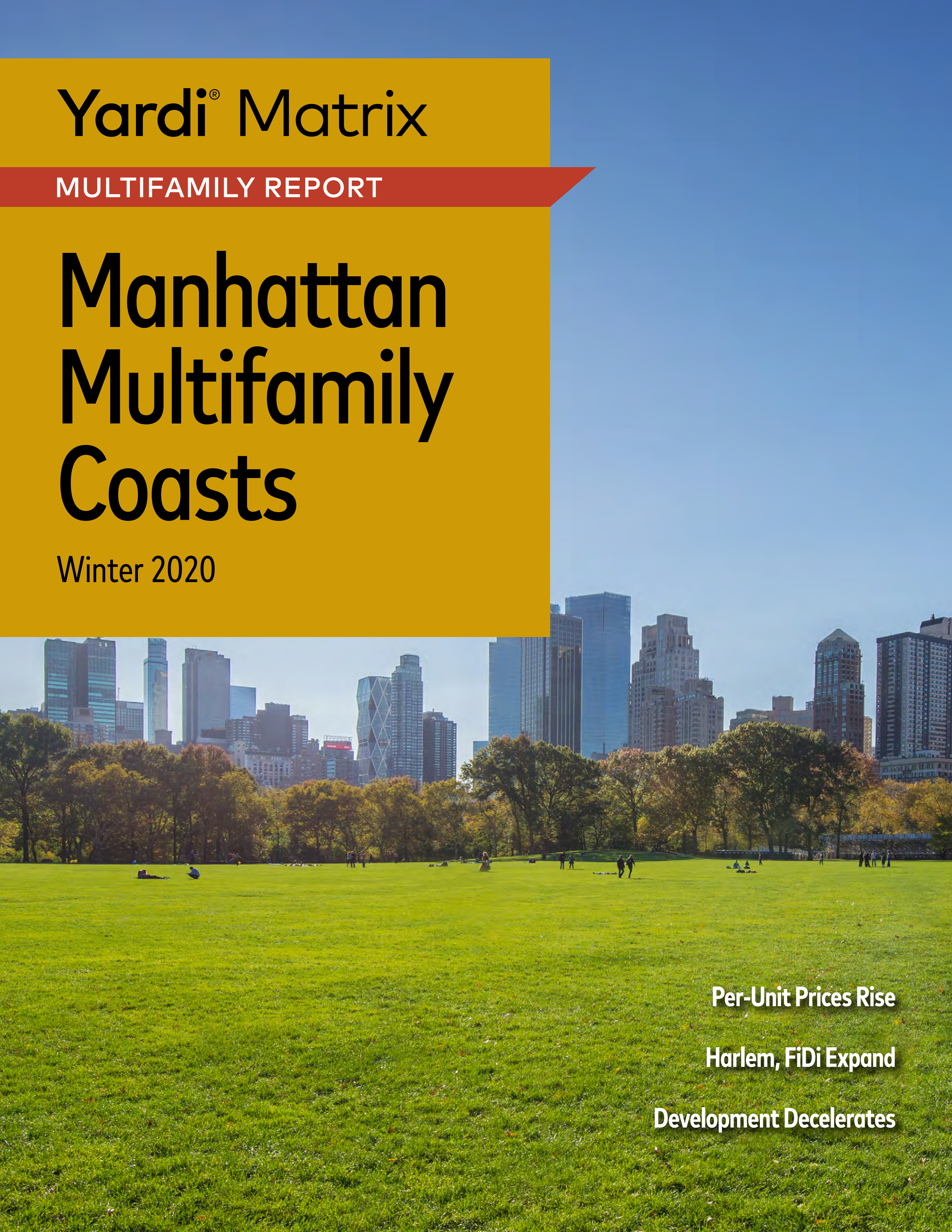
Yardi® Matrix

MULTIFAMILY REPORT

# Manhattan Multifamily Coasts

Winter 2020



**Per-Unit Prices Rise**

**Harlem, FiDi Expand**

**Development Decelerates**

# MANHATTAN MULTIFAMILY

Yardi® Matrix

# Rent Growth Endures, Pipeline Shrinks

Mirroring nationwide trends, Manhattan's multifamily sector topped off a strong 2019 with a tepid fourth quarter. While the borough remained the country's most expensive rental market, rates were up 1.9% last year and occupancy stood at 98.3% as of November, down just 20 basis points in a 12-month period.

