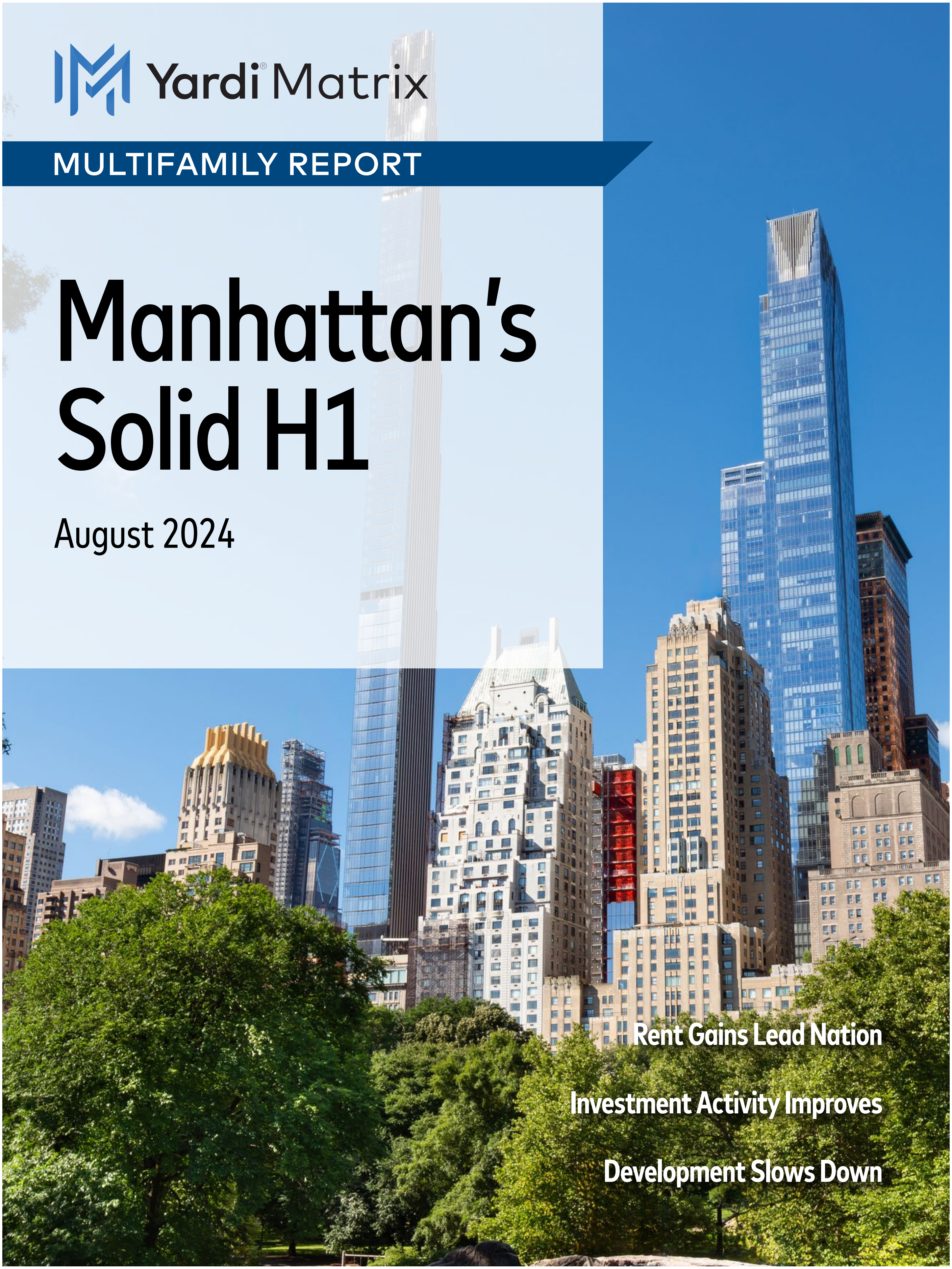
Yardi Matrix

MULTIFAMILY REPORT

Manhattan's Solid H1

August 2024



Rent Gains Lead Nation

Investment Activity Improves

Development Slows Down

MANHATTAN MULTIFAMILY

Yardi Matrix

Advertised Rents Solid, Investment Grows

Manhattan came out strong in the first half of the year, with most fundamentals above national levels. Average advertised asking rents were up 0.7% on a trailing three-month basis through June, to $4,941. New York City recorded the strongest year-over-year rent growth, at 4.8%, with Manhattan matching the city, well above the 0.6% national rate. Meanwhile, occupancy in the borough remained positive, at 97.8%, as of May.

NYC unemployment was 4.4% as of May, preliminary data from the Bureau of Labor Statistics shows. Although this was up 20 basis points year-over-year, it highlighted the metro's continued post-pandemic recovery. The city added 107,300 net jobs in the 12 months ending in April, which marked a 1.1% expansion of the workforce and lagged the U.S. figure by 30 basis points. Education and health services, the city's largest sector, gained 106,200 jobs, while information (-16,000) and professional and business services (-11,600) saw significant losses.

