



Yardi® Matrix

The Crowding Of Queens

Multifamily Report Summer 2018

Rents Remain
Mostly Flat

Occupancy Rate
Leads Nation

Development to Hit
Strong Cycle Peak

Market Analysis

Summer 2018

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Development Gears Up for Banner Year

Continuing to benefit from Manhattan's spillover effect, the Queens multifamily market remains in expansion mode, at least in key submarkets and along main transit corridors. Although rents slid 20 basis points in the 12 months ending in July, the transit-oriented development boom continues. At 99.0% as of June, Queens' occupancy rate in stabilized assets was the highest in the nation, even surpassing neighboring boroughs.

Job growth continued to decelerate, but New York still added 97,900 positions in the 12 months ending in May. Development remains strong across the metro, with several large-scale projects underway in Queens. The borough's construction surge, both residential and commercial, is concentrated in Long Island City, but other areas are bound to see more activity soon. The long-stalled Willets Point redevelopment project is back on the table, and rezoning—including parts of Far Rockaway and Flushing—could open previously neglected neighborhoods to development.

Some 1,050 apartments came online in Queens this year through July and an additional 10,779 units were under construction, with the borough on track to score a strong development cycle peak. With roughly 14,000 units slated to come online across the whole of New York City in 2018, we expect the metro's overall average rent to contract 1.0% for the year.

Recent Queens Transactions

94-25 57th Avenue



City: New York
Buyer: Zara Realty
Purchase Price: \$57 MM
Price per Unit: \$344,512

22-11 New Haven Avenue

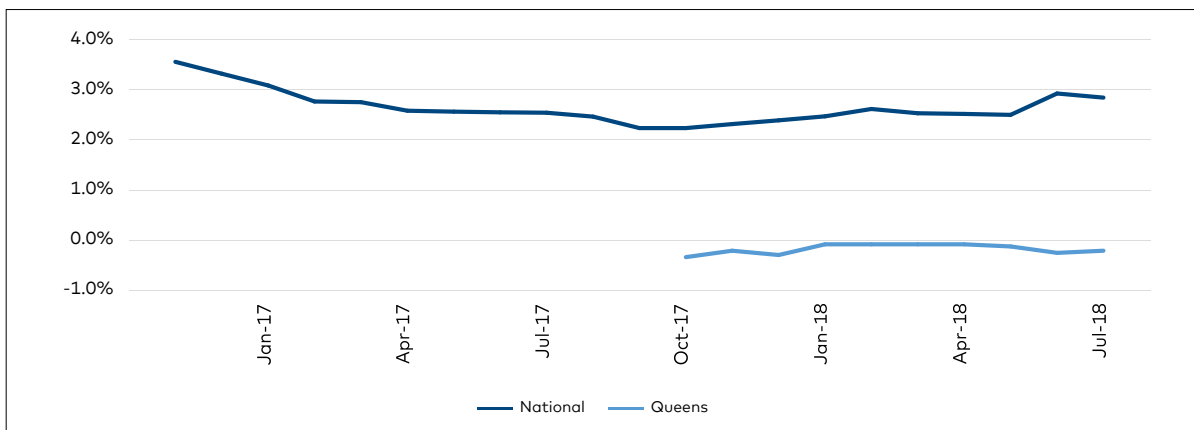


City: New York
Buyer: Vincent Ragosta
Purchase Price: \$22 MM
Price per Unit: \$203,704

