



Yardi<sup>®</sup> Matrix

# Queens Powers Through

Multifamily Report Summer 2019

**Rent Growth Remains Tepid**

**Development Surge Endures**

**Affordability Remains a Headwind**

## Market Analysis

Summer 2019

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## Destination: Long Island City

The Queens multifamily market continues to show signs of growth, albeit slowly and predominantly in areas close to Manhattan and along major transit corridors. Queens rents were up just 0.6% year-over-year through April, partially due to the metro's affordability issues. However, although 2018 was a banner year for deliveries, the borough's 98.9% occupancy rate in stabilized properties was the highest in the country as of March.

New York City added 103,300 jobs in the 12 months ending in March, which marks a 1.4% rise, just 20 basis points below the U.S. figure. Two sectors—education and health services, and professional and business services—provided nearly three-quarters of these gains. Although Amazon's decision to scrap its HQ2 plans in Long Island City took some by surprise, Queens' economy and multifamily market remained mostly unfazed, at least in the short run. Due to its proximity to Manhattan, Long Island City continues to be a development hotbed, recording, by far, both the highest average rent and the largest pipeline in the borough.

Regulatory uncertainties and pressing affordability issues are likely to keep rent growth incremental across the metro. With supply powering through, we expect the average New York City rent to advance 0.7% in 2019.

## Recent Queens Transactions

Parker Towers



City: New York City  
Buyer: Blackstone Group  
Purchase Price: \$475 MM  
Price per Unit: \$357,950

The Stoneridge



City: New York City  
Buyer: A&E Real Estate Holdings  
Purchase Price: \$51 MM  
Price per Unit: \$283,889

Sanford Terrace



City: New York City  
Buyer: A&E Real Estate Holdings  
Purchase Price: \$40 MM  
Price per Unit: \$320,635

29-32 Beach Channel Drive

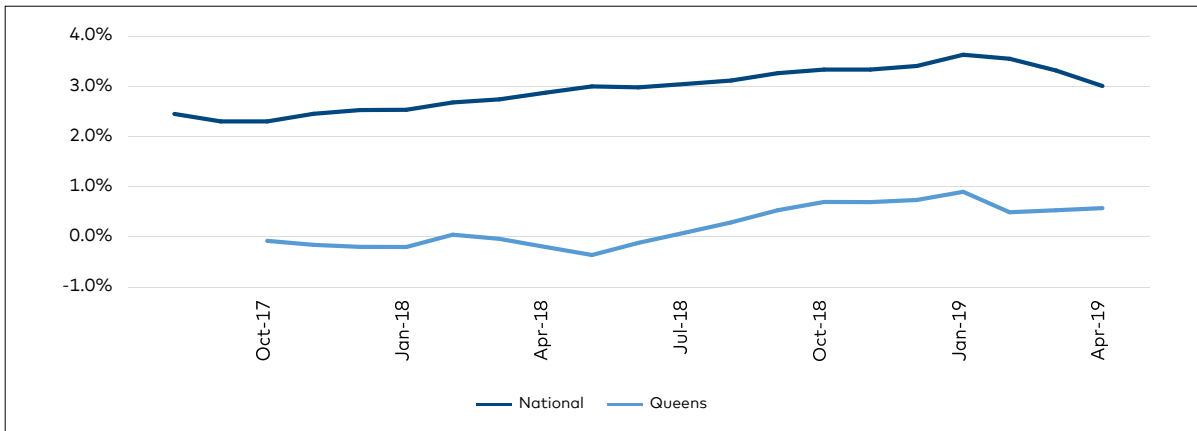


City: New York City  
Buyer: Coney Realty & Management  
Purchase Price: \$19 MM  
Price per Unit: \$178,505

