



Yardi® Matrix

Manhattan Bounces Back

Multifamily Report Summer 2019

Upscale Assets Drive Rent Growth

Investment Activity Remains High

Job Gains Decelerate

Market Analysis

Summer 2019

Contacts

Paul Fiorilla

Associate Director of Research
Paul.Fiorilla@Yardi.com
(800) 866-1124 x5764

Jack Kern

Director of Research and Publications
Jack.Kern@Yardi.com
(800) 866-1124 x2444

Authors

Alex Girda, Bogdan Odagescu

Senior Editors

Construction Ramps Up, Demand Lingers

Although it remains a poster child for the country's affordability crisis, Manhattan's rental market is powering through, bracing for sustained development while rates continue to inch up. The average Manhattan rent was up 1.0% year-over-year through April, mainly driven by gains in upscale assets, while occupancy remained among the highest in the U.S.

New York City job gains decelerated and trailed the U.S. average in the 12 months ending in March. Nonetheless, employers still added 103,300 positions during this time, with more than half in education and health services. While smaller, non-coastal tech metros across the U.S. continue to expand at a much faster rate than in New York City, the city remains one of the country's top economic juggernauts and, at the same time, one of the most stable and relatively safest real estate havens.

Manhattan remained a top destination for institutional and crossborder investors looking to deploy large sums, and the multifamily sector is no stranger to this. More than \$1 billion in multifamily assets traded in the first quarter of 2019, following last year's \$3.4 billion. With 12,150 apartments slated to come online across the metro this year amid regulatory uncertainties and already deep affordability issues, we expect the average overall New York City rent to advance only 0.7% in 2019.

Recent Manhattan Transactions

Truffles



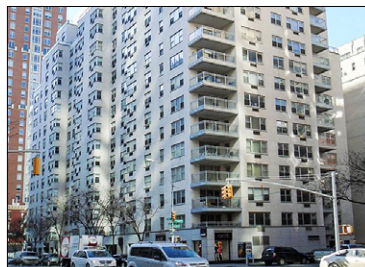
City: New York City
Buyer: Related Cos.
Purchase Price: \$260 MM
Price per Unit: \$893,471

800 Sixth



City: New York City
Buyer: Greystar
Purchase Price: \$238 MM
Price per Unit: \$892,857

The Hanley New York



City: New York City
Buyer: CIM Group
Purchase Price: \$210 MM
Price per Unit: \$1,381,579

Stonehenge 86

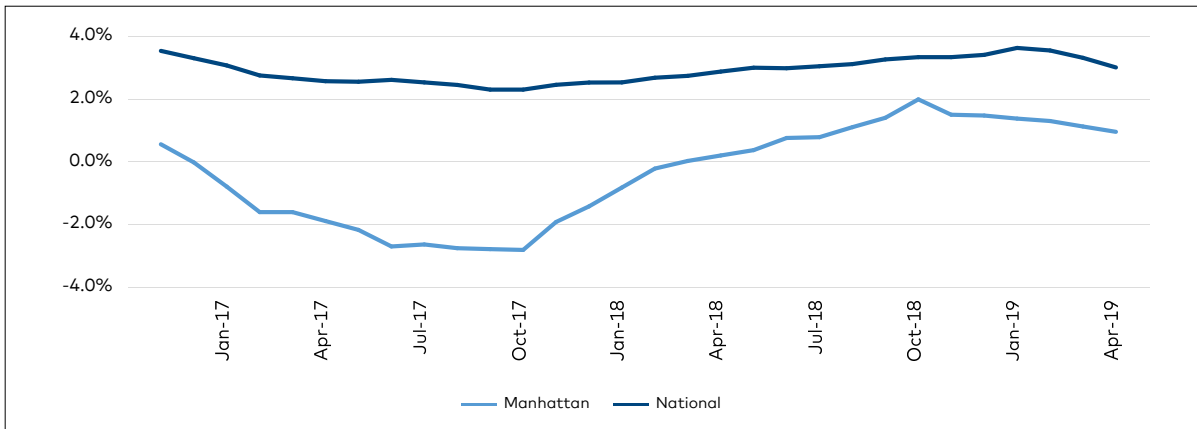


City: New York City
Buyer: Pan Am Equities
Purchase Price: \$91 MM
Price per Unit: \$1,810,000