Rent Trends

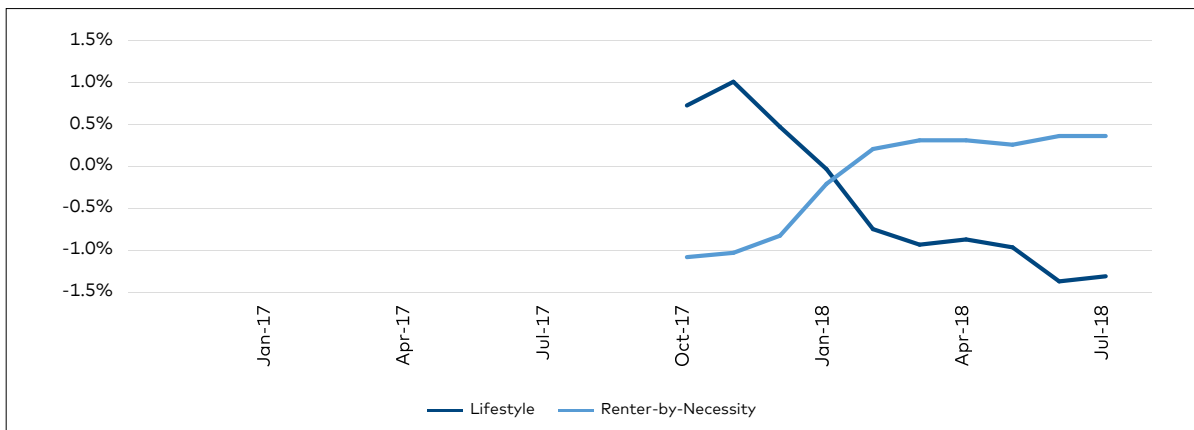
- Queens rents dropped 20 basis points year-over-year through July, bucking the 2.8% national growth rate. Rents remained relatively flat over the past couple of quarters due to a mix of factors, including affordability issues and accelerating development in key submarkets, in what is a long-term trend manifesting across large areas of the five boroughs. At \$2,338, the overall average Queens rent was more than \$900 above the U.S. figure, surpassing Long Island (\$2,066) and Northern New Jersey (\$1,909), but still well behind Manhattan (\$4,114) and Brooklyn (\$2,791).
- Working-class Renter-by-Necessity rates advanced 40 basis points, reaching \$1,925, while Lifestyle rents contracted 1.3%, to \$3,159. The spread reflects a nationwide trend: While the economy is creating housing demand across the quality spectrum, developers are focusing almost exclusively on upscale projects. This is softening demand in Lifestyle assets and adding strain on workforce households.
- The top five submarkets for rent growth are also the ones with the largest pipelines: Long Island City (2.0% rent growth, 6,403 units underway), Astoria (1.6%, 1,564 units), Jamaica (1.2%, 1,677 units), Flushing (0.8%, 231 units) and Rockaway (0.7%, 495 units). Meanwhile, rates dropped across several submarkets, including Forest Hills–Rego Park (-3.4%) and Jackson Heights (-1.5%). Overall, we expect New York City rents to contract 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)

