Yardi Matrix

MULTIFAMILY REPORT

Queens Delivers

September 2024

Rent Growth Among Nation's Best

Occupancy Still Strong

Investment Slows to a Halt

QUEENS MULTIFAMILY

Yardi Matrix

Strong Fundamentals Help Market Outperform

Queens multifamily recently performed better than most markets across the U.S. Advertised asking rents increased to nearly four times the national average on a trailing three-month basis, as of July. Year-over-year performance was also positive. Growth clocked in at 5.0%, to $3,075, while the U.S. average was up 0.8%, to $1,743. Occupancy rates reflected a similar trend. In June, the figure was down just 30 basis points over 12 months, to a very tight 98.8%, substantially above the nation's 94.6%.

New York City's employment landscape saw fluctuations in the 12 months ending in May 2024, shedding almost 50,000 positions across several sectors. However, the Big Apple still recorded a net gain of 101,200 jobs. The education and health services sector accounted for most of the gains, adding an impressive 110,000 positions. A new task force is reviewing city-owned land to help expand the development pipeline and support the Adams administration's goal of building 500,000 new residential units by 2032.

As of July, developers had 12,805 units under construction across Queens, in addition to some 26,000 units in the planning and permitting stages. Meanwhile, investment slowed to a halt and no assets of more than 50 units traded in Queens over the past 12 months.

Market Analysis | September 2024

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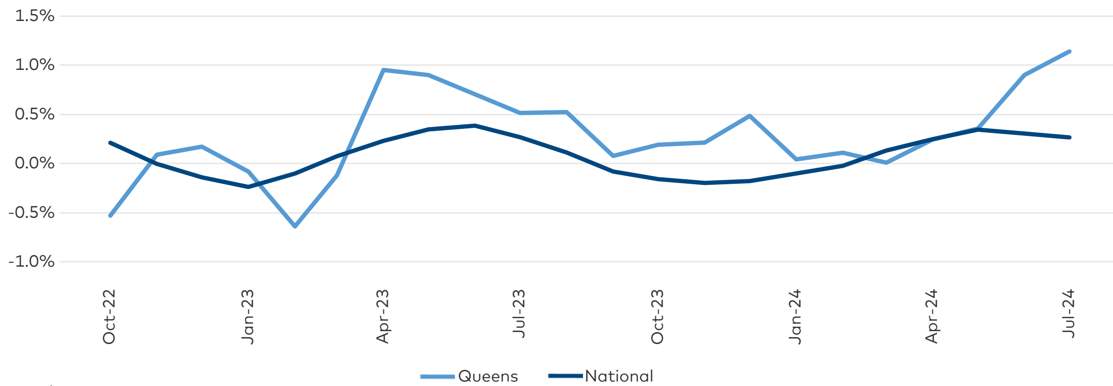
On the cover: Photo by Christopher Annis/iStockphoto.com

RENT TRENDS

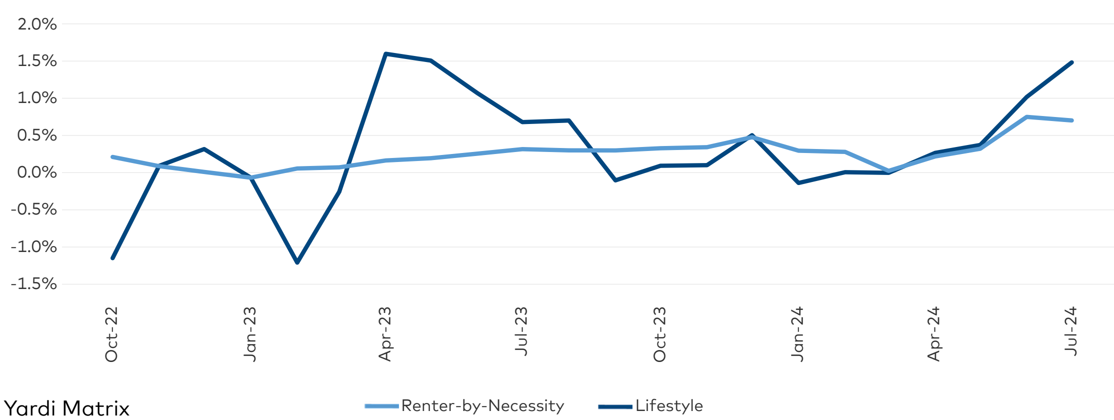
- Queens advertised asking rents were up 1.1% on a trailing three-month (T3) basis as of July. This was well above the 0.3% national average and also outperformed New York City's 0.8% increase. The borough's average advertised asking rent of $3,075 remained significantly higher than the $1,743 national figure, as well.
- On a T3 basis, the Lifestyle segment led growth, with rates increasing a healthy 1.5%, to $4,159. Meanwhile, advertised asking rents for working-class Renter-by-Necessity units increased 0.7%, to $2,298.
- Year-over-year, advertised asking rents in the borough improved by 5.0%, a far cry from the 0.8% national average. Nationally, Queens rent growth lagged only Manhattan, which saw a 5.4% increase, to $4,981. Queens outperformed Brooklyn, which recorded a 3.9% hike, to $3,637.
- As of June, the average occupancy rate in stabilized assets decreased by 30 basis points year-over-year, settling at 98.8%. That remained notably higher than the U.S. average of 94.6%. RBN occupancy dropped to 99.1% and Lifestyle to 98.1%.
- Advertised asking rents in Long Island City increased 6.9% year-over-year, reaching $4,379. LIC led rent growth, was the most expensive submarket by a significant margin and also continues to lead development. All submarkets in Queens recorded rent growth, with Elmhurst (up 5.6% to $2,302) and Flushing (up 5.0% to $2,081) following LIC.