Rent Trends

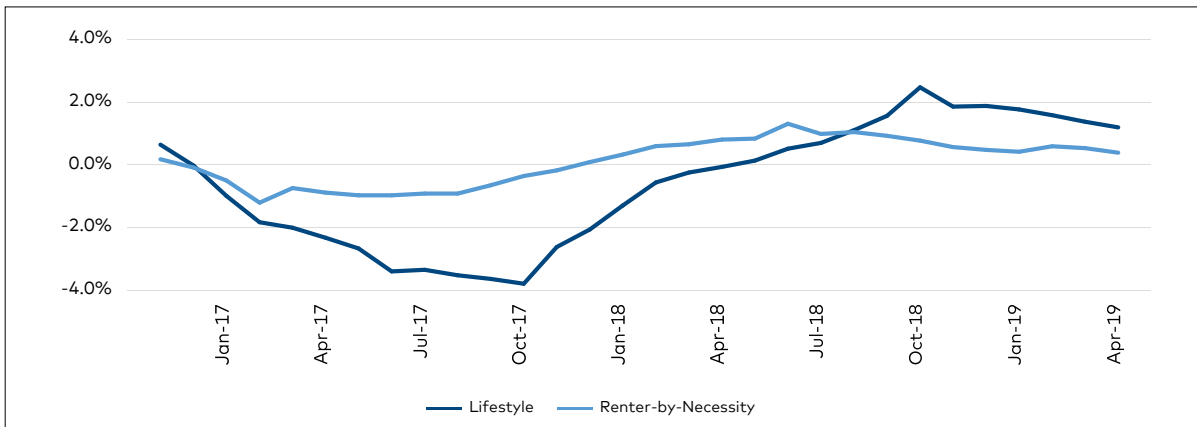
- Rents in Manhattan rose 1.0% year-over-year through April, as appreciation continued, albeit at a limited rate. Manhattan's overall average rent was \$4,130, way above Brooklyn (\$2,878), Queens (\$2,464), Long Island (\$2,119) and Northern New Jersey (\$1,928), as well as nearly triple the \$1,436 national average.
- Lifestyle rents led gains year-over-year through April, up 1.2% to \$4,498 and bucking nationwide trends. While the majority of U.S. metros register significantly higher growth in workforce assets, Manhattan's high concentration of capital, chronic affordability issues and tight overall stock continued to push up demand at the higher end of the quality spectrum. Meanwhile, the average working-class Renter-by-Necessity rate in Manhattan advanced just 0.4%, reaching \$3,394.
- Growth was uneven across the map. Tribeca rents were up 5.9% to \$5,932 and remained the highest across the borough. Meanwhile, rates contracted across several submarkets, including the Flatiron District (-1.9% to \$4,026) and Central Midtown (-1.8% to \$3,686).
- With deliveries expected to ramp up across the metro this year and factoring in regulatory uncertainties and affordability issues, we expect the average New York City rent to advance just 0.7% in 2019.

Manhattan vs. National Rent Growth (Sequential 3 Month, Year-Over-Year)



Source: YardiMatrix

Manhattan Rent Growth by Asset Class (Sequential 3 Month, Year-Over-Year)