New York City gained 77,300 jobs in the 12 months ending in November 2019, with education and health services accounting for more than 75% of this growth. The metro's economy softened slightly, but a flurry of proposed skyline-altering high rises will join a list of developments including the $25 billion Hudson Yards, Tishman Speyer's 2.8 million-square-foot The Spiral, Brookfield's $5 billion Manhattan West and SL Green's 1,400-foot-tall One Vanderbilt. As of mid-January, Manhattan had more than 20 million square feet underway in office projects alone.

Multifamily development shifted down a gear in 2019. Only 2,363 units came online, below the 3,890 apartments that were delivered in 2018 and less than half the 5,893-unit cycle high recorded in 2017. Considering the current pipeline and the borough's strong demand for upscale rentals, we expect rent growth to remain steady, but below the national average, in upcoming quarters.

## Market Analysis | Winter 2020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### Recent Manhattan Transactions

The Heritage Fifth Avenue

City: New York City
Buyer: L+M Development Partners
Purchase Price: $340 MM
Price per Unit: $566,667

60 E. 12th St.

City: New York City
Buyer: Alcion Ventures
Purchase Price: $84 MM
Price per Unit: $626,754

Harlen Housing

City: New York City
Buyer: Fairstead
Purchase Price: $76 MM
Price per Unit: $356,132

201 W. 77th St.

City: New York City
Buyer: Olnick Org.
Purchase Price: $53 MM
Price per Unit: $425,600

## RENT TRENDS

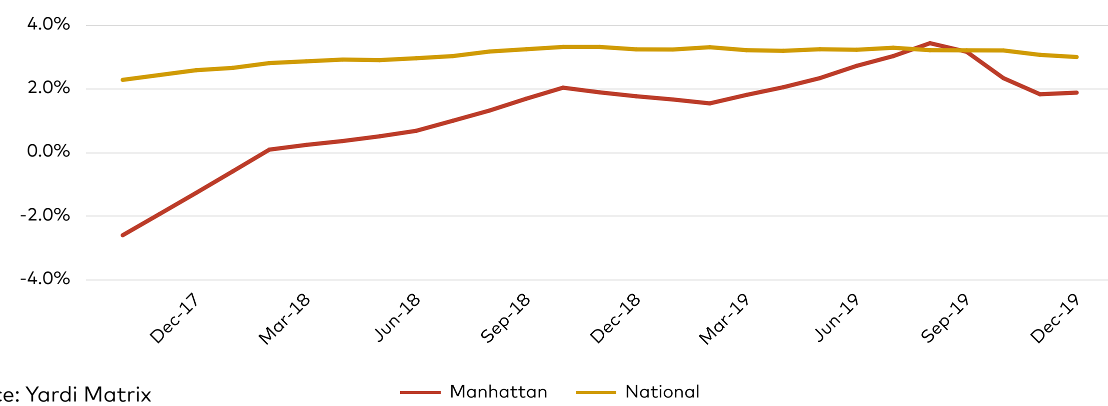
- Manhattan rents rose 1.9% last year—below the 3.0% national rate, but marking the 23rd consecutive month of positive year-over-year growth. The average rent reached $4,211 at the start of 2020, nearly three times the $1,474 national figure. Manhattan continued to lead the nation, surpassing not only neighboring boroughs but also San Jose ($2,865), San Francisco ($2,717), Boston ($2,309) and Los Angeles ($2,255).

- The borough's Lifestyle segment continued to lead growth last year, with the average rate up 2.3% to $4,622. Meanwhile, rents in the working-class Renter-by-Necessity segment improved 0.8% to $3,392.

- Murray Hill registered the strongest growth (average rate up 8.0% to $4,252), followed by emerging East Harlem (6.0% to $2,973) and the booming Financial District (4.3% to $4,100). The last two submarkets also led the borough's development pipeline. Meanwhile, rates dropped slightly across several submarkets including Lennox Hill (-3.2% to $4,183), the Lower East Side (-1.1% to $4,536) and Greenwich Village (-0.8% to $4,624).