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

- As of June, New York City's unemployment rate rose slightly, to 4.9%, according to preliminary data from the Bureau of Labor Statistics. This marked a mere 20-basis-point increase over 12 months. The city's unemployment figure was 70 basis points above the state and 80 basis points higher than the U.S. figure.

- During the 12 months ending in May, New York City saw a net gain of 101,200 jobs. This marked a 1.2% increase, which was just 10 basis points shy of the national average. The education and health services sector led job growth, adding a solid 110,000 positions, for a 6.5% increase. Leisure and hospitality followed, with 24,400 jobs added, marking a 3.6% improvement. However, six sectors recorded a combined loss of 49,900 jobs, with professional and business services shedding the most jobs (18,200 positions), for a 1.5% contraction.

- As of July, Queens had 12,805 apartments underway, a small fraction of the Adams administration's goal of 500,000 new residential units across the city by 2032. Local authorities have established a new task force to review city-owned and -controlled land for potential housing development. Additionally, an agreement has designated $500 million for New York City's Affordable Housing Accelerator Fund, which will go toward building affordable housing.

New York Employment Share by Sector

		Current Employment	
Code	Employment Sector	(000)	% Share
65	Education and Health Services	1,801.1	24.2%
70	Leisure and Hospitality	709.8	9.5%
90	Government	921.2	12.4%
80	Other Services	297.1	4.0%
55	Financial Activities	661.7	8.9%
30	Manufacturing	191.2	2.6%
15	Mining, Logging and Construction	262.5	3.5%
40	Trade, Transportation and Utilities	1,138.1	15.3%
50	Information	260.5	3.5%
60	Professional and Business Services	1,194.7	16.1%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- After a few years of expansion, NYC's population contracted, with a 0.5% drop in 2022. Overall, the metro has gained 1.2 million residents since 2010.

- The national population grew by 0.4% in 2022, with the addition of almost 1.4 million people.

Queens vs. National Population

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

Source: U.S. Census

SUPPLY

- As of July, Queens had 12,805 units under construction. The majority of developments were in the Lifestyle segment, with approximately 17% of the pipeline in projects designated as fully affordable. RBN assets made up 13% of the under-construction pipeline. Developers also had another 26,000 units in the planning and permitting stages.

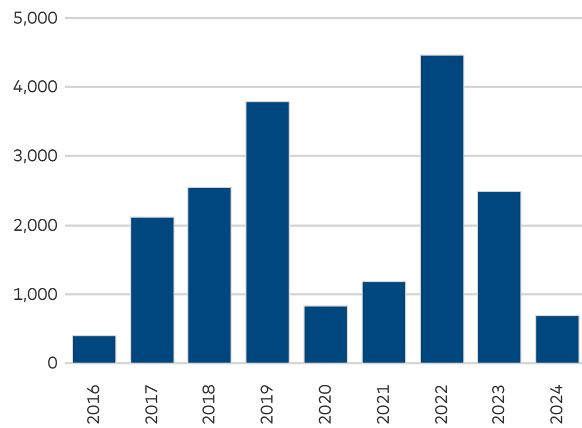
- The borough added two Lifestyle assets totaling 691 units in the first seven months of the year. This accounted for 0.6% of existing inventory, well below the national expansion rate of 1.4%.