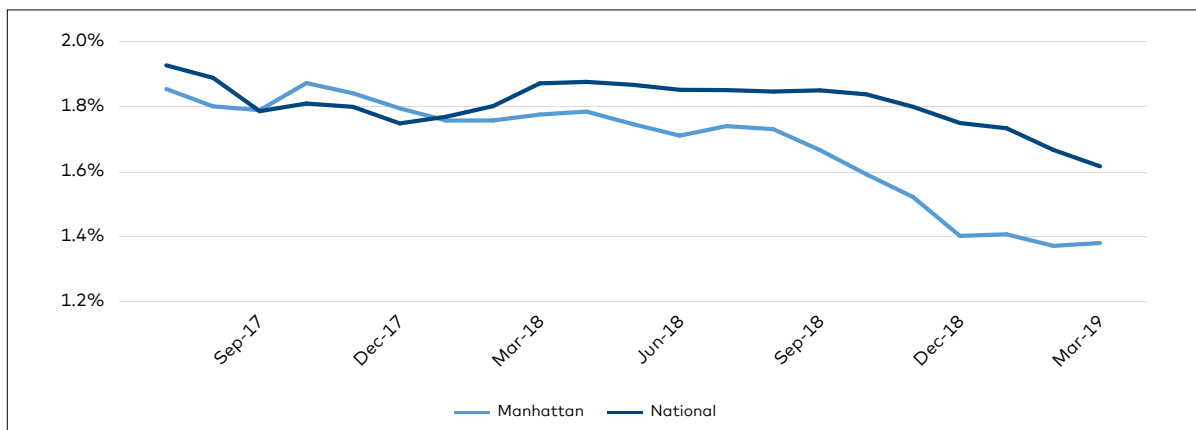


Source: YardiMatrix

Economic Snapshot

- With affordability issues dampening demographic expansion and migration patterns favoring smaller, non-coastal tech metros in the second half of this cycle, New York City job growth continued to decelerate over the past two quarters. The metro gained 103,300 positions in the 12 months ending in March for a 1.4% uptick, trailing the national figure by 20 basis points.
- Nonetheless, New York remains the East Coast's main economic engine and the country's top gateway metro for both domestic and foreign capital. The city's deep talent pool and large academic network continued to generate high-paying jobs, while international migration boosted the labor pool across employment sectors, keeping the metro's demographic dynamics positive. Education and health services and professional and business services—Manhattan's main traditional drivers—accounted for nearly three-quarters of the metro's job gains in the 12 months ending in March.
- Towering costs are pushing many companies toward late-cycle bloomers such as Austin, Phoenix and Denver, but New York City remains a business epicenter and development hotbed. Amazon dropped its HQ2 plans in Queens but is looking to expand in Manhattan. Meanwhile, Google plans to double its footprint in the borough by 2030, and the \$25 billion Hudson Yards megaproject, the city's largest private project in more than seven decades, is powering through after an official March opening.

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	1543	21.6%	52,700	3.5%
60	Professional and Business Services	1155	16.2%	20,800	1.8%
15	Mining, Logging and Construction	271	3.8%	9,000	3.4%
80	Other Services	307	4.3%	7,700	2.6%
90	Government	940	13.1%	7,300	0.8%
70	Leisure and Hospitality	674	9.4%	3,100	0.5%
50	Information	254	3.6%	2,700	1.1%
40	Trade, Transportation and Utilities	1181	16.5%	2,200	0.2%
30	Manufacturing	207	2.9%	1,000	0.5%
55	Financial Activities	618	8.6%	-3,200	-0.5%

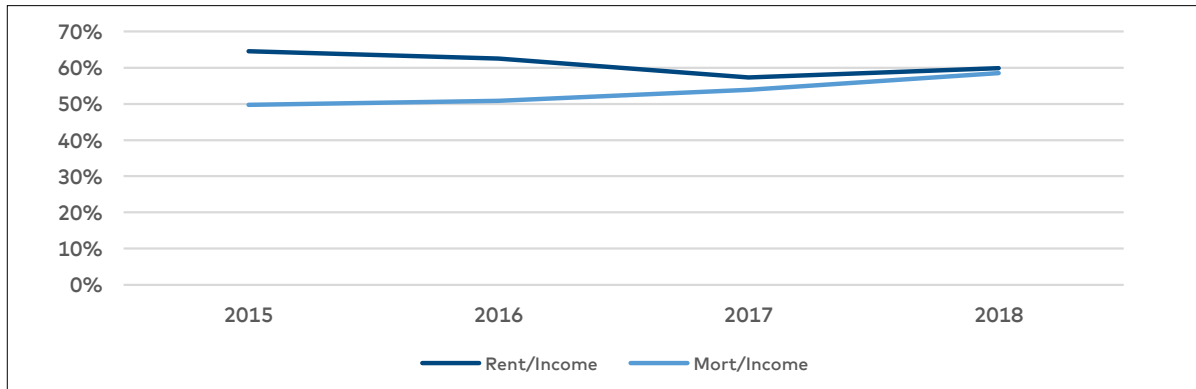
Sources: YardiMatrix, Bureau of Labor Statistics