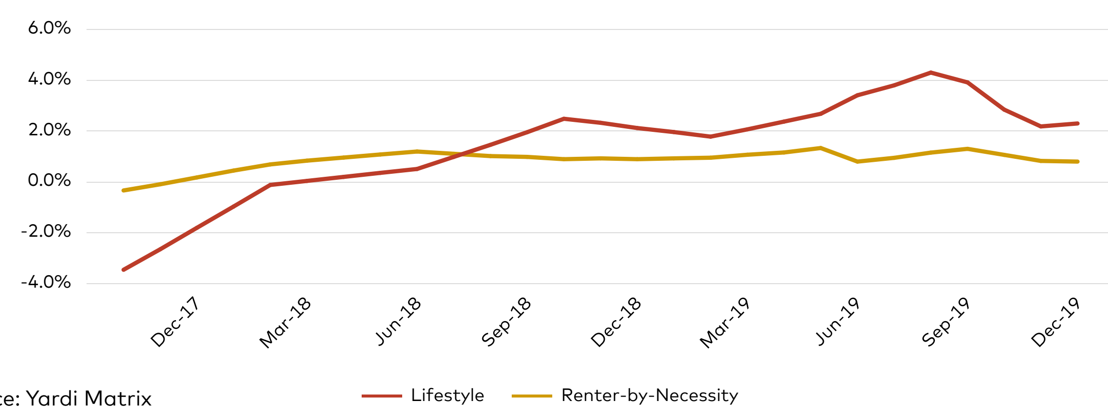
- In the context of decelerating development, Manhattan's occupancy rate in stabilized assets dropped 20 basis points to 98.3% in the 12 months ending in November, only trailing neighboring Queens (99.0%) and Brooklyn (98.9%) across the nation.

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




Source: Yardi Matrix

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




Source: Yardi Matrix

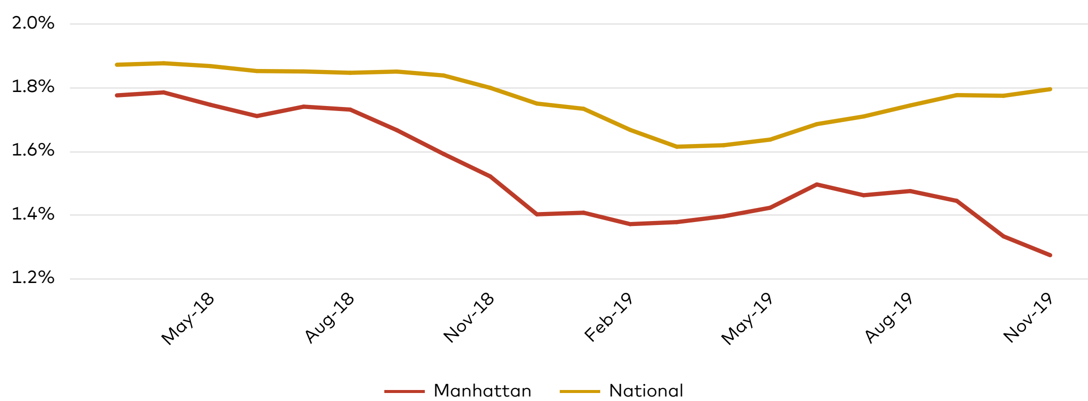
## ECONOMIC SNAPSHOT

- New York City gained 77,300 jobs in the 12 months ending in November 2019, which accounted for a 1.3% expansion, below the 1.8% national figure. Education and health services accounted for more than three-quarters of this growth, adding 58,800 positions and offsetting contractions across several sectors, including financial activities and construction.

- Although the metro's economy recently softened, Manhattan's list of high-profile developments continued to grow. Demolition work is underway at JP Morgan Chase's 270 Park Ave., with work on a 2.5 million-square-foot high-rise expected to wrap up in about three years. The Walt Disney Co. is planning a 1.2 million-square-foot headquarters at 4 Hudson Square; Vornado and Rudin Management have partnered on a 1.8 million-square-foot tower at 350 Park Ave.; and Harry Macklowe is moving forward with Tower Fifth, a 96-story proposed supertall.

- Manhattan is steadily growing on the tech front, diversifying from its financial, media and marketing roots. Google plans to double its footprint in the borough over the next 10 years, while Facebook will occupy 1.5 million square feet at Hudson Yards. Amazon is also expanding on the West Side and LinkedIn is quadrupling its lease at the Empire State Building.