Development has slowed down in Manhattan, as some companies are concentrating on completing large projects that began a few years ago. No properties of more than 50 units came online in the first half of the year, while construction starts amounted to 2,617 units—on par with last year. Meanwhile, investment improved, with $621 million in multifamily sales, marking a year-over-year improvement and bucking the national trend of declining activity.

Market Analysis | August 2024

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Recent Manhattan Transactions

170 E. 83rd St.

City: New York City
Buyer: Douglaston Development
Purchase Price: $125 MM
Price per Unit: $1,398,876

Knickerbocker Village

City: New York City
Buyer: L+M Development Partners
Purchase Price: $85 MM
Price per Unit: $53,159

The Knox

City: New York City
Buyer: Four Winds Real Estate
Purchase Price: $68 MM
Price per Unit: $618,182

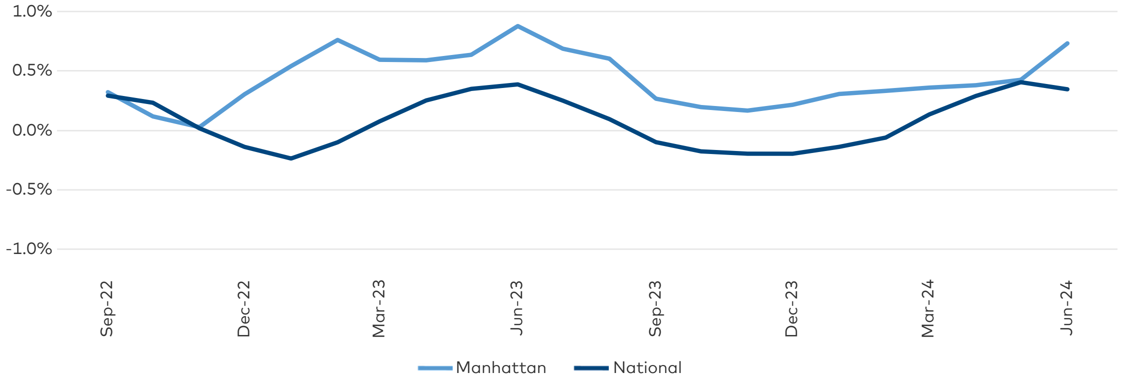
The Villager

City: New York City
Buyer: Benchmark Real Estate Group
Purchase Price: $43 MM
Price per Unit: $704,918

