While Manhattan's Renter-by-Necessity rates are seeing accelerated short-term growth, at 1.5% on a T3 basis, the Lifestyle segment recorded its first slide in a year, down 0.3%.
- Of the 37 Manhattan submarkets tracked by Yardi Matrix, 32 saw year-over-year rent gains. Double-digit growth occurred in Roosevelt Island (up 13.2% to $3,858), while submarkets such as Washington Heights (9.8% to $2,583) and the East Village (9.1% to $5,411) also registered solid jumps.

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 added 161,500 jobs in the 12 months ending in September, a 2.7% improvement rate, 30 basis points higher than the U.S. figure. Three sectors recorded losses during this interval, with information losing 22,900 jobs, down 8.0%.
- The metro's unemployment rate stood at 5.0% as of October. Although mostly on the mend, the rate was still 80 basis points higher than state-level unemployment and 110 basis points above the national rate.
- New York City's largest economic sector, education and health services, added a staggering 122,500 jobs, up 7.7%. Leisure and hospitality, the most heavily impacted sector in the wake of the COVID-19 pandemic, continued its way to recovery, adding 37,400 positions, for a 5.7% uptick.
- Although Manhattan office space is feeling some pressure from ongoing hardship, the life science niche has been a bright spot, with projects such as the transformation of the Hunter College Brookdale campus into SPARC Kips Bay, an expansive mixed-use district. The master plan calls for life science, health care and public health facilities that will further boost the growing field.

New York Employment Share by Sector

		Current Employment	
Code	Employment Sector	(000)	% Share
65	Education and Health Services	1721	23.5%
70	Leisure and Hospitality	694	9.5%
15	Mining, Logging and Construction	284	3.9%
90	Government	907	12.4%
80	Other Services	289	3.9%
55	Financial Activities	657	9.0%
30	Manufacturing	194	2.6%
60	Professional and Business Services	1192	16.3%
40	Trade, Transportation and Utilities	1134	15.5%
50	Information	263	3.6%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- New York County's population has oscillated throughout the decade but recorded its sharpest drop in 2021, when it lost 110,958 residents.
- However, more recent data sets show that the contraction is at least decelerating, if not already rebounding.

Manhattan vs. National Population

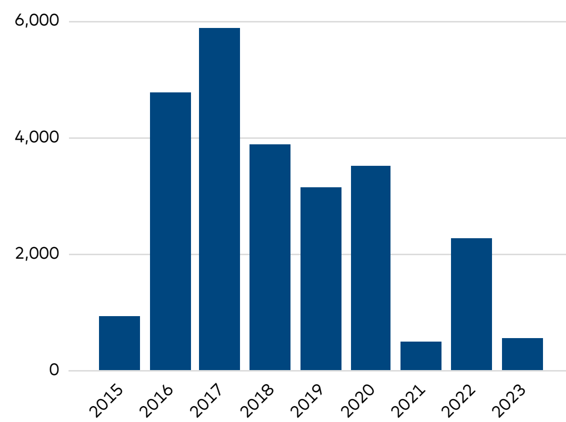
	2018	2019	2020	2021
National	326,838,199	328,329,953	331,501,080	331,893,745
Manhattan	1,632,393	1,632,326	1,687,834	1,576,876