**New York vs. National Employment Growth** (Year-Over-Year)




Sources: Yardi Matrix, Bureau of Labor Statistics (not seasonally adjusted)

**New York Employment Growth by Sector** (Year-Over-Year)

| | | Current Employment | | Year Change | |
|---|---|---|---|---|---|
| Code | Employment Sector | (000) | % Share | Employment | % |
| 65 | Education and Health Services | 1586 | 21.7% | 58,800 | 3.9% |
| 70 | Leisure and Hospitality | 704 | 9.6% | 16,300 | 2.4% |
| 90 | Government | 952 | 13.0% | 5,900 | 0.6% |
| 60 | Professional and Business Services | 1182 | 16.2% | 5,100 | 0.4% |
| 50 | Information | 258 | 3.5% | 1,700 | 0.7% |
| 80 | Other Services | 307 | 4.2% | 1,600 | 0.5% |
| 30 | Manufacturing | 206 | 2.8% | -400 | -0.2% |
| 40 | Trade, Transportation and Utilities | 1227 | 16.8% | -1,800 | -0.1% |
| 15 | Mining, Logging and Construction | 275 | 3.8% | -3,500 | -1.3% |
| 55 | Financial Activities | 622 | 8.5% | -6,400 | -1.0% |

Sources: Yardi Matrix, Bureau of Labor Statistics

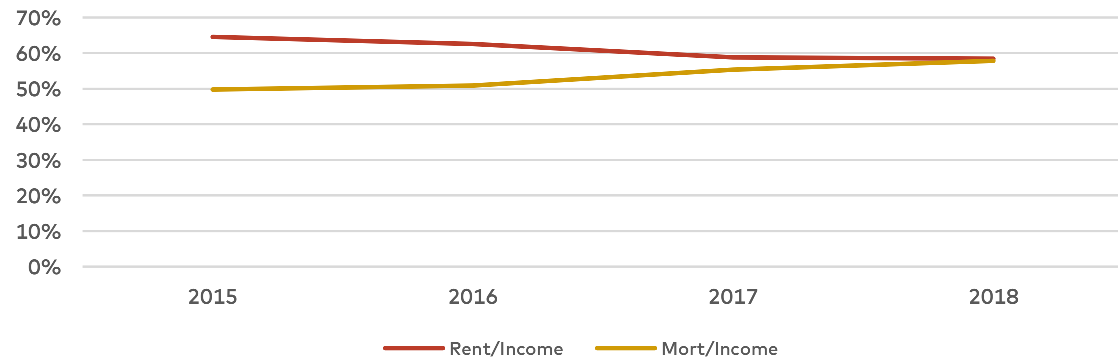
## DEMOGRAPHICS

### Affordability

- Despite some recent depreciation, the median Manhattan home price remained close to the $1 million threshold, having ballooned roughly 50% in the last decade. Owning and renting remained equally unaffordable in the borough, with the average rent and mortgage payment both accounting for nearly 60% of the area median income.

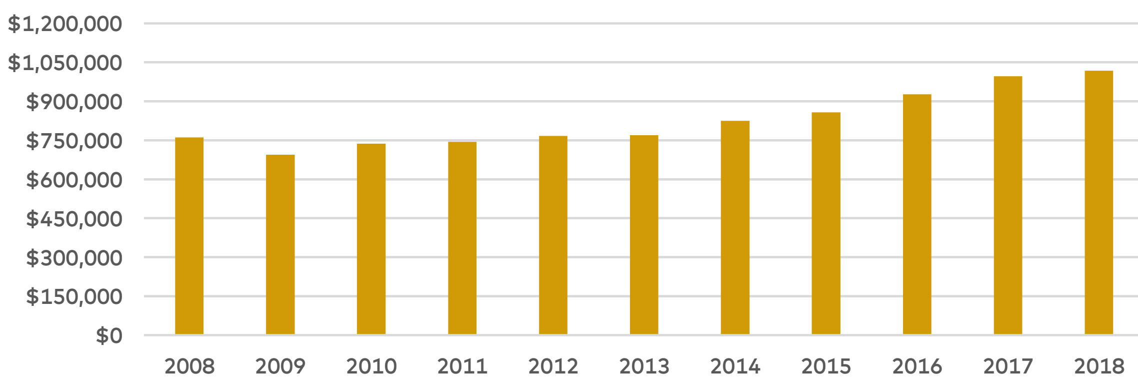
- The state's new rent regulations, which cover some 1 million units across the five boroughs, are too new to have produced any results on the affordability side. Any positive effects, however, will likely be offset by reluctance from developers and landlords to build more or improve existing stock.