RENT TRENDS

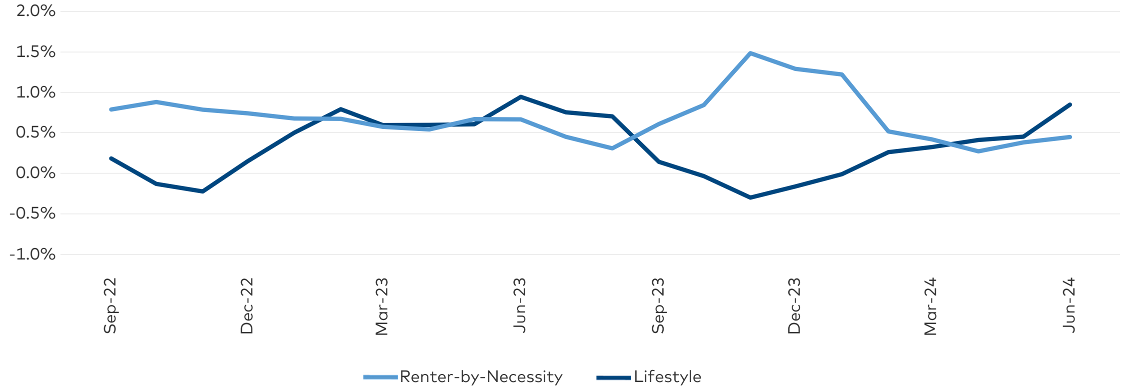
- Manhattan average asking rents were up 0.7% on a trailing three-month (T3) basis through June, outpacing the nation by 40 basis points. T3 growth remained solid through the first half of the year and, in 2023's second half, did not dip below 0.2%. NYC led all major U.S. metros for year-over-year growth, at 4.8%. Manhattan's rate was the same, while the U.S. figure stood at 0.6%.
- Manhattan's average advertised asking rent was $4,941 as of June, nearly triple the $1,739 U.S. figure. Both asset classes had above-average T3 performance, with upscale Lifestyle assets at 0.9%, to $5,446, and the working-class Renter-by-Necessity segment up 0.5%, to $3,939. Lifestyle rent development outperformed RBN, but this was after a period of contractions in November and December 2023. Meanwhile, RBN figures did not go below 0.3%.
- The overall Manhattan occupancy rate in stabilized assets was unchanged year-over-year, at 97.8% as of May—above the 94.5% national figure. Occupancy for RBN properties ticked up 20 basis points, to 97.5%, while Lifestyle occupancy slid 10 basis points, to 98.1%.
- Of Manhattan's 37 submarkets, only the Financial District saw a year-over-year contraction in average advertised asking rents, down 0.9%, to $4,682. Gains were led by Gramercy Park (up 8.1% to $3,944), Greenwich Village (7.3% to $5,090), Central Midtown (6.5% to $4,481) and the Upper West Side (6.1% to $5,061).

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 stood at 4.4% as of May, according to preliminary data from the BLS, 20 basis points higher than last year's rate. Employment growth remained steady across the metro in 2023, but the rate improved only 10 basis points from the start of the year. NYC's figure was higher than both the state (4.2%) and the nation (4.0%).

- In the 12 months ending in April, NYC gained 107,300 net positions. This marked a 1.1% growth rate, 30 basis points behind the U.S. NYC had been consistently ahead of the nation since October 2022, but the rate of growth slowed down in November last year.

- Education and health services led growth, with 106,200 jobs gained, or a 6.3% expansion. Information (-16,000) and professional and business services (-11,600) saw significant losses.

- A few major projects signal NYC's largest sector's continued success—the $200 million, 12-story expansion of the Hospital for Special Surgery on East 70th Street; a proposed $1.6 billion expansion at Northwell Lenox Hill Hospital on Lexington Avenue and the $450 million, 15-story Northwell Health Victoria and Lloyd Goldman Health Care Pavilion on Third Avenue, which broke ground earlier this year.