Demographics

Affordability

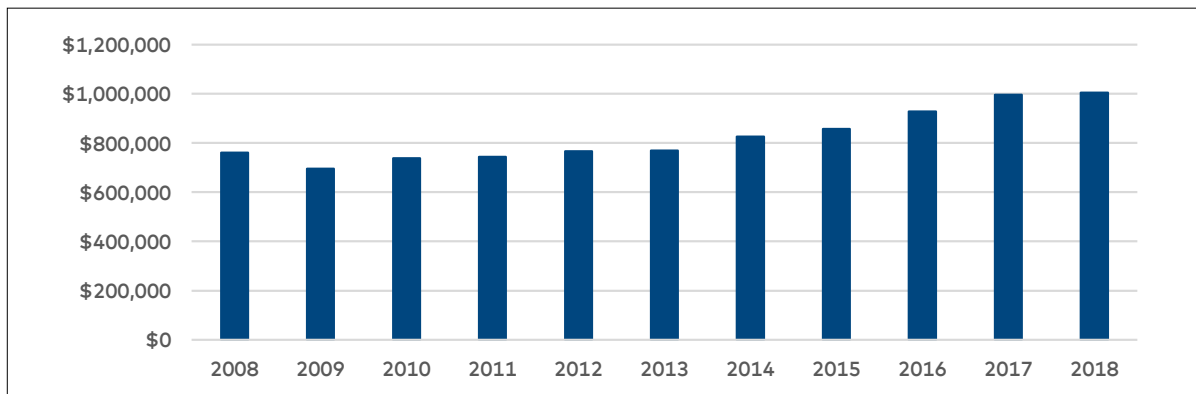
- Manhattan home prices continued their climb in 2018, with the median value surpassing the \$1 million threshold, way above neighboring Brooklyn (\$791,495) and Queens (\$585,752). That marks a 17% hike in three years and a 45% improvement in less than a decade, since the 2009 trough.
- Living costs are pushing the affordability crisis even further: Last year, the average Manhattan mortgage payment equated to 58% of the area median income, while the average rent accounted for as much as 60%.

Manhattan Rent vs. Own Affordability as a Percentage of Income



Sources: YardiMatrix, Moody's Analytics

Manhattan Median Home Price



Source: Moody's Analytics

Population

- The borough added 26,000 people between 2013 and 2017. That marks a 1.6% uptick.
- Manhattan gained 2,600 residents in 2017 for a 0.2% expansion, trailing the 0.7% U.S. figure.

Manhattan vs. National Population

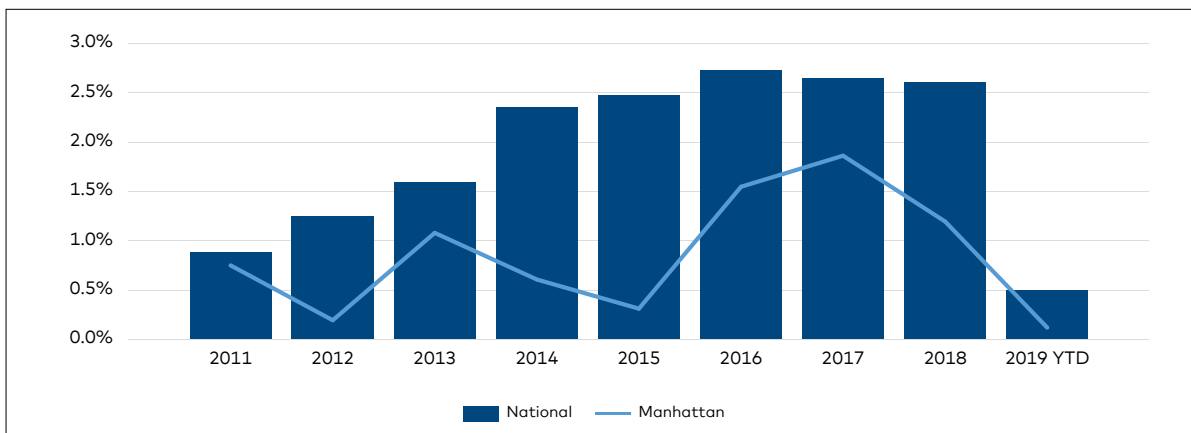
	2013	2014	2015	2016	2017
National	316,234,505	318,622,525	321,039,839	323,405,935	325,719,178
Manhattan	1,638,790	1,646,521	1,657,183	1,662,164	1,664,727