## Rent Trends

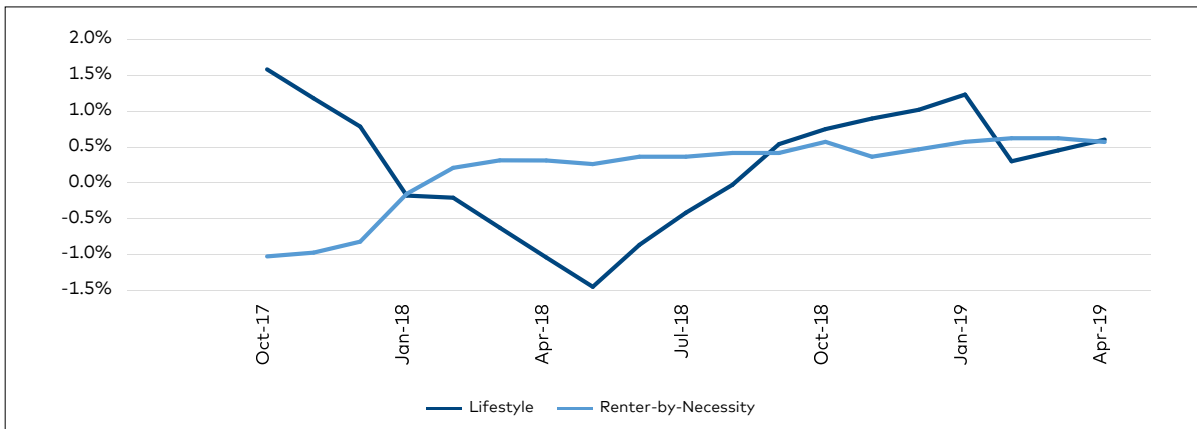
- Pressed by affordability issues and regulatory uncertainties, Queens rents were up only 0.6% year-over-year through April, underperforming against the 3.0% national average. At \$2,464 as of April, the average rate in the borough was significantly higher than the \$1,436 U.S. figure, but still more affordable than Manhattan (\$4,130) and Brooklyn (\$2,878) rents.
- Both Lifestyle (\$3,345 as of April) and Renter-by-Necessity (\$1,943) rents were up 0.6% year-over-year. Rents grew fastest in Jamaica (2.1% to \$1,808), followed by Little Neck (1.8% to \$1,909) and Corona (1.7% to \$1,986). The average rate in Long Island City, a development hotbed and the borough's priciest submarket, were up 1.2% to \$3,737. Meanwhile, rents contracted slightly in Flushing (-1.1%), Astoria (-0.7%) and Forest Hills–Rego Park (-0.3%).
- As supply generally kept up with demand after a banner year for deliveries, Queens' occupancy rate in stabilized properties dropped 20 basis points over 12 months, reaching 98.9% as of March. Nonetheless, the borough still had the highest occupancy rate in the U.S., surpassing even neighboring Brooklyn (98.7%) and Manhattan (98.6%). With deliveries slated to ramp up across the metro in 2019, we expect the average overall New York City rent to advance 0.7% this year.