- Four submarkets recorded significant construction activity, each with more than 1,000 units underway. These areas accounted for roughly 80% of the borough's under-construction pipeline. Leading the pack was Long Island City, with 5,113 units under construction, followed by Jamaica (2,176 units), Rockaway (1,811 units) and Astoria (1,264 units).

- Long Island City is also home to Queens' largest underway project. TF Cornerstone is developing the 1,386-unit Malt Drive, where 30% of the units will be affordable. The three-building property will also include 25,000 square feet of retail. It is expected to come online by the end of the year.

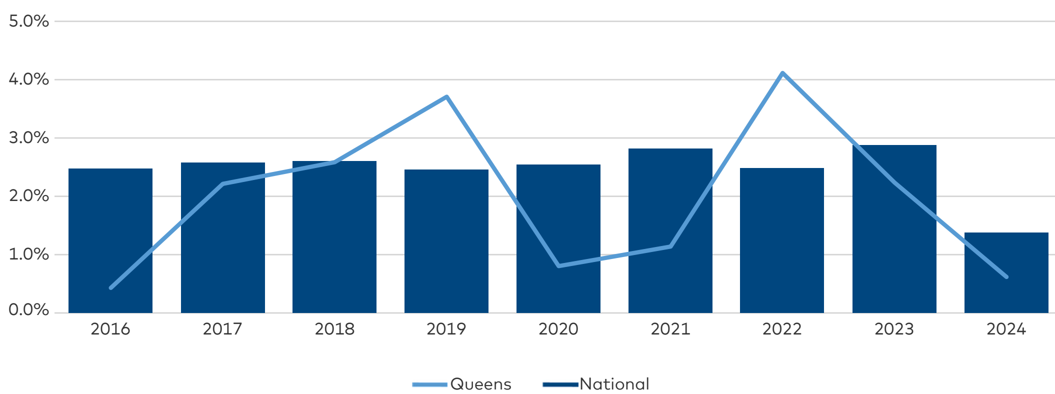
- The Far Rockaway Village, totaling 457 units, is the borough's largest fully affordable project underway. Developed by Phipps Houses, the two-building property will also include 46 units set aside for formerly unhoused persons. The 12-story high-rise is scheduled to come online by year-end and is also expected to achieve LEED certification.

Queens Completions (as of July 2024)



Source: Yardi Matrix

Queens vs. National Completions as a Percentage of Total Stock (as of July 2024)

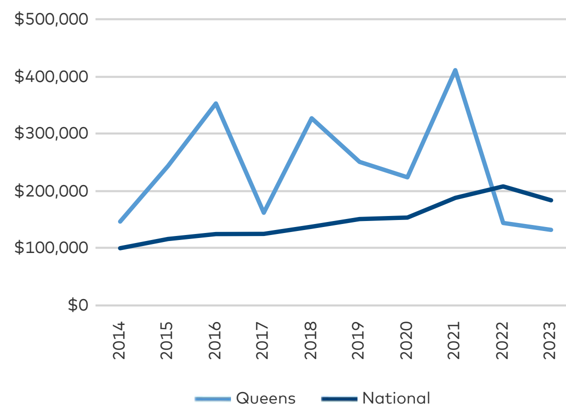


Source: Yardi Matrix

TRANSACTIONS

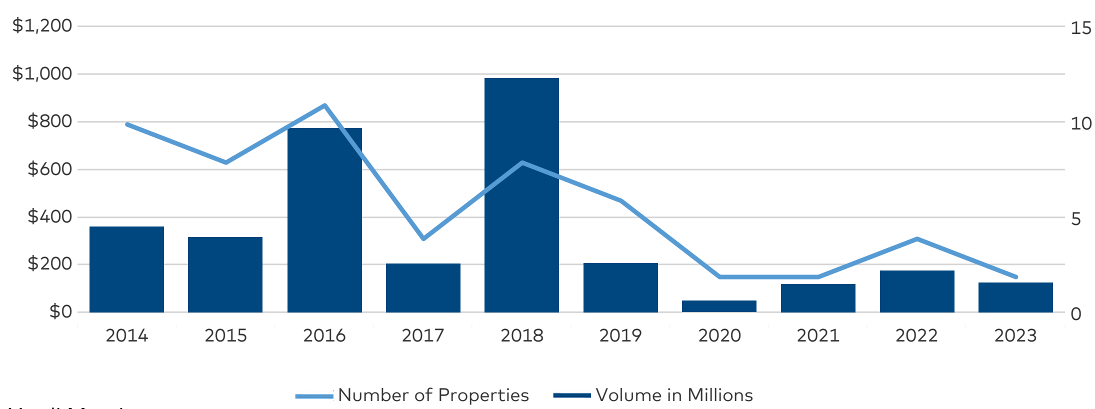
- Queens multifamily transaction volume has significantly decelerated over the past few years. There were no sales of properties larger than 50 units recorded in the first seven months of 2024, and just $126 million in such transactions closed during 2023. Last year was in line with the average recorded since 2019, which came in at $135 million. In contrast, the borough's average volume for the previous five years was nearly four times higher, at $528 million.
- Since 2019, investors have shown a preference for RBN assets, with 13 such properties sold, compared to just three Lifestyle assets. During this period, Queens' average price per unit fluctuated between a $132,653 low last year and a peak of $412,281 in 2021.
- The last sale recorded in the borough was Slate Property Group's acquisition of the fully affordable Queenswood in Corona. Brookfield Properties sold the 294-unit asset for $39 million, or $132,653 per unit.