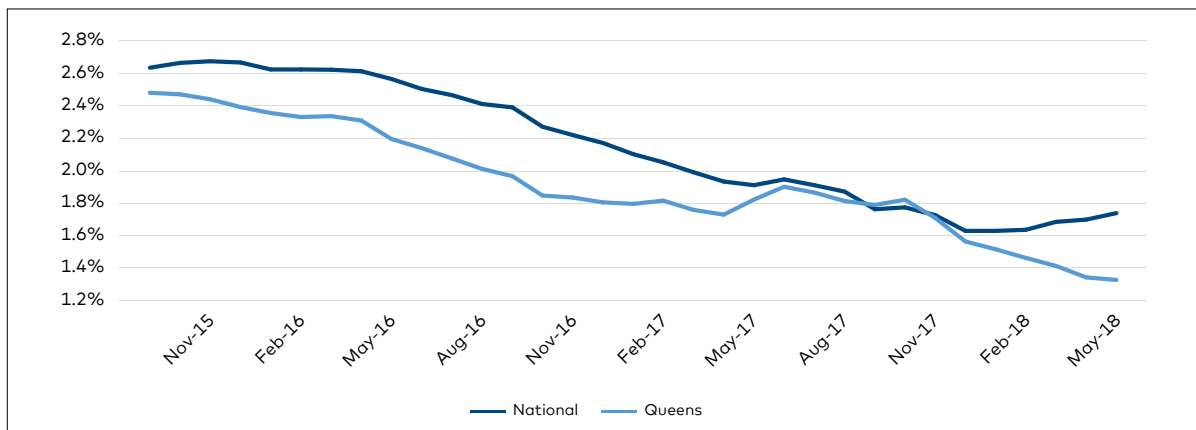


Source: YardiMatrix

Economic Snapshot

- New York City added 97,900 jobs in the 12 months ending in May for a 1.3% expansion, roughly 40 basis points below the U.S. average. Although growth has decelerated, the city remains the East Coast's main economic driver and is adding positions nearly across the board. Education and health services, the metro's largest sector, generated 46,000 positions and continues to lead growth.
- Construction added 6,000 jobs and the development pipeline remains strong across the city. According to Yardi Matrix data, Manhattan, Brooklyn and Queens had a collective 32.3 million square feet of office space and almost 30,000 multifamily units under construction as of August, mirroring the city's still healthy economic expansion. And while the better part of Queens' pipeline is concentrated close to Manhattan, several areas farther east are bound to land large projects in the near future. The mammoth Willets Point redevelopment close to LaGuardia Airport is back on the table and is now set to include some 1,100 affordable apartments.
- Manhattan's spillover effect is boosting Queens' office sector, generating highly skilled positions in the borough along the way: Queens had almost 3 million square feet of office space underway as of August. As with housing development, the better part of the pipeline is concentrated in transit-oriented areas close to the waterfront, with Long Island City and Sunnyside taking the lion's share.

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	1,490	21.0%	46,000	3.2%
60	Professional and Business Services	1,145	16.1%	19,500	1.7%
40	Trade, Transportation and Utilities	1,203	17.0%	14,300	1.2%
70	Leisure and Hospitality	700	9.9%	10,800	1.6%
15	Mining, Logging and Construction	270	3.8%	6,000	2.3%
55	Financial Activities	623	8.8%	5,600	0.9%
80	Other Services	304	4.3%	2,900	1.0%
90	Government	909	12.8%	-1,400	-0.2%
50	Information	242	3.4%	-2,000	-0.8%
30	Manufacturing	205	2.9%	-3,800	-1.8%

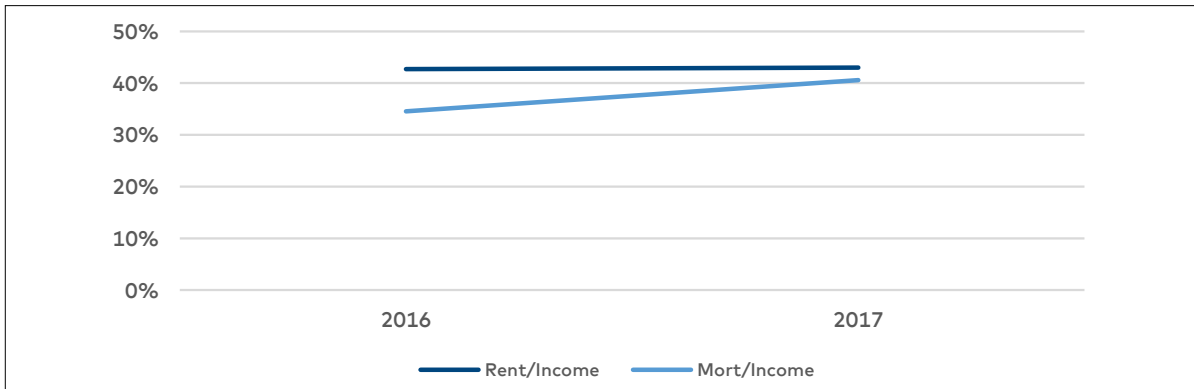
Sources: YardiMatrix, Bureau of Labor Statistics