**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)

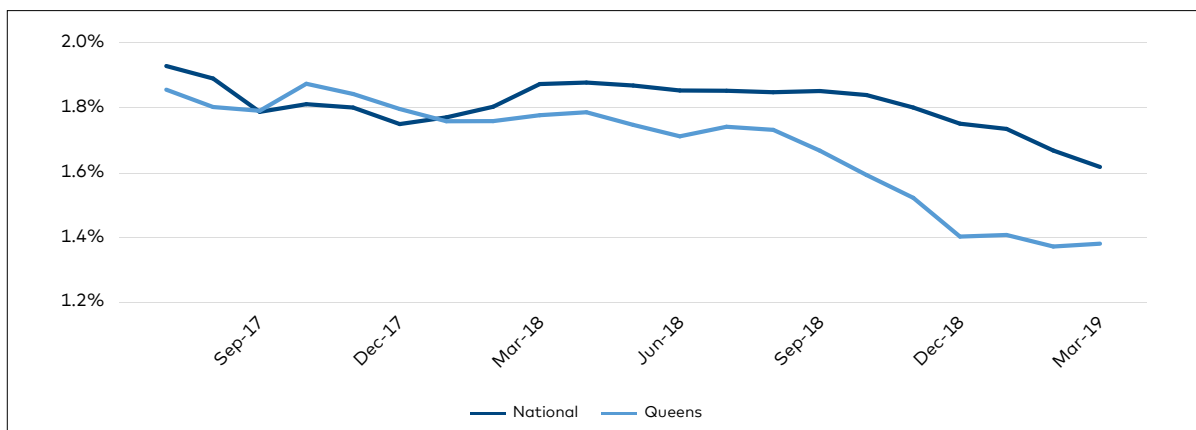


Source: YardiMatrix

## Economic Snapshot

- New York City added 103,300 jobs in the 12 months ending in March, up 1.4% year-over-year, 20 basis points below the U.S. average. Education and health services, the metro's largest sector, accounted for more than half of all gains, leading growth with the addition of 52,700 positions, a 3.5% uptick.
- Amazon may have scrapped its plans for HQ2 in Long Island City, but the professional and business services sector is powering through, having added 20,800 jobs, as there seems to be no shortage of office space demand across the metro. Manhattan, Brooklyn and Queens had more than 30 million square feet of office space under construction as of April. Of that, nearly 2.5 million square feet was located in Queens, almost all of it near the East River.
- Although employment gains in the metro decelerated in the last two quarters and demographic expansion in Queens shifted down a gear over the past couple of years, the borough continues to benefit from Manhattan's spillover effect, and has no shortage of large-scale development, even outside Long Island City. The \$8 billion LaGuardia overhaul is moving forward. To the southeast, near Citi Field, the long-delayed Willets Point mixed-use project is back on track, with the first phase underway. At the same time, Flushing, Jamaica and parts of the Long Island City area are attracting refreshed investor interest due to the Opportunity Zone program.

### 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%

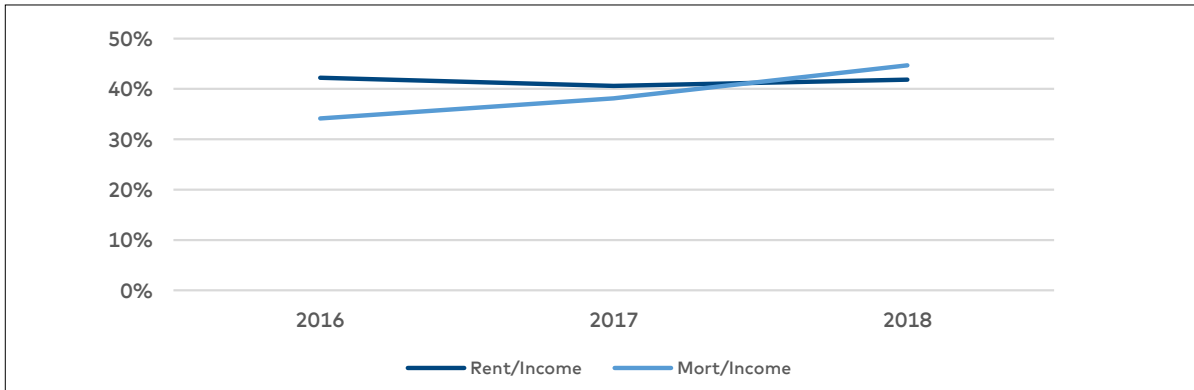
Sources: YardiMatrix, Bureau of Labor Statistics