Source: U.S. Census

SUPPLY

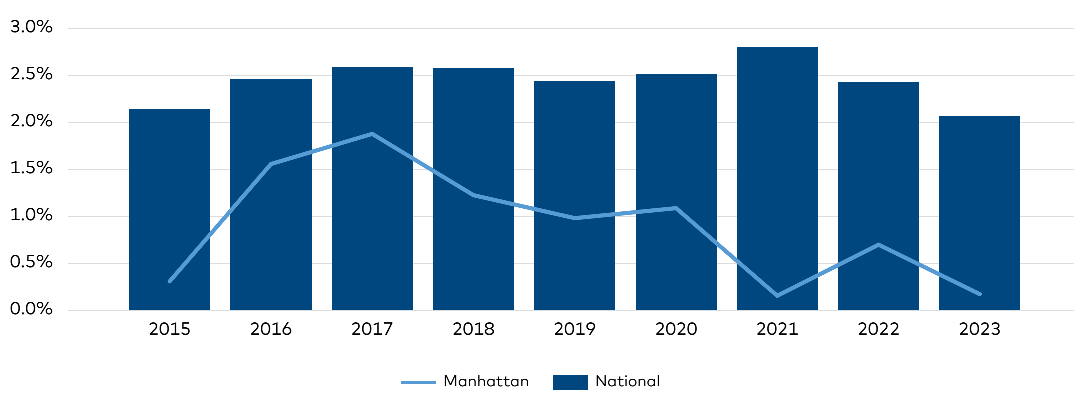
- Manhattan had 9,102 units under construction as of November, while another 35,000 apartments were in the planning and permitting stages. More than three-quarters of the units under construction were in Lifestyle assets, while 13% were in fully affordable projects.
- Construction starts totaled 2,684 units in nine properties during the first 11 months of 2023. That marked a 14% increase by number of units when compared to the same interval in 2022, even though the number of projects that broke ground stayed the same.
- Only 566 units were added to Manhattan's rental inventory last year through November, accounting for 0.2% of existing multifamily stock. Meanwhile, the U.S. rate was a much more solid 2.1%. The rate of deliveries has been consistently low in Manhattan, never approaching the U.S. figure at any point during the past decade.
- Manhattan's overall average occupancy rate in stabilized assets stood at 97.7%, as of October. The rate was slightly lower than in Queens and Brooklyn (both at 98.9%), and New York City overall, which clocked in at 98.1%. Even so, Manhattan's rate remained one of the country's highest.
- Chelsea led rental construction activity in the borough as of November 2023, with 1,885 units underway. The area was also one of the top performers in investment activity last year. The only other submarket with 1,000-plus apartments under construction was Hell's Kitchen, at 1,224 units. Meanwhile, East Harlem, Inwood and the Financial District all had more than 800 units underway each.

Manhattan Completions (as of November 2023)