**Manhattan Rent vs. Own Affordability as a Percentage of Income**




Sources: Yardi Matrix, Moody's Analytics

**Manhattan Median Home Price**




Source: Moody's Analytics

### Population

- With many residents being priced out of the borough, population has remained virtually flat since 2013.

- International immigration continues to offset Manhattan's negative domestic in-migration, a cycle-long trend that is apparent across most gateway markets.

**Manhattan vs. National Population**

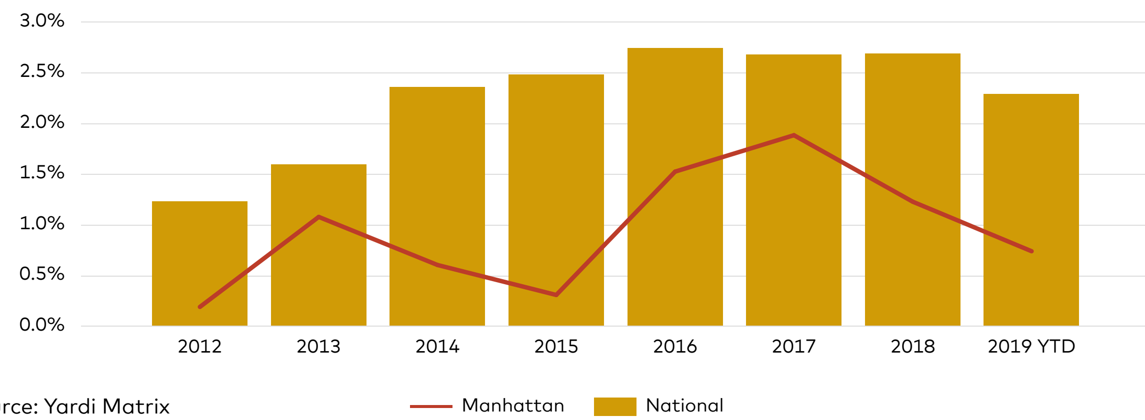
| | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|
| National | 320,742,673 | 323,071,342 | 325,147,121 | 327,167,434 |
| Manhattan | 1,636,713 | 1,636,261 | 1,629,780 | 1,628,701 |

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

## SUPPLY

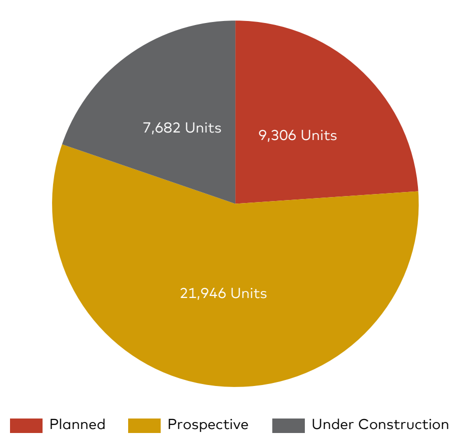
- The borough had 7,682 units under construction across 37 projects at the end of last year, more than 80% of which were in upscale developments.
- Manhattan's multifamily pipeline slowed down further in 2019, with 2,363 units coming online, down from the 3,890 that were delivered in 2018 and less than half the 5,893-unit cycle high recorded in 2017. Last year's completions accounted for just 0.7% of the borough's total stock, far behind the 2.3% national average posted in 2019.
- With Manhattan's population remaining virtually flat during the current cycle and the borough's affordability issues spilling over the East River and into nearby Brooklyn and Queens neighborhoods, submarkets north of Central Park are becoming the borough's new development hotspot. The Financial District (1,558 units under construction) led the pipeline at the end of 2019, while East Harlem (1,109) and Harlem (1,010 units) rounded out the top three.
- Carmel Partners' 19 Dutch high-rise in the Financial District was last year's largest completion. With 50,000 square feet of office and retail space, the 63-story, 483-unit property had an average rent of $5,553 and was already 93.0% leased as of December. Nearly 100 units, or 20% of the total, were assigned as affordable.