## Demographics

### Affordability

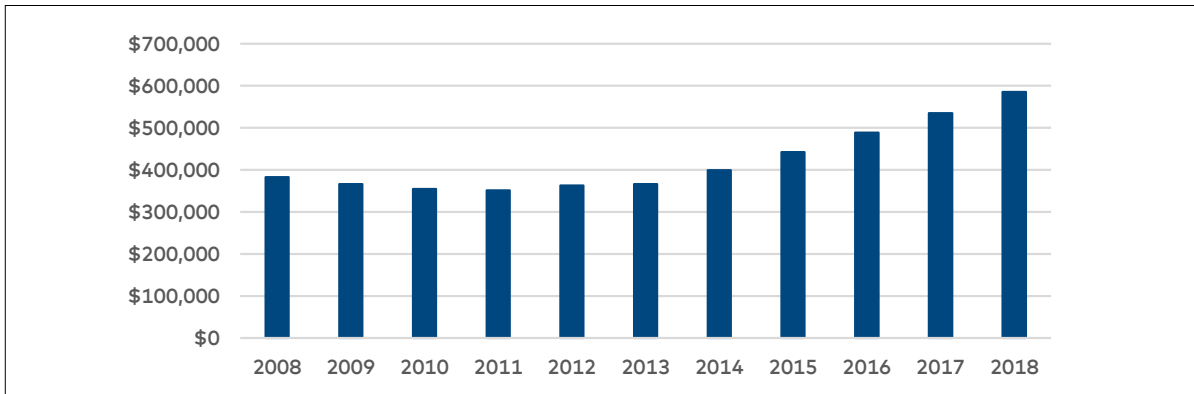
- The median home price in Queens continued its climb last year, reaching \$585,752. That marks a nearly 10% rise since 2017 and a 60% increase over five years. Although less expensive than Manhattan and Brooklyn, Queens is also becoming less affordable. Last year, the average mortgage payment accounted for 45% of the area median income, while the average rent equated to 42%.
- Continuing to face labor shortages and rising construction costs, New York City's tight housing market is far from overcoming its deep affordability issues, which constitute some of the metro's strongest headwinds for economic and demographic growth in the short and medium term.

### Queens Rent vs. Own Affordability as a Percentage of Income



Sources: YardiMatrix, Moody's Analytics

### Queens Median Home Price



Source: Moody's Analytics

### Population

- Queens added 122,818 people between 2010 and 2017 for a 5.5% demographic boost, just above the 5.3% U.S. rate.
- The borough gained only 2,538 residents in 2017. That marked a 0.1% uptick, the lowest rate this decade.

### Queens vs. National Population

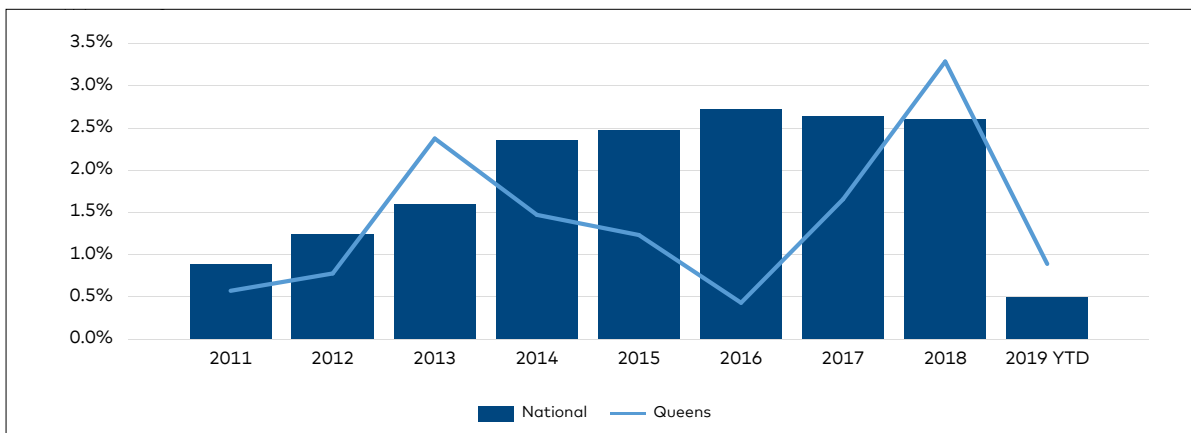
	2013	2014	2015	2016	2017
National	316,234,505	318,622,525	321,039,839	323,405,935	325,719,178
Queens County	2,307,766	2,328,004	2,346,005	2,356,044	2,358,582