New York Employment Share by Sector

		Current Employment	
Code	Employment Sector	(000)	% Share
65	Education and Health Services	1791.5	24.3%
70	Leisure and Hospitality	674.3	9.1%
90	Government	918.2	12.5%
80	Other Services	293.3	4.0%
55	Financial Activities	660.1	9.0%
30	Manufacturing	190.5	2.6%
40	Trade, Transportation and Utilities	1132.2	15.4%
15	Mining, Logging and Construction	257.5	3.5%
60	Professional and Business Services	1190.9	16.2%
50	Information	262.8	3.6%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- New York City lost 103,217 residents, a 0.5% contraction, from 2021 to 2022. That was in line with other major coastal cities across the U.S., as the pandemic threw a wrench in migration patterns.

- Meanwhile, the U.S. population expanded 0.4% in 2022.

Manhattan vs. National Population

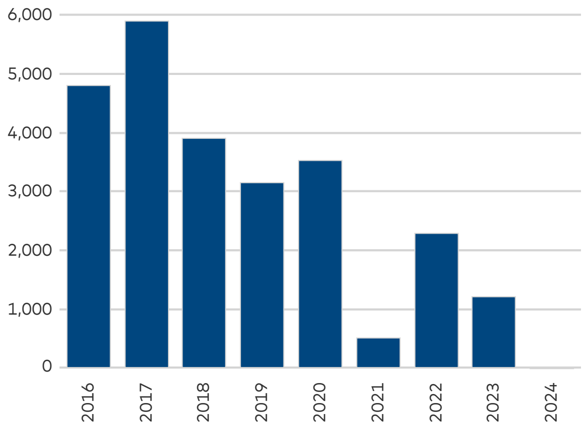
	2019	2020	2021	2022
National	324,697,795	326,569,308	329,725,481	331,097,593
NYC Metro	19,294,236	19,261,570	20,011,812	19,908,595

Source: U.S. Census

SUPPLY

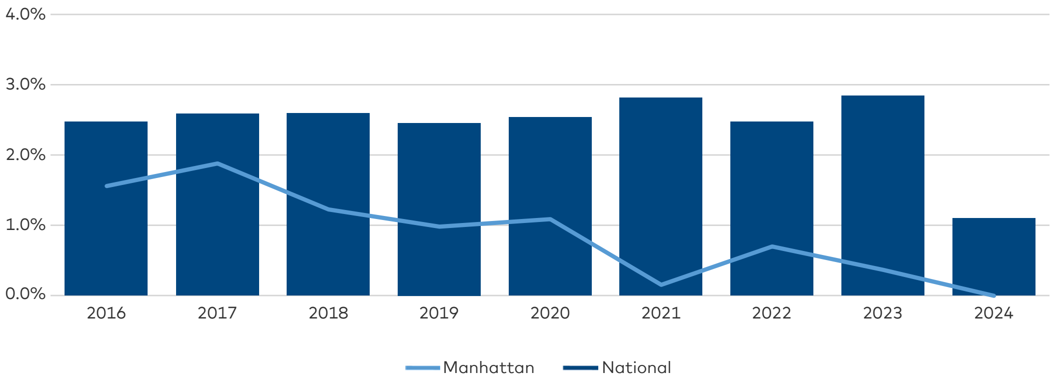
- Manhattan had 12,700 units underway as of June, along with an additional 36,000 units in the planning and permitting stages. Unsurprisingly, three-quarters of the under-construction pipeline consisted of upscale Lifestyle projects. Roughly 17% of units underway were in fully affordable projects. Still, Manhattan ranked as the city's third borough for development, behind Brooklyn (25,233) and Queens (13,010).
- No multifamily communities of more than 50 units came online in the first half of the year in Manhattan. This followed the trend of slowing development nationwide. On average, Manhattan has added 3,158 units to its inventory annually since 2016. Completions in the past three years failed to account for more than 1.0% of existing stock in either year, lagging the national pace.
- Developers broke ground on 2,617 units across nine properties in the first half of the year. Although this was roughly 400 units fewer year-over-year, the drop in construction starts was not as dramatic as in most major metros.
- A few development hot spots made up most of the under-construction pipeline. The Financial District led activity with 3,134 units, followed by Chelsea (1,595), Inwood (1,484), Hell's Kitchen (1,221) and East Harlem (1,040).
- Nearly half of the Financial District's units under construction were in a single project. A joint venture of GFP Real Estate, Metro Loft Management and Rockwood Capital will convert the office building at 25 Water St. into 1,263 residential units—the largest office-to-residential conversion project to date.