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

Supply

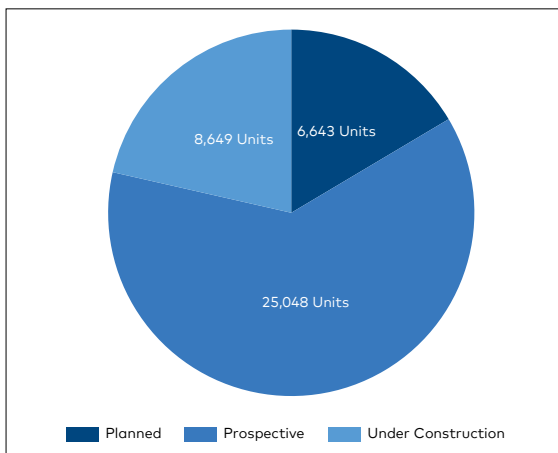
- The borough had 8,649 units underway as of April, as construction activity stayed solid during the second half of the current expansion. Since 2016, developers added an average of 4,800 units each year, the vast majority of them in upscale assets. We expect rental deliveries to reach 12,150 apartments this year for New York City as a whole.
- Another 32,000 units were in the planning and permitting stages as of April, pointing to further inventory growth, should market fundamentals stay positive. Although some uncertainty regarding the future of rent control lingers, demand continues to be high, reflecting further increase in multifamily supply over the five boroughs.
- The average occupancy rate in stabilized properties was 98.6% as of March, one of the highest in the country. The borough is undersupplied across the quality spectrum: Assets in the Renter-by-Necessity segment had an occupancy rate of 98.8%, while the Lifestyle occupancy rate was just 30 basis points lower.

Manhattan vs. National Completions as a Percentage of Total Stock (as of April 2019)



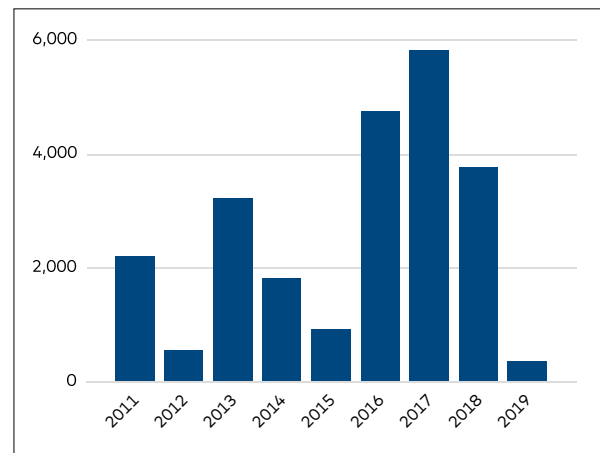
Source: YardiMatrix

Development Pipeline (as of April 2019)



Source: YardiMatrix

Manhattan Completions (as of April 2019)