Demographics

Affordability

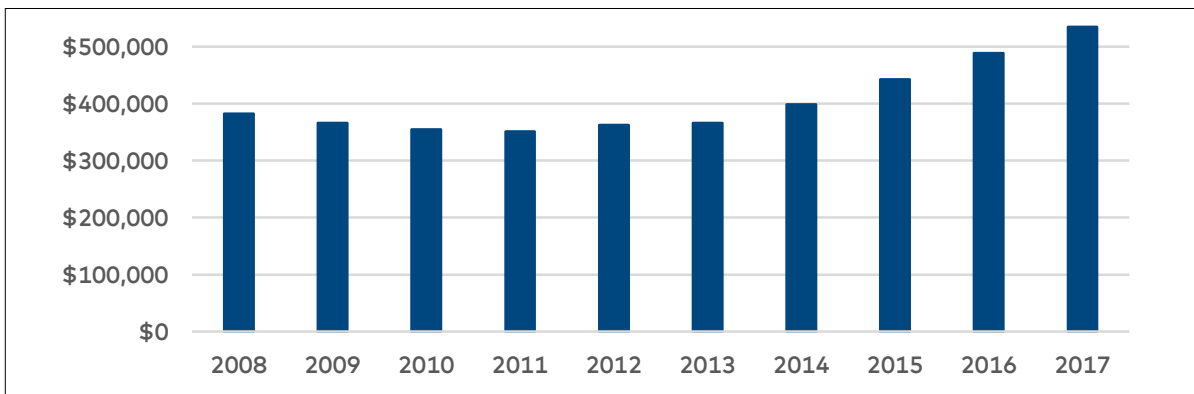
- The median home value in Queens continued to balloon, having reached \$535,125 last year. That marks a 9% increase compared to 2016 and a 52% appreciation since the 2011 trough. Even so, Queens remains much more affordable than neighboring Manhattan (\$1 million) and Brooklyn (\$750,000).
- With the average mortgage payment accounting for 41% of the median income and the average rent comprising as much as 43%, Queens residents are facing a tough dilemma. Meanwhile, local policy makers continue to seek relief solutions, with the list including tax exemptions for developers and further potential rezoning decisions.

Queens Rent vs. Own Affordability as a Percentage of Income



Sources: YardiMatrix, Moody's Analytics

Queens Median Home Price



Source: Moody's Analytics

Population

- The borough gained almost 12,600 residents over the past two years, marking a 0.5% increase.
- Queens added 120,000 people between 2010 and 2017 for a 5.5% expansion, 20 basis points above the U.S. figure.

Queens County vs. National Population

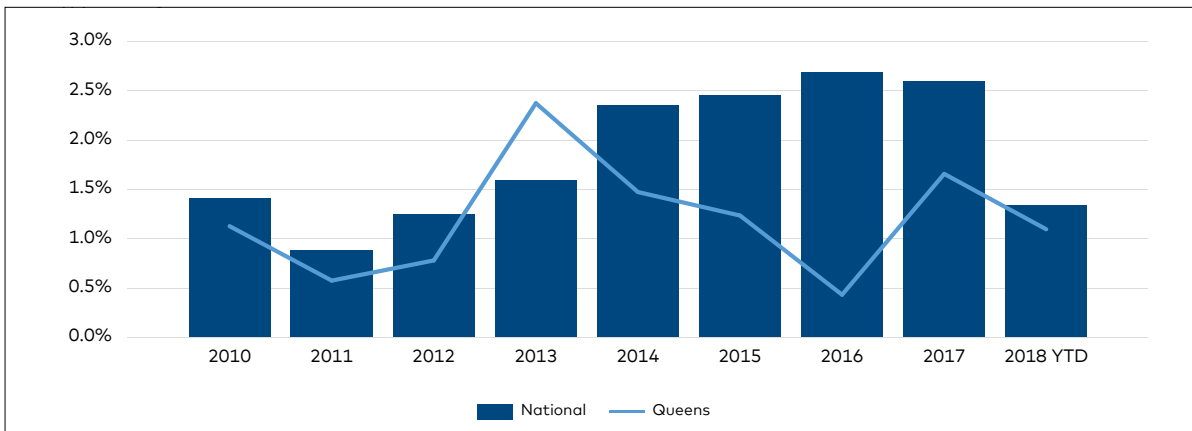
	2013	2014	2015	2016	2017
National	316,234,505	318,622,525	321,039,839	323,405,935	325,719,178
Queens County	2,307,766	2,328,004	2,346,005	2,356,044	2,358,582