Manhattan Completions (as of June 2024)



Source: Yardi Matrix

Manhattan vs. National Completions as a Percentage of Total Stock (as of June 2024)

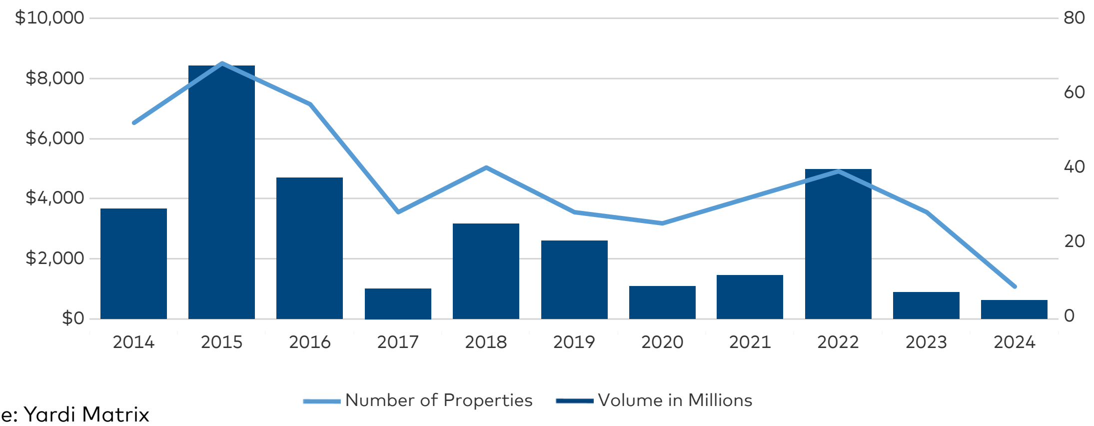


Source: Yardi Matrix

TRANSACTIONS

- Manhattan investors closed on eight single-asset transactions in the first half of this year, for a total of $621 million. This was a slight increase from the $574 million recorded for the same period last year, indicating that current economic challenges did not affect Manhattan as much as they did other major markets.
- Manhattan's overall per-unit average stood at $262,483 in the first half of the year, 45.7% higher than the national figure. RBN assets traded for $147,955 per unit, while the Lifestyle per-unit price was $792,857. In 2022, an outlier year, Manhattan's per-unit average hit $769,190—the highest rate since 2010.
- Nearly the entire sales volume in the Lincoln Square submarket came from a single transaction. In February, Gotham Organization and The Carlyle Group purchased the 310-unit Aire for $265 million from A & R Kalimian Realty. The 43-story tower traded for roughly $854,838 per unit.

Manhattan Sales Volume and Number of Properties Sold (as of June 2024)



Source: Yardi Matrix

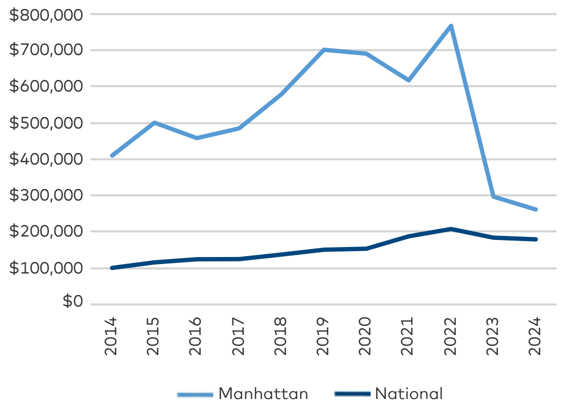
Top Submarkets for Transaction Volume[1]