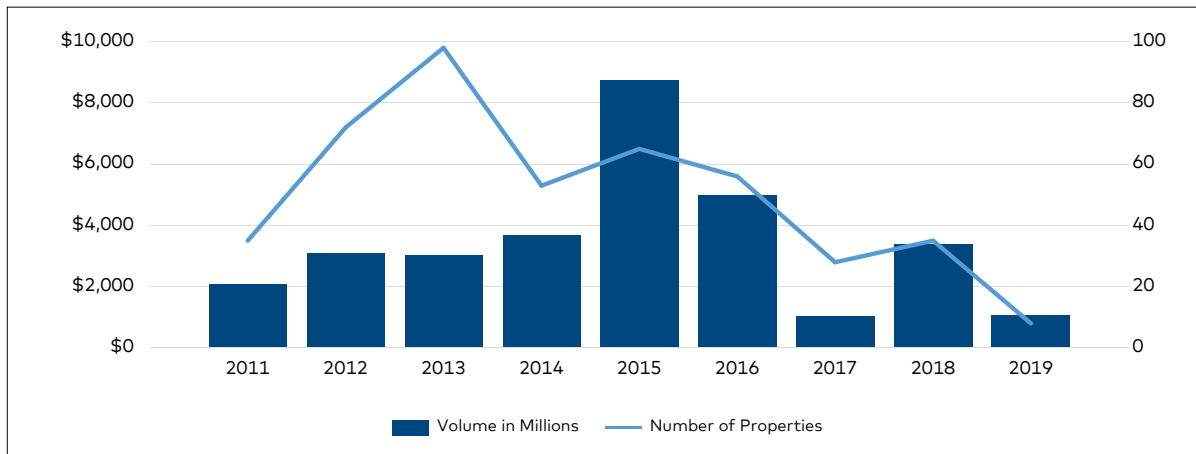


Source: YardiMatrix

Transactions

- Coming off a strong 2018 for multifamily sales, when \$3.4 billion in assets traded, Manhattan's rental investment market remained frothy, raking in more than \$1 billion in transaction activity during the first four months of 2019.
- Although value-add plays continue to be popular in the borough, deal distribution between Renter-by-Necessity and Lifestyle assets remained balanced this year through April. As a result, per-unit prices in Manhattan were up \$300,000 compared to last year, even as the national average stagnated.
- The largest deal completed in 2019 through April was Related Cos.' \$260 million purchase of the 291-unit Truffles in Tribeca. The Jack Parker Corp. sold the Class A property after holding it since its 2007 completion. The asset traded at \$893,471 per unit.

Manhattan Sales Volume and Number of Properties Sold (as of April 2019)



Source: YardiMatrix

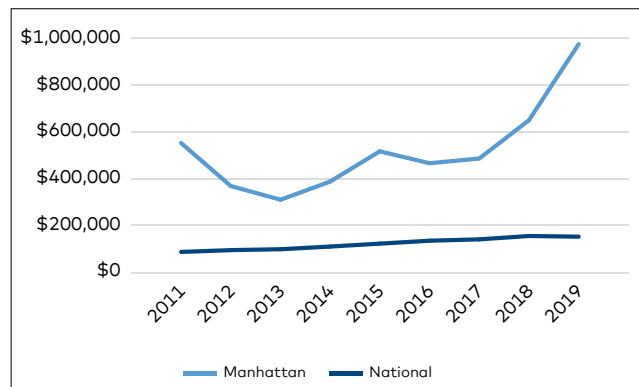
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
Lincoln Square	643
Upper West Side	367
Carnegie Hill	358
Theater District	290
Lenox Hill	263
Tribeca	260
NoMad	238
Hell's Kitchen	193

Source: YardiMatrix

¹ From May 2018 to April 2019

Manhattan vs. National Sales Price per Unit



Source: YardiMatrix

News in the Metro

Brought to you by:



Get the latest in local real estate news on Multi-HousingNews.com



Turtle Bay Building Receives \$72M Refi

PGIM Real Estate Finance originated the Fannie Mae financing for the 240-unit Olympia House, located within two blocks of Grand Central Station.



Carlyle Group, Stonehenge Land \$235M Recap

The newly formed joint venture will invest in upgrades to The Ritz Plaza, a 479-unit residential community in Times Square.



East Harlem Mixed-Use Project Breaks Ground

A trio of developers is behind the long-awaited 19-story building set to add more than 400 mixed-income apartments to the Manhattan neighborhood.



Greystar Expands With \$240M Buy

The company acquired a 266-unit community in the NoMad neighborhood from Equity Residential at roughly \$900,000 per unit. The community came online in 2003.



Exact Capital Rehabs Central Harlem Properties

The firm teamed with Harlem Congregations for Community Improvement Inc. and received private and city funding to help pay for the renovation of the 29 buildings.