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

Supply

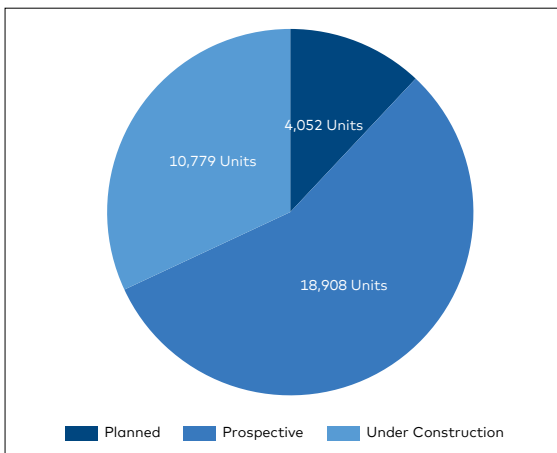
- Roughly 1,050 multifamily units were delivered in Queens this year through July, with all completed communities located in Long Island City, close to the East River. The borough is on track to surpass both last year's 1,580 delivered units and the 2,158-unit cycle high of 2013. Overall, Yardi Matrix expects a total of 14,040 units to come online across New York City for the whole of 2018.
- Queens had 10,779 units underway as of July. With an additional 23,000 apartments in the planning and permitting stages, the borough's pipeline is slated to remain solid for the foreseeable future.
- Developers continue to heavily focus on Long Island City, where more than 6,400 units were underway as of July, nearly two-thirds of Queens' multifamily pipeline. The submarket was followed by Jamaica (1,677 units under construction), Astoria (1,564) and Rockaway (495 units).
- With 1,872 units underway, Tishman Speyer's Jackson Park in Long Island City is Queens' largest project under construction. The three-tower Class A community is slated for completion by year-end, with Citi Habitats set to handle leasing duties.

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



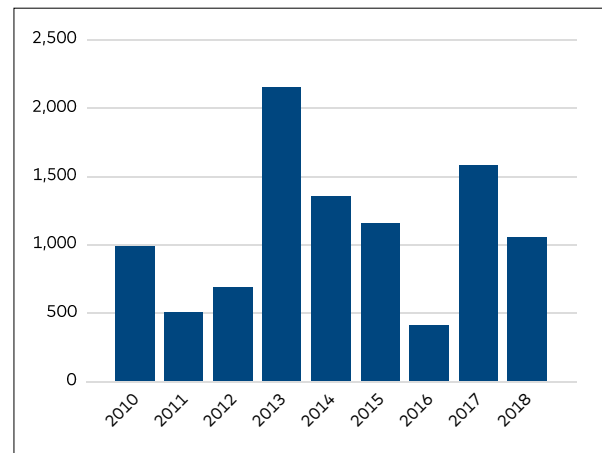
Source: YardiMatrix

Development Pipeline (as of July 2018)



Source: YardiMatrix

Queens Completions (as of July 2018)