Submarket	Volume ($MM)
Lincoln Square	286
Chelsea	185
Carnegie Hill	125
Two Bridges	85
NoMad	68
East Village	43
Washington Heights	41

Source: Yardi Matrix

[1] From July 2023 to June 2024

Manhattan vs. National Sales Price per Unit



Source: Yardi Matrix

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MHN MULTI-HOUSING **NEWS**

Breaking Down Barriers for BIPOC Developers: A Financier's Perspective

By Olivia Bunescu

There are many unique challenges that developers of color face, but some organizations have found ways to lend a hand. The Community Preservation Corp, a nonprofit multifamily lender and investor, has created an initiative—known as ACCESS—to provide financial resources and generate opportunities for BIPOC entrepreneurs. Lawrence Hammond, senior vice president with CPC & director of ACCESS, talks about the program's success.

Is it easier for BIPOC developers to find a seat at the table now than it was a decade ago?

A groundswell of opportunities to make meaningful change has occurred because of the tragic murder of George Floyd in 2020. However, there is still much work to be accomplished for a problem that has existed for decades, and one might say for centuries. Although the more recent initiatives have garnered unprecedented support from corporate, governmental and philanthropic entities, these efforts have experienced some pushback from political forces.

On the financing side, one of these initiatives is the ACCESS program. Tell us more about its components and offerings.

Human, knowledge and financial resources in the form of technical assistance and financial capital products are key support resources offered to ACCESS clients. Because we understand historical inequities, we also understand the importance of reimagining how we assess risk, which means we must stretch our credit parameters to ensure we are lending equitably.

How else is ACCESS creating positive change across the industry?

Through our policy efforts, we have been successful in bringing forth enhancements to the lending policies and practices both internally and externally with our government partners.

We currently serve as facility manager for the MBE Guaranty Facility created by the City of New York and Goldman Sachs. This $50 million guaranty facility will provide MBE developers with a "back-stop guaranty," enabling them to independently provide the guarantees required to secure construction financing to develop affordable housing projects in New York City.

Can you share a success story or a notable achievement from BIPOC developers who received support through this program?

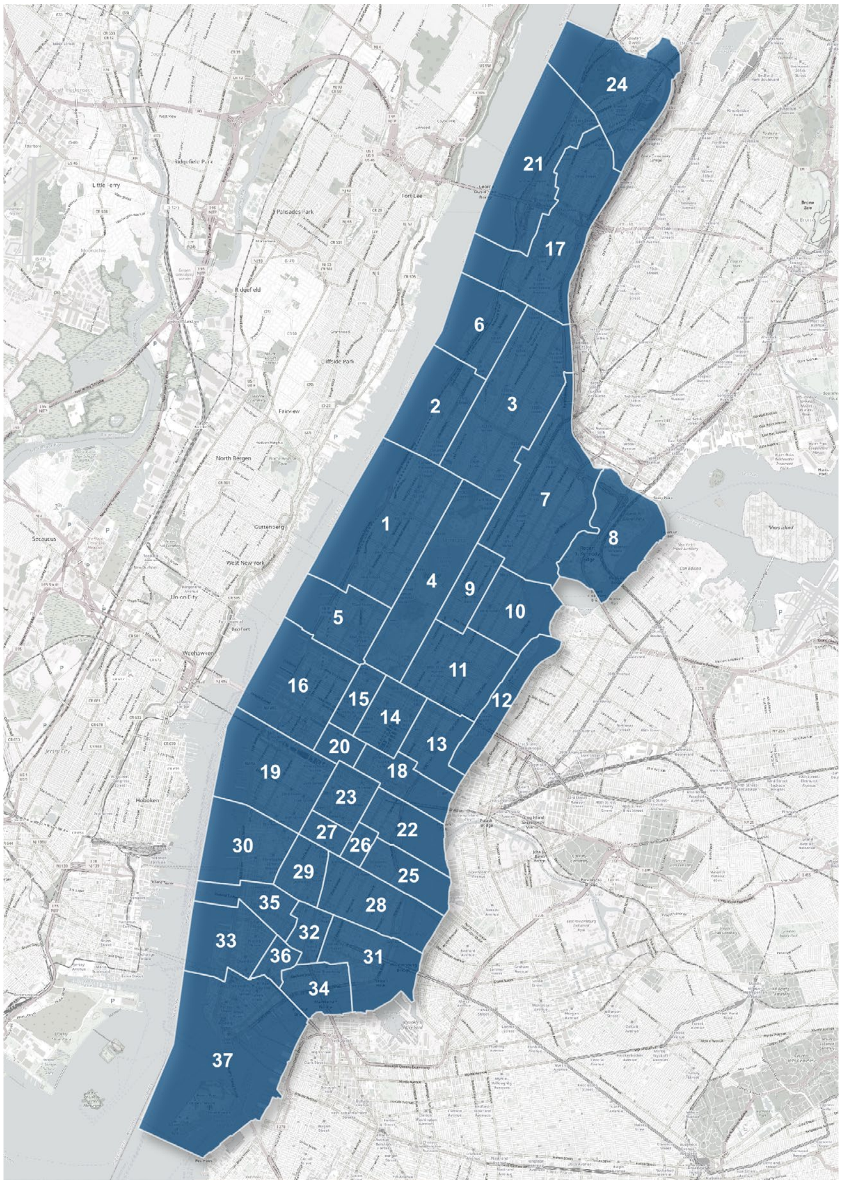
Since the beginning of the ACCESS initiative, CPC has financed 42 construction projects with 38 BIPOC-led developers.