Source: Yardi Matrix

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

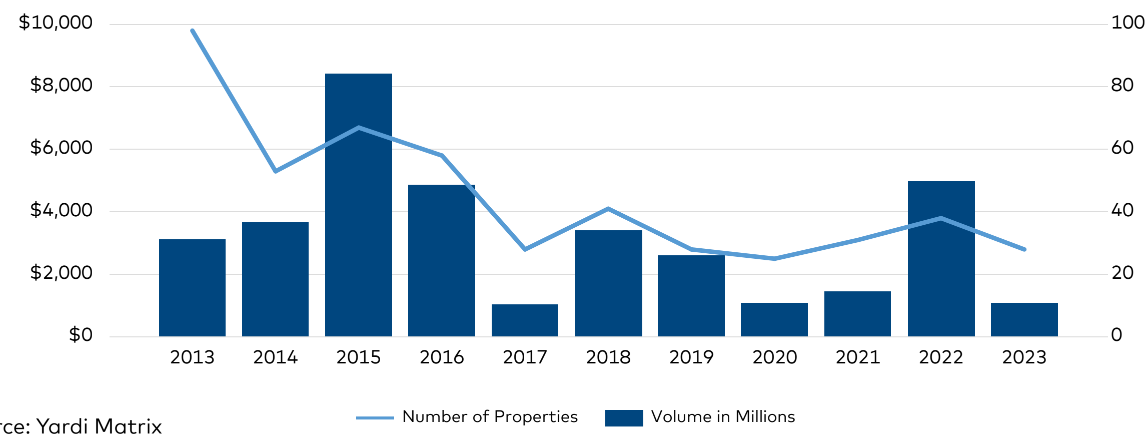


Source: Yardi Matrix

TRANSACTIONS

- Manhattan multifamily sales amounted to $1.1 billion last year through November, during what has been a sour year for investment. That was a sharp drop from the $4.9 billion in sales recorded through the same interval in 2022. However, this year is on track to slightly overtake 2020's annual sales total ($1.1 billion).
- Of the 28 multifamily deals confirmed during 2023's first 11 months, 20 involved Renter-by-Necessity assets. As value-add plays provide more upside to investors willing to spend, the average per-unit price in the borough took a sharp drop, to $385,176, roughly half of what it was in 2022.
- The Kips Bay submarket led investment activity in the 12 months ending in November 2023, on the back of a single $210 million transaction. NYU bought The Lanthian for a per-unit price in excess of $1 million. The Upper West Side and Chelsea rounded out the top three, at $185 million each.

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



Source: Yardi Matrix

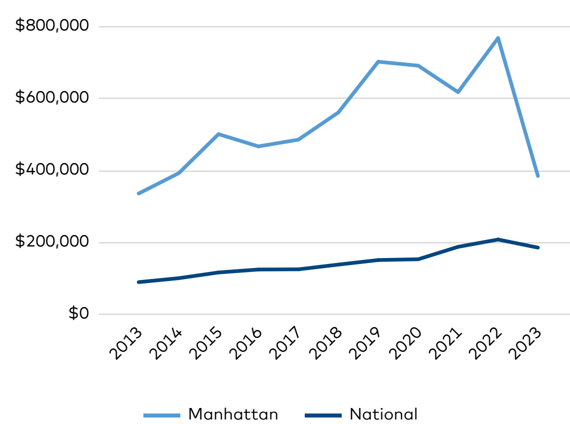
Top Submarkets for Transaction Volume[1]

Submarket	Volume ($MM)
Kips Bay	210
Upper West Side	185
Chelsea	185
Harlem	122
Greenwich Village	115
Yorkville	114
Hell's Kitchen	100

Source: Yardi Matrix

[1] From December 2022 to November 2023

Manhattan vs. National Sales Price per Unit



Source: Yardi Matrix

MULTI-HOUSING NEWS

data by Yardi Matrix

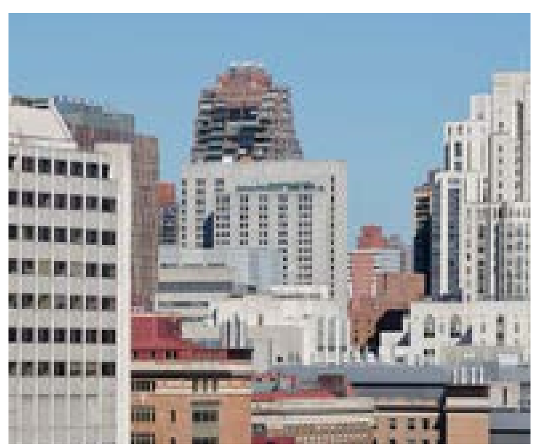
Top 10 Markets for Multifamily Rent Growth

By Anca Gagiuc

The year 2023 saw the end of a very strong run for the U.S. multifamily market. National rent growth, although slighter than in 2022, remained strong, as a regression to the mean slowly set in. But not all regions and markets shared a common experience, in fact, rent performance was mixed by region, and balanced enough between year-over-year gains and losses. In the ranking below, we list the top 10 markets for rent growth on a year-over-year basis through November, based on Yardi Matrix data.