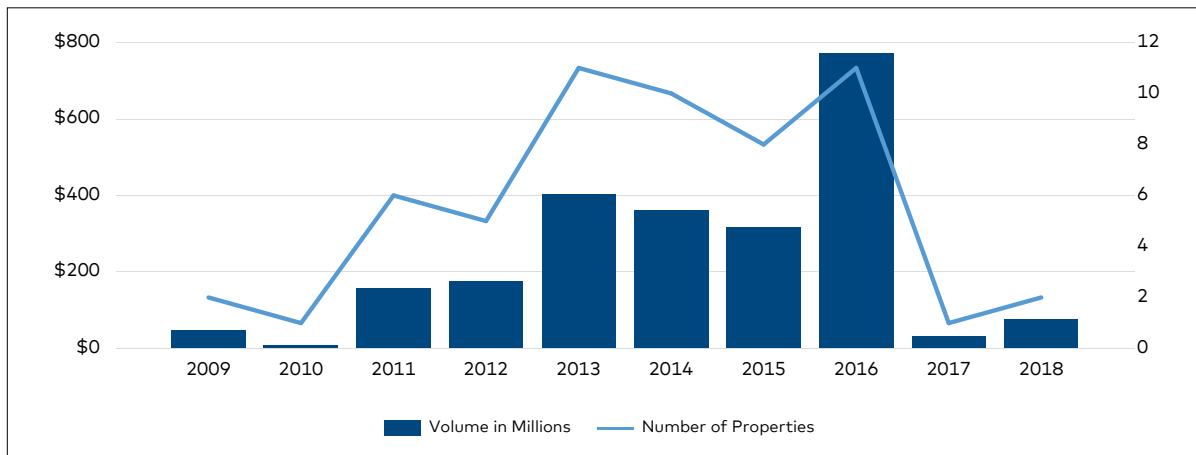


Source: YardiMatrix

Transactions

- The Queens transaction volume hit a \$773 million cycle peak in 2016, with investment activity waning ever since. A mix of regulatory uncertainties, rising interest rates, safe alternatives in secondary markets and flat rent growth have pushed good chunks of capital toward non-gateway cities.
- The average unit traded at roughly \$290,000 in the first half of 2018, with values relatively flat against 2017 and still double the \$148,902 U.S. rate. According to Ariel Property Advisors, acquisition yields were around 4.4% for the first half of 2018, some 15 basis points above the same period last year.
- Zara Realty's recent \$56.5 million acquisition of the fully affordable 94-25 57th Ave. marks one of the borough's largest single-asset transactions of the past few quarters. Treetop Development sold the 164-unit Elmhurst asset at roughly \$344,512 per unit.

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



Source: YardiMatrix

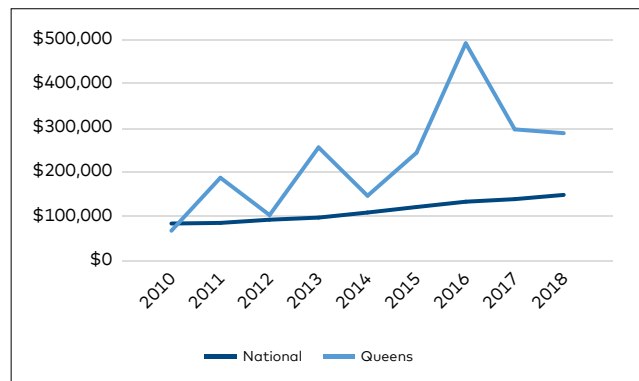
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
Elmhurst	57
Rockaway	22

Source: YardiMatrix

¹ From July 2017 to June 2018

Queens vs. National Sales Price per Unit



Source: YardiMatrix

News in The Metro

Brought to you by:



NY Skilled Nursing Portfolio Lands \$75M Financing

The 561-bed Optima Portfolio comprises three properties in the New York City area, including one in Flushing. HUD originated the acquisition loan.



Arbor Realty Adds New SVP

Bill O'Brien will oversee the growth and development of agency production. He draws on more than 25 years of lending experience and has previously served as director of multifamily at Fannie Mae.



Greystone Names New Managing Director

George Kenny brings three decades of mortgage and securitization experience to the new position. His previous employers include Starwood Property Trust, UBS and Bank of America.