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

## Supply

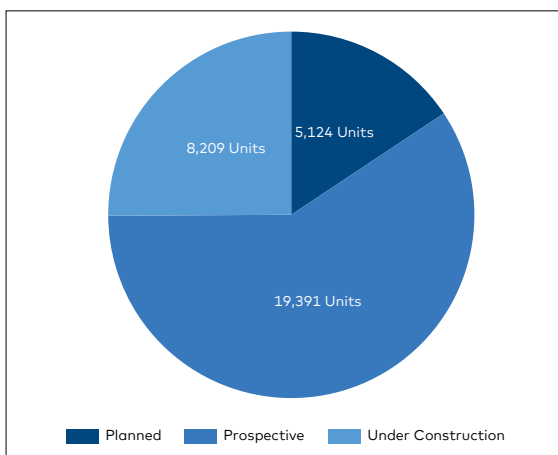
- Following a strong 2018, when 3,241 units came online, Queens' development boom is still underway. The borough had 8,209 units under construction as of April, with 887 units already coming online in Jamaica and Astoria in the first quarter of 2019. As in Brooklyn, most projects underway are located close to the East River or in transit-oriented areas, in the vicinity of major transportation hubs.
- Boosted by rezonings and Manhattan's spillover effect, Long Island City continues to be the main focus of development activity. The submarket has added 4,730 apartments since the beginning of 2016 and had an additional 4,381 units underway across six projects as of April, accounting for more than half of the borough's total pipeline. Construction also remains consistent in Jamaica (1,298 units underway) and Astoria (1,056 units). Overall, we expect developers to add 12,150 units to New York City's rental stock this year.
- Several larger projects are slated for delivery in 2020, such as The Durst Organization's 958-unit Queens Plaza Park. The 63-story Long Island City tower, which benefited from a \$360 million construction loan originated by M&T Bank, is set to feature 300 affordable apartments.