Queens vs. National Sales Price per Unit



Source: Yardi Matrix

Queens Sales Volume and Number of Properties Sold (as of July 2024)



Source: Yardi Matrix

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 lender and investor, has created an initiative to provide financial resources and generate opportunities for BIPOC entrepreneurs. Senior Vice President Lawrence Hammond talks about the program's success and how it helps minority developers break historical barriers within the industry.

What are some of the pivotal hurdles these developers still face?

The inherent barriers BIPOC developers still face result from inequitable access to financial capital. Often, these developers are required to partner with a majority of white developers due to liquidity and guarantee constraints imposed by financial institutions, which dilutes their profitability on development opportunities. This is a key reason why BIPOC companies are not able to build capacity, scale their businesses and grow.

Tell us more about the ACCESS program.

Human, knowledge and financial resources in the form of technical assistance and financial capital products are key support resources offered to ACCESS clients. The ACCESS initiative comes alongside our existing products and investments and wherever possible, stretch our credit parameters to close projects. This may involve leveraging DSC or LTV when we receive appraisals that may undervalue a project.

How else is ACCESS creating positive change?

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.

What are the recent achievements you're most proud of?

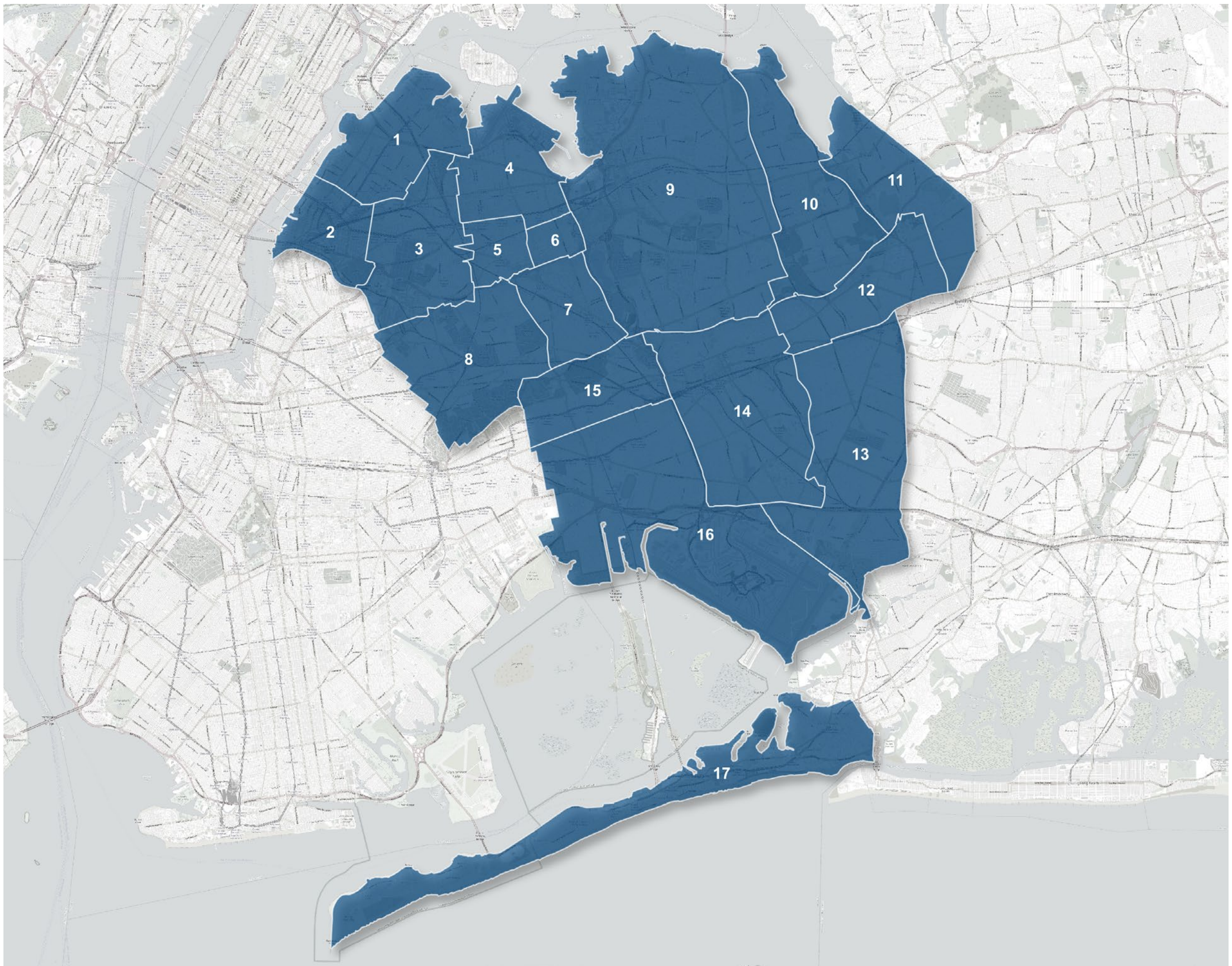
Since the inception of the ACCESS initiative, utilizing CPC's balance sheet investment of $40 million has enabled us to leverage over $500 million in debt and equity investments for BIPOC-led development opportunities.