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



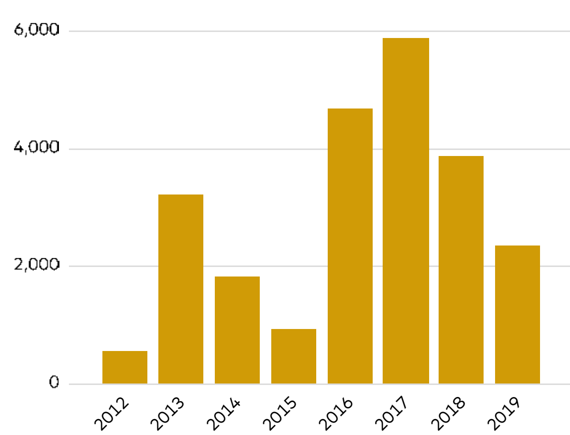

Source: Yardi Matrix

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




Source: Yardi Matrix

**Manhattan Completions** (as of December 2019)

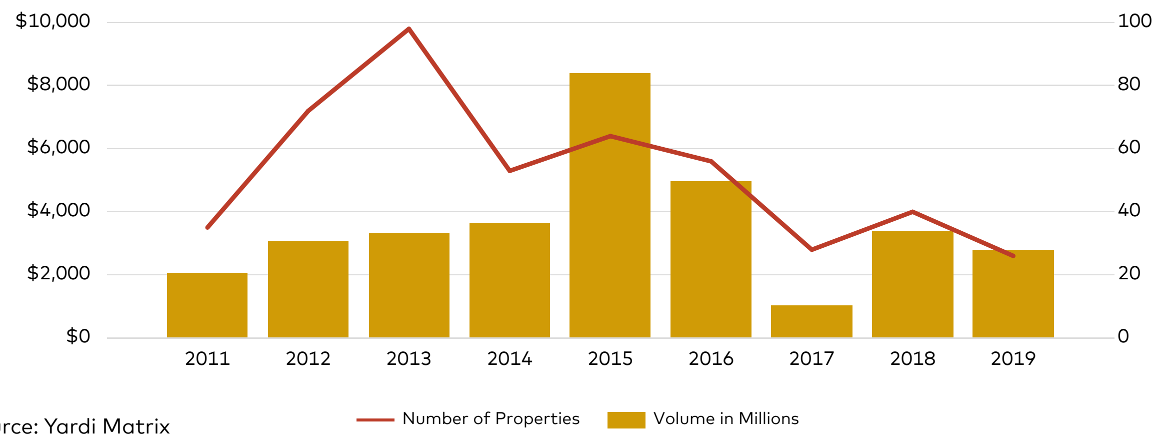



Source: Yardi Matrix

## TRANSACTIONS

- A total of $2.8 billion in Manhattan rental assets of 50 or more units traded last year, with the average per-unit price jumping to $717,386—up 24% over 2018.
- Transaction activity slowed down visibly in the wake of the state's sweeping rent control reform, which was enacted in June 2019. As investors take time to recalibrate their strategies to account for these changes, sales volume is expected to remain limited.
- One transaction challenged the overall trend in the second half of 2019: L+M Development Partners and Invesco's $1.2 billion acquisition of five properties from Urban American and Brookfield Properties. The 2,769-unit portfolio included four assets in East Harlem, as well as the 1,003-unit Roosevelt Landings on Roosevelt Island, and traded at a per-unit price of $418,924.