We are proud of a project financed during the outset of the ACCESS initiative that is located in Poughkeepsie, N.Y., with Garfield and Shereen Salmon, a husband-and-wife BIPOC development team. They were denied financing from seven different lenders for various unjustified reasons.

(Read the complete interview on multihousingnews.com.)

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.

Yardi® Matrix

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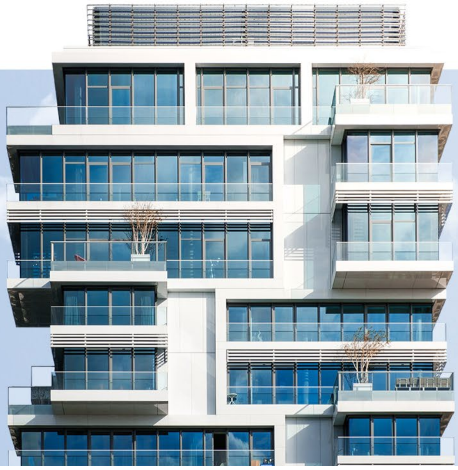
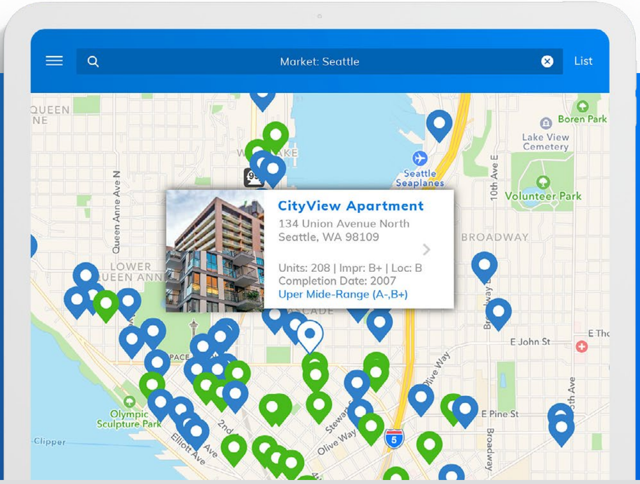


MULTIFAMILY KEY FEATURES

- 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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