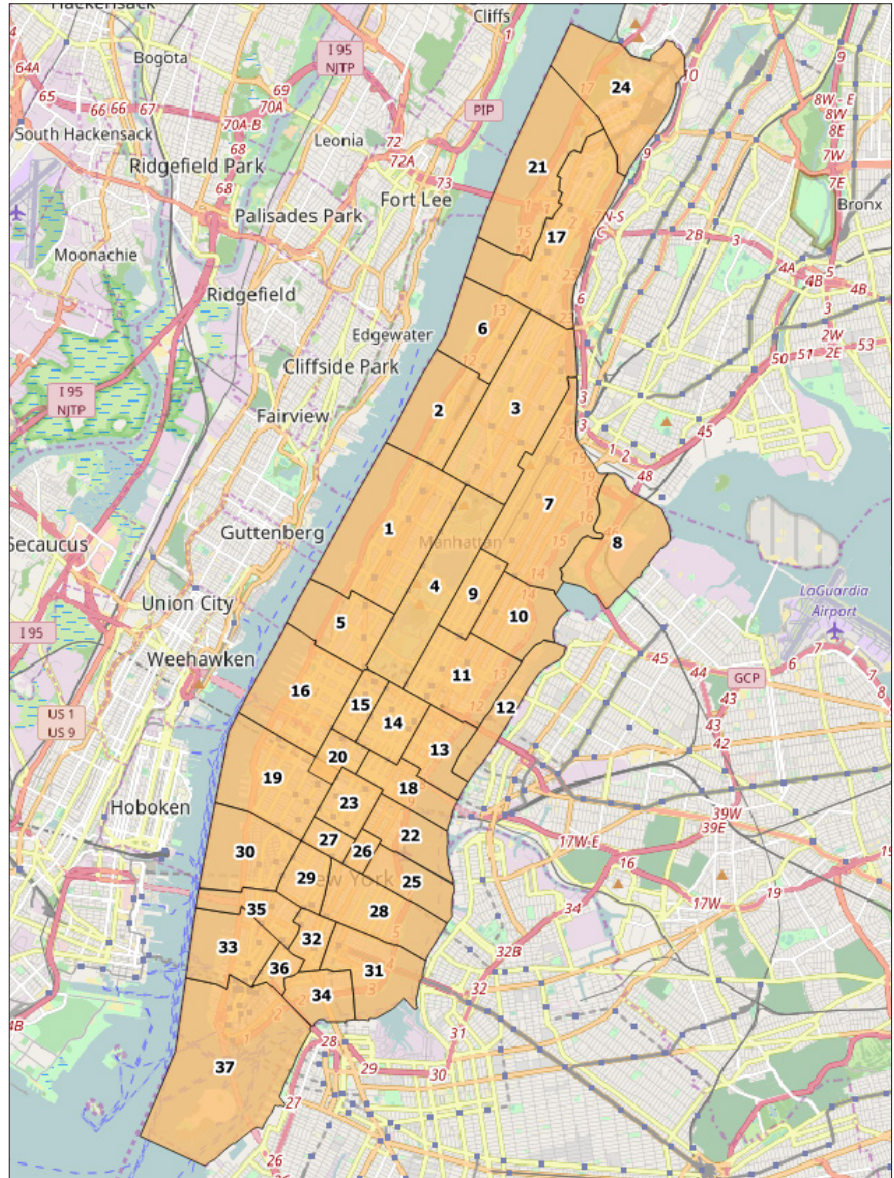


Manhattan Community Scores \$136M Green Loan

Freddie Mac extended the 10-year loan to Rachel Bridge owner Clipper Equity. The financing will facilitate property renovations to cut down on energy and water usage.

Manhattan Submarkets

Area #	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	Lenox 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 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.

Fogelman drives deals with Yardi® Matrix



"Yardi Matrix is a major contributor to our profitable investments and informed property management."

Mark Fogelman
President
Fogelman Properties

800.866.1144
YardiMatrix.com



Energized for Tomorrow

DISCLAIMER

Although every effort is made to ensure the accuracy, timeliness and completeness of the information provided in this publication, the information is provided "AS IS" and Yardi Matrix does not guarantee, warrant, represent or undertake that the information provided is correct, accurate, current or complete. Yardi Matrix is not liable for any loss, claim, or demand arising directly or indirectly from any use or reliance upon the information contained herein.

COPYRIGHT NOTICE

This document, publication and/or presentation (collectively, "document") is protected by copyright, trademark and other intellectual property laws. Use of this document is subject to the terms and conditions of Yardi Systems, Inc. dba Yardi Matrix's Terms of Use (<http://www.yardimatrix.com/Terms>) or other agreement including, but not limited to, restrictions on its use, copying, disclosure, distribution and decompilation. No part of this document may be disclosed or reproduced in any form by any means without the prior written authorization of Yardi Systems, Inc. This document may contain proprietary information about software and service processes, algorithms, and data models which is confidential and constitutes trade secrets. This document is intended for utilization solely in connection with Yardi Matrix publications and for no other purpose.

Yardi®, Yardi Systems, Inc., the Yardi Logo, Yardi Matrix, and the names of Yardi products and services are trademarks or registered trademarks of Yardi Systems, Inc. in the United States and may be protected as trademarks in other countries. All other product, service, or company names mentioned in this document are claimed as trademarks and trade names by their respective companies.

© 2019 Yardi Systems, Inc. All Rights Reserved.