Rank	Property Name	City	Submarket	Units
1	Midland - Odessa	10.6%	$1,369	250
2	Madison	7.3%	$1,498	7,219
3	Syracuse	7.1%	$1,262	754
4	Buffalo	6.4%	$1,268	3,155
5	Worcester - Springfield	6.4%	$1,786	1,656
6	New York	6.2%	$4,413	39,598
7	Dayton	6.0%	$1,092	1,720
8	Rochester	5.7%	$1,353	1,906
9	Albany	5.4%	$1,534	3,985
10	Bridgeport - New Haven	4.9%	$1,918	9,488

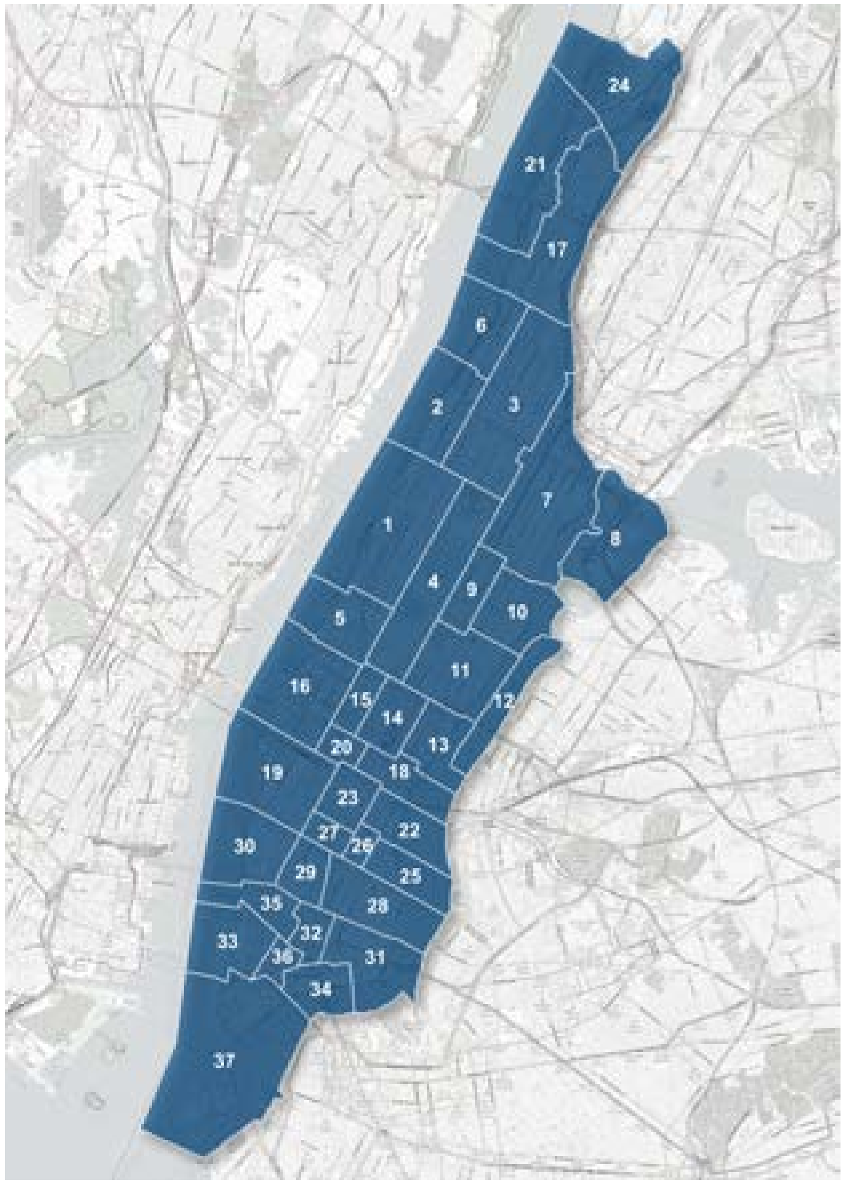
New York



The only gateway (and large) metro in this ranking, New York's rental market posted a formidable performance in 2023, recovering spectacularly after the pandemic. The average rent growth rose 6.2% year-over-year, to $4,413 in November, which makes it one of the most expensive markets not only in this ranking but in the U.S. Rent growth was strongest in the RBN segment, up 8.5%, to $3,316. Lifestyle rents also rose a solid 5.3%, to $5,044.

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.