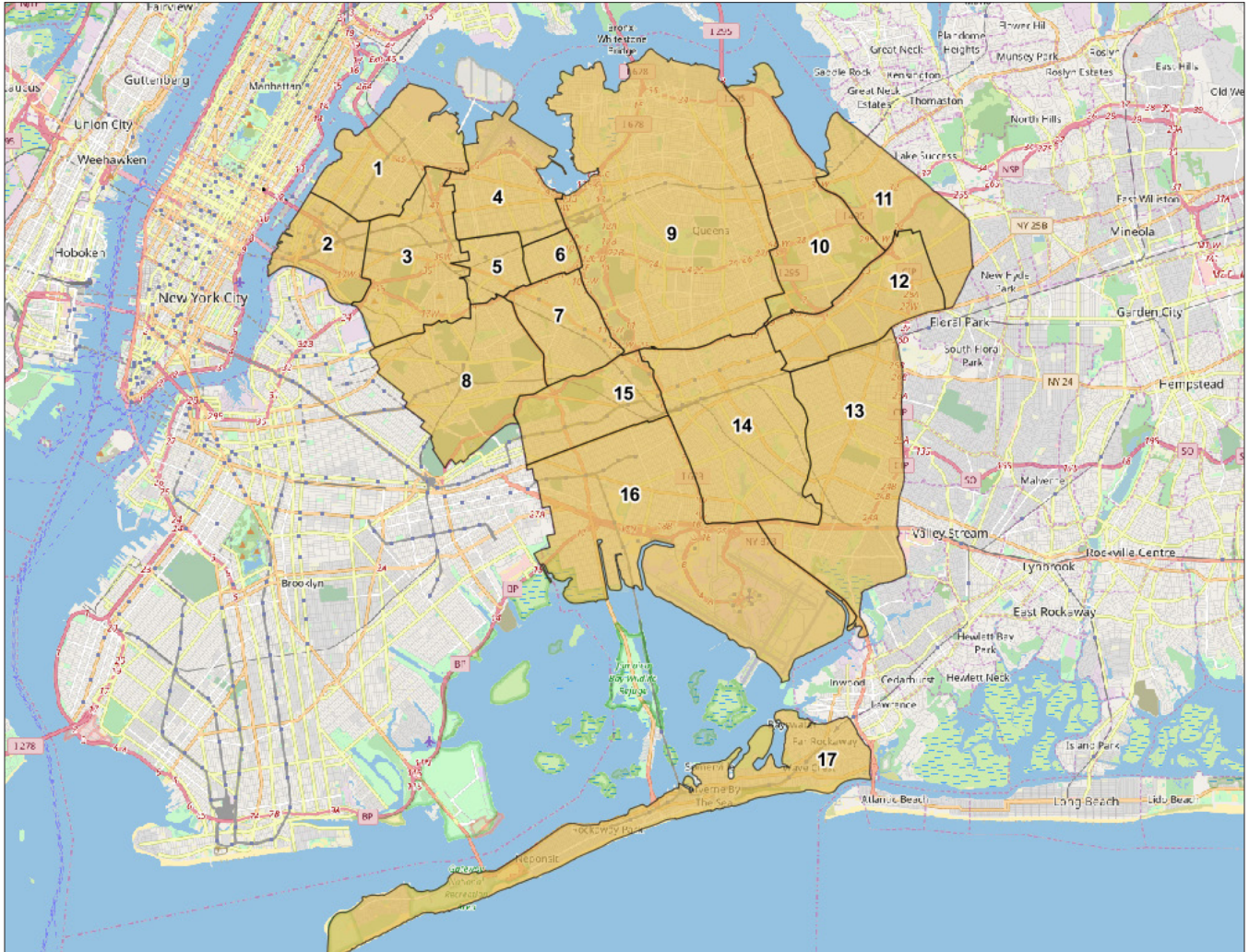


Bellwether Enterprise Selects New VP

Ilya Weinstein will oversee loan production for affordable housing throughout New York City and the northeastern U.S., bringing more than seven years of mortgage lending experience to his new role.

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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.

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President
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