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




Source: Yardi Matrix

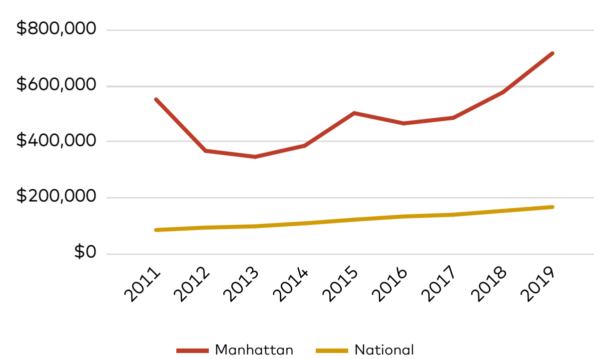
### Top Submarkets for Transaction Volume[1]

| Submarket | Volume ($MM) |
|---|---|
| East Harlem | 820 |
| Lennox Hill | 440 |
| Roosevelt Island | 340 |
| Carnegie Hill | 303 |
| Tribeca | 260 |
| NoMad | 238 |
| Greenwich Village | 168 |

Source: Yardi Matrix

[1] From January 2019 to December 2019

### Manhattan vs. National Sales Price per Unit




Source: Yardi Matrix

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### JV Scores $120M For Branded Condos

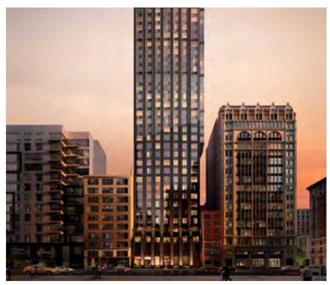
The venture is creating the first Mandarin Oriental brand of stand-alone residences in the Americas.

### Memory Care Facility Wins $48M Loan

Coast to Coast Assisted Living Realty refinanced the 70-bed assisted living community located 1 mile from Central Park.

### Brookfield Begins Work on $950M Bronx Megaproject

The development will bring 1,350 apartments to the Harlem River waterfront. The 450-unit first phase is now underway.



### Rockefeller Group High-Rise Tops Out

The 123-unit condo tower, Rose Hill, marks the firm's first luxury residential community in Manhattan.

### East Village Affordable Project Breaks Ground

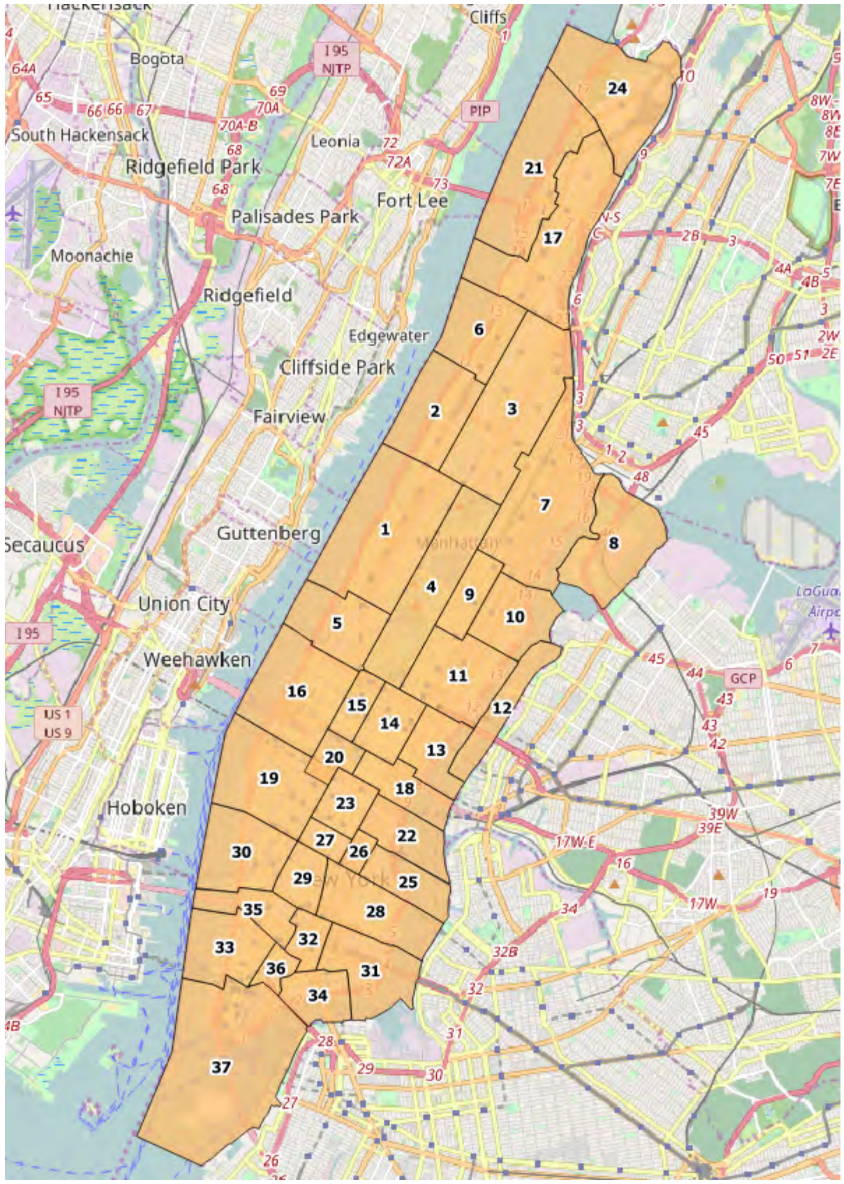
Asian Americans for Equality is developing the 14-story, 45-unit building located on Second Street.