Do you have any advice for young BIPOC developers who are just beginning to navigate the multifamily industry?

It is vitally important to obtain the prerequisite development knowledge and experience, equipping a developer with a skill set broadening their capacity in achieving successful outcomes. It's important to know what you don't know and build upon the intangible aspects of being a developer. Development is not intuitive and requires the capacity to take calculated risks.

(Read the complete interview on multihousingnews.com.)

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:

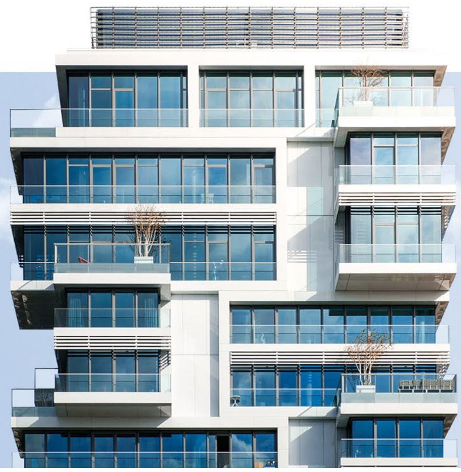
Market Position	Improvements Ratings
Discretionary	A+ / A
High Mid-Range	A- / B+
Low Mid-Range	B / B-
Workforce	C+ / C / C- / D

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 x14006.

Yardi Matrix



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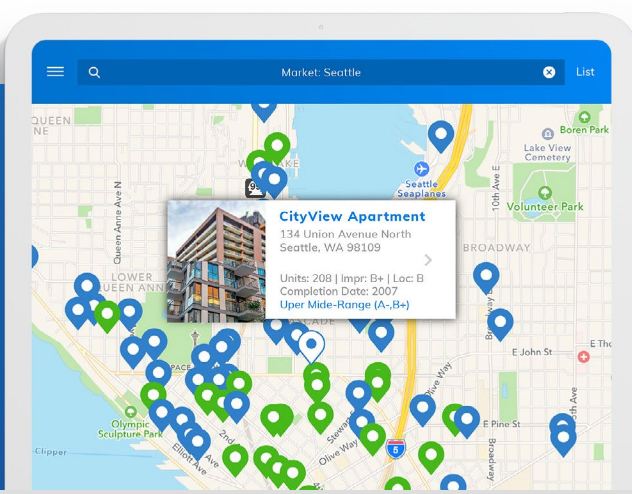
MULTIFAMILY KEY FEATURES

- 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



Yardi Matrix Multifamily provides accurate data on **22.3+ million units**, covering over **92% of the U.S. population.**

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