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



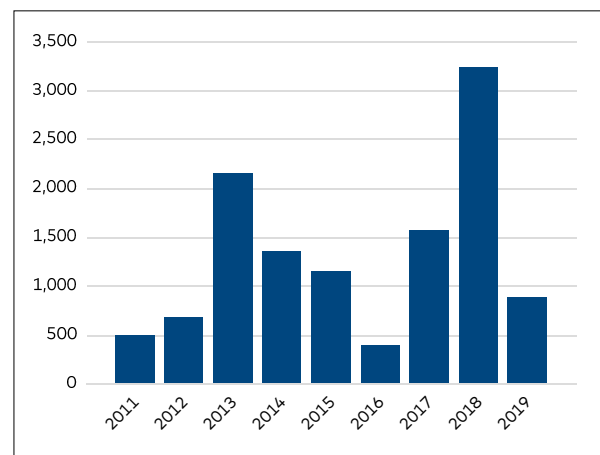
Source: YardiMatrix

**Development Pipeline** (as of April 2019)



Source: YardiMatrix

**Queens Completions** (as of April 2019)

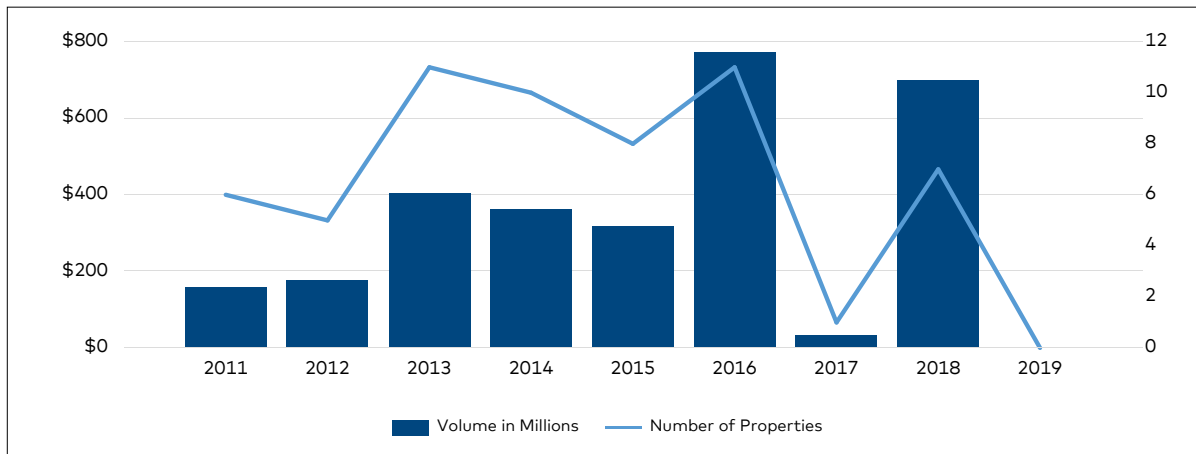


Source: YardiMatrix

## Transactions

- Multifamily properties with 50 or more units claimed \$700 million in 2018, the second-largest volume recorded in Queens during this expansion, after the \$773 million cycle high of 2016.
- The average per-unit price climbed to \$328,069 in 2018, more than double the \$153,880 national figure. Queens' average price per unit got a boost from Blackstone Group's acquisition of Parker Tower, a 1,327-unit asset sold by Jack Parker Corp. for \$475 million, or \$357,950 per unit.
- A&E Holdings was one of Queens' most active buyers in the 12 months ending in April, with the acquisition of a 428-unit brownstone portfolio in Flushing for \$127.5 million, or \$297,897 per unit. The Manhattan-based company, which also owns the 1,268-unit Kew Gardens Hills in Flushing and several other assets across the borough, acquired the portfolio from Treetop Development.

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



Source: YardiMatrix

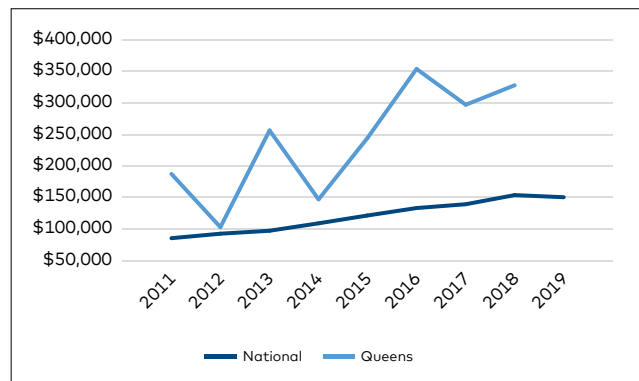
**Top Submarkets for Transaction Volume<sup>1</sup>**

Submarket	Volume (\$MM)
Forest Hills–Rego Park	475
Flushing	92
Elmhurst	36
Rockaway	19

Source: YardiMatrix

<sup>1</sup> From May 2018 to April 2019

**Queens vs. National Sales Price per Unit**



Source: YardiMatrix

## News in the Metro

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### NYC Chalks Up \$15M Affordable Housing Preservation Deal

Stakeholders from the government, non-profit and private sectors worked together to buy three apartment buildings in Queens, which will be kept rent-stabilized.



### Mixed-Use Project Advances With 2 Residential Towers

TF Cornerstone is developing the second phase of Hunters Point South, a master-planned community in Long Island City. The new high-rises will add 1,194 residential units along the East River.



### Falcon Pacific Builders Tops Out Queens Project

Developed by the Saab Family LP, the 50-unit mixed-use building in the Astoria neighborhood is scheduled to be completed by November.



### Co-Living Operator Expands in NYC

The Collective made its third investment in the city by acquiring the Paper Factory Hotel in Queens, which will be converted into a co-living facility.



### Tishman Speyer, Common Team Up On Brand for Families

Launched this spring at a community in Long Island City, the new concept uses technology to offer services and resources for parents, as well as family-friendly designs and amenities.