### Rental Property's $215M Refi

The partly affordable asset is located within Essex Crossing, a development that will include more than 1,000 apartments.

## 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 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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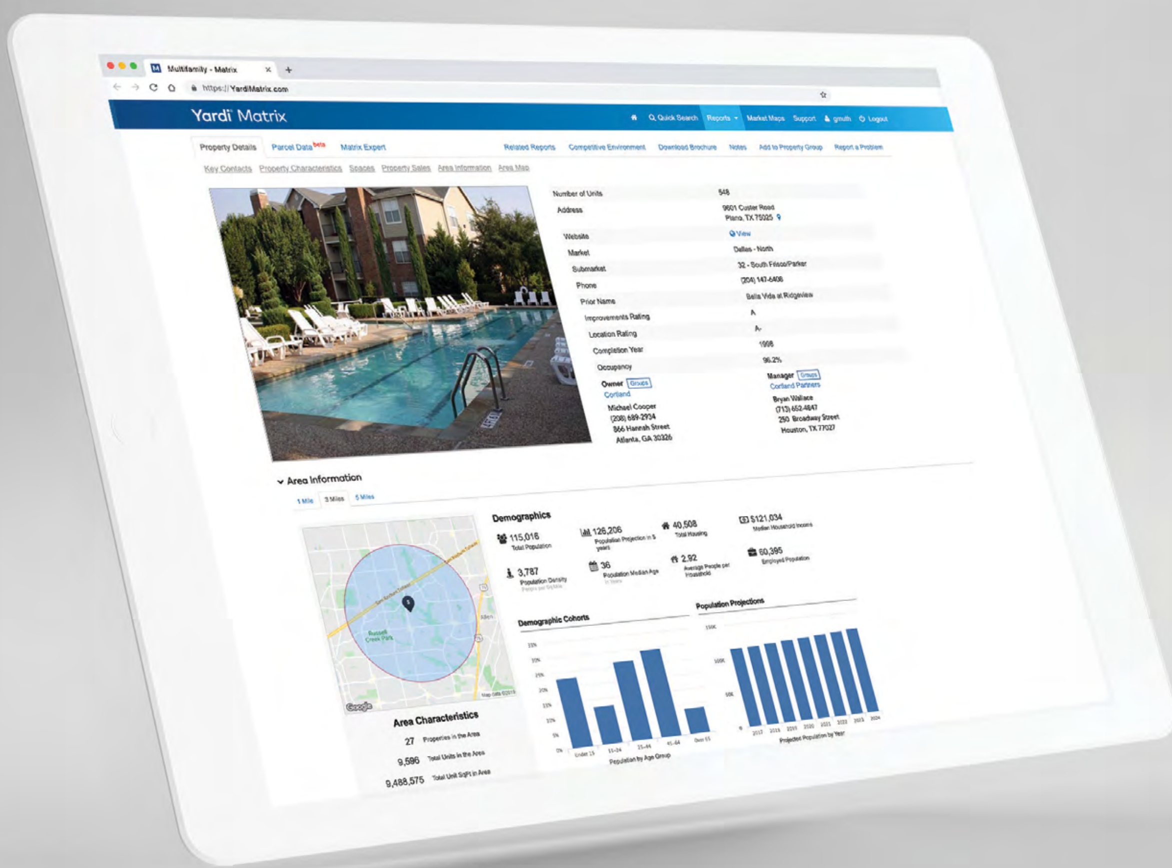


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