

MULTIFAMILY

New York City Metro Area

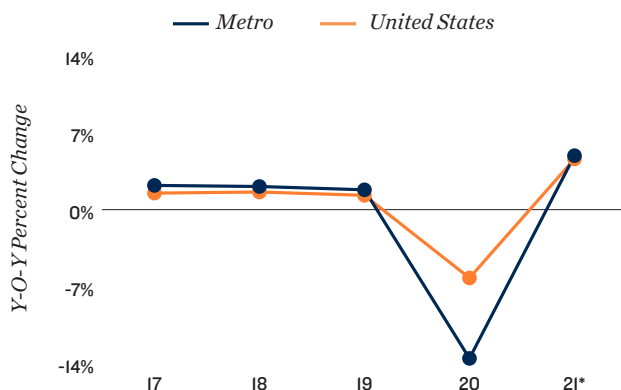
3Q/21

Manhattan Renters Returning After Year Away; Construction Keeps Pressure on Class A Units

Metro exiting challenging period. While fewer people left New York on a net basis in 2020 than in any of the previous three years, many residents did relocate out of Manhattan. A net 9,100 apartments were relinquished last year, the most of any borough. Since then, widespread vaccinations and an economic reopening have reversed this trend. More than 9,900 Manhattan rentals were absorbed through the first six months of 2021, driving vacancy down 100 basis points in that span. Going forward, the spread of COVID-19 variants could temper upward momentum. Currently, most businesses are staying open, requiring proof of vaccination among employees and customers instead of closing. This key difference in approach should mitigate many of the economic hurdles encountered in 2020.

Outer boroughs performing well, construction a concern. Most submarkets outside Manhattan posted sub-3 percent vacancy in June, with some areas such as Southeast Brooklyn and Ditmas Park-Flatbush staying under 2 percent. The Bronx and Queens also maintained low availability, having largely avoided the disruptions to property fundamentals recorded in Manhattan and Brooklyn last year. Marketwide, operations are tightest among Class B and C rentals, while Class A vacancy lies above 20 percent in certain parts of the Bronx and Brooklyn. Ongoing development may also weigh on Class A leasing in some areas this year, with the most arrivals slated for Long Island City and the South Bronx.

Employment Trends



* Forecast
Sources: BLS; CoStar Group, Inc.

Multifamily 2021 Outlook


200,000 JOBS
will be created

EMPLOYMENT:

Employers are on track to expand staff counts by 4.9 percent this year after a 13.5 percent contraction in 2020. Despite recent hiring momentum, unemployment remained above 10 percent at midyear, one of only two markets still exceeding that threshold.


21,000 UNITS
will be completed

CONSTRUCTION:

The pace of development is picking up after pandemic-related restrictions curtailed construction activity last year. By the end of 2021, apartment inventory will have expanded by 1.0 percent, similar to 2019.


20 BASIS POINT
decrease in vacancy

VACANCY:

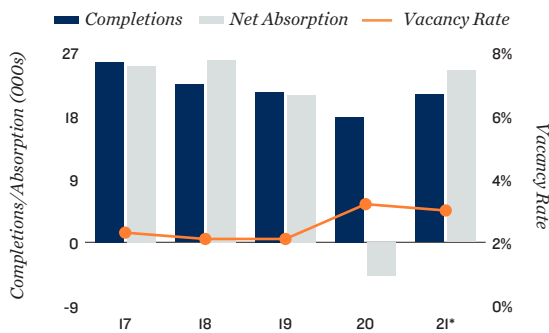
After climbing 110 basis points last year, vacancy in the metro is poised to contract to 3.0 percent in 2021. Apartment absorption has been increasingly positive this year, with nearly as many units absorbed in the first half as in all of 2019.


2.9% INCREASE
in effective rent

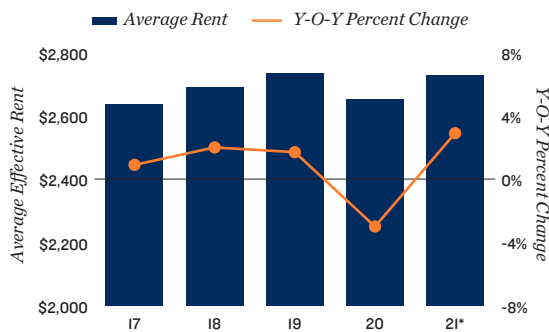
RENT:

Sliding throughout 2020, the average effective rent in the market will improve to \$2,730 per month this year, nearing the pre-pandemic benchmark of \$2,734. Gains will be greatest in the Class A and B tiers.

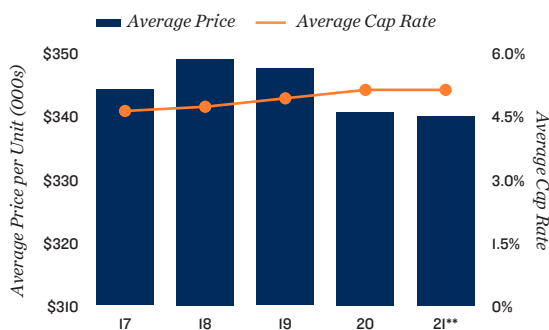
Supply and Demand



Rent Trends



Sales Trends



* Forecast; ** Through 2Q

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

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Price: \$250

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2Q21 – T-12 Month Period

CONSTRUCTION

19,130 units completed

- Total completions for the 12-month period ended in June came in close to the 19,160 units delivered during the prior yearlong span. Arrivals for the second quarter were up 84 percent year over year.
- Both the Bronx and Queens welcomed over 4,000 new rentals apiece, leading all other submarkets.

VACANCY

20 basis point decrease in vacancy Y-O-Y

- Pent-up leasing demand manifested in a record level of absorption in the second quarter as the metro economy reopened, pulling the overall vacancy rate down to 2.7 percent.
- Vacancy fell the most annually in Midtown South. The 100-basis-point decline partially offset the 250-basis-point jump registered in 2020.

RENT

0.3% increase in the average effective rent Y-O-Y

- The market's average effective rent modestly improved to \$2,718 per month in June, driven entirely by gains in the Class B segment.
- Rents advanced by more than 2 percent annually in Williamsburg-Greenpoint-Navy Yard and Staten Island, as well as among the small inventory of units on Roosevelt Island.

Investment Highlights

- The number of properties that changed hands in the first six months of 2021 was up by about 9 percent from the second half of 2020. Although improving, quarterly transaction velocity is still about 20 percent below the pre-pandemic average.
- Over the 12-month period ending in June properties traded at an average per unit price of \$339,900, down 3 percent from the 2018 peak. An increase in the number of Class C transactions relative to the prior yearlong period likely contributed to the dip in entry costs.
- Sales activity was up across all five boroughs over the past four quarters, with the largest jump occurring in Queens. Investors frequently targeted assets in Central and Northwestern Queens where initial yields averaged in the mid-5 to high-5 percent range. The market mean was 5.1 percent in June, up 10 basis points year over year.
- Manhattan buyers targeted the Upper West Side most often, with numerous century-old properties with fewer than 20 units changing hands in a general range of \$230,000 to \$600,000 per unit.