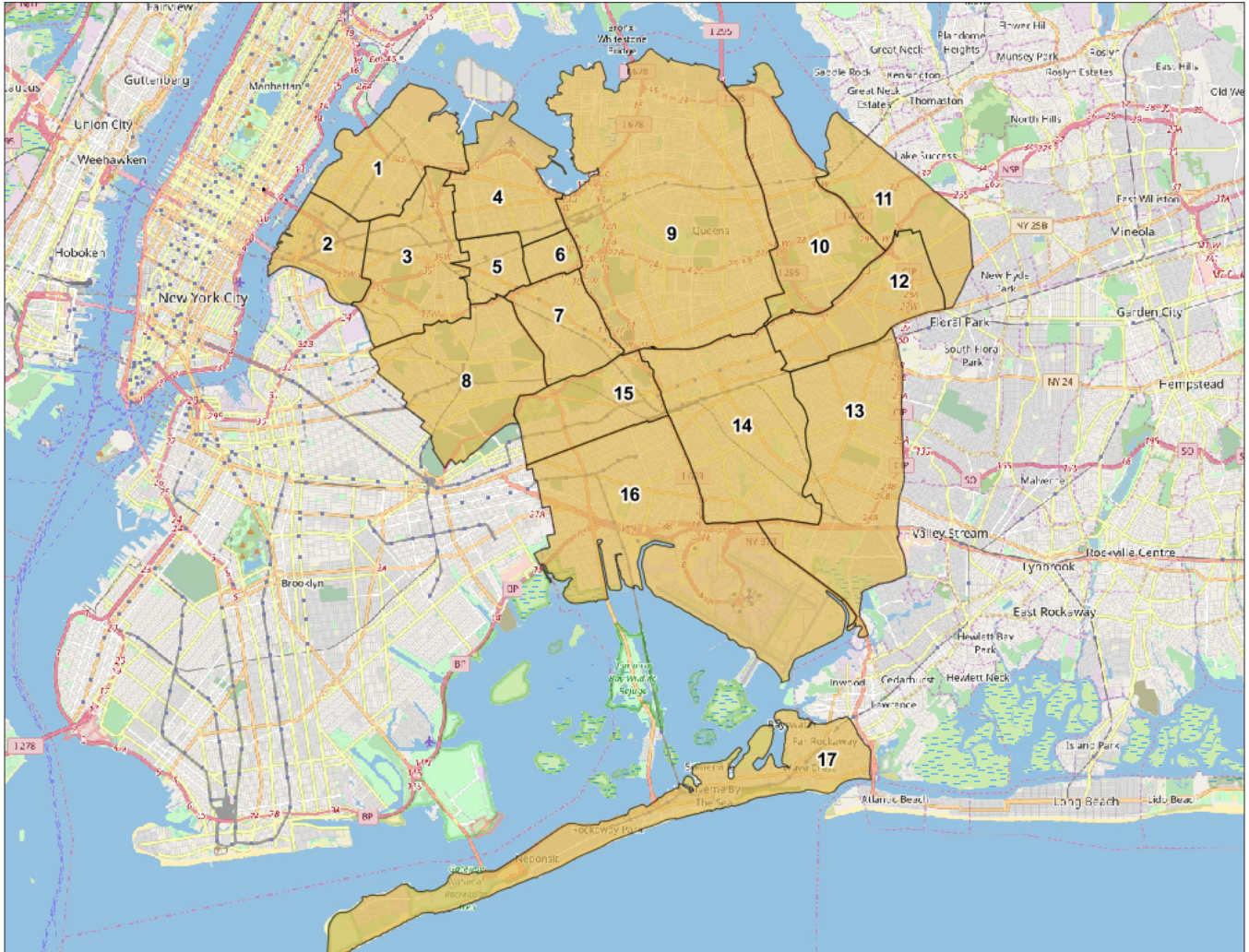


### JDS Lands \$664M Loan for Brooklyn's Tallest Tower

At 1,066 feet upon completion, the skyscraper will become the loftiest New York City building outside of Manhattan.



## 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

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## 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.

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