

Queens 2022 Year-End Commercial Real Estate Trends

by Ariel Property Advisors
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Investment Sales
Capital Services
Research

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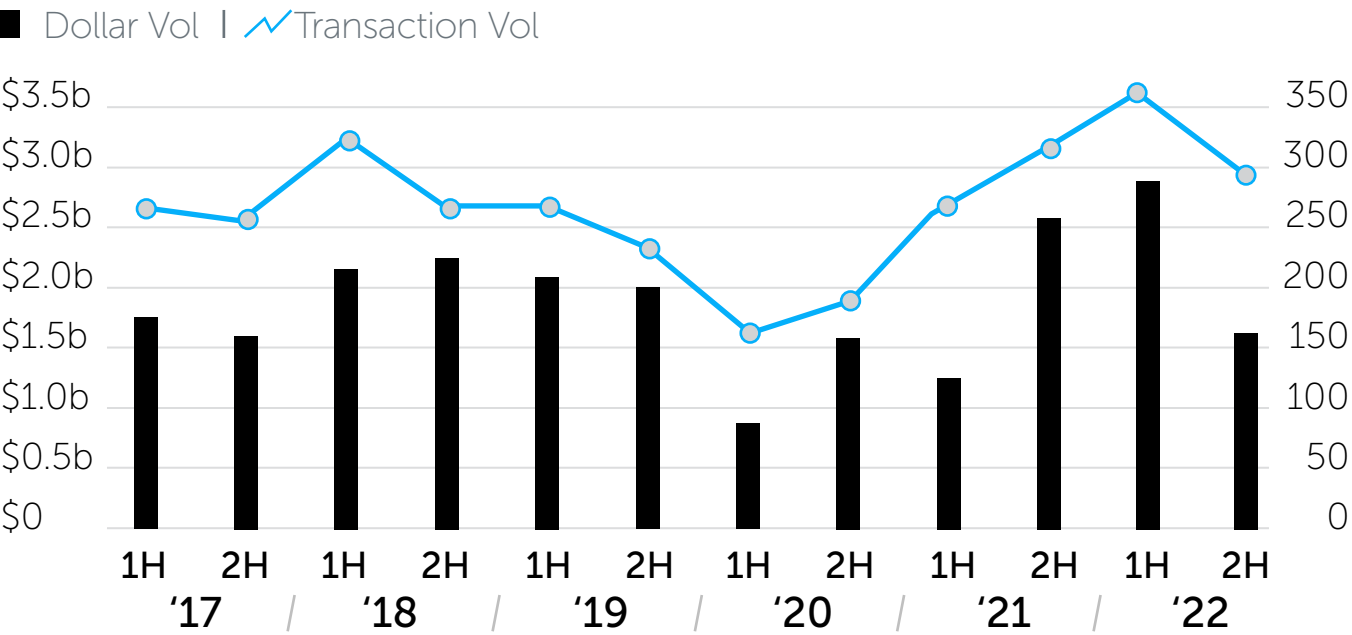
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2022 Year-End Overview

The Queens investment sales market in 2022 had a record-breaking year, with the most transactions on record in addition to surpassing the \$4 billion mark in dollar volume for the first time since 2018 and the 4th time overall (2015, 2016 & 2018 previously). The heightened investment activity was fueled by H1 2022 which was the best half-year ever both in transaction and dollar volume. The second half of the year saw a drop of 17% and 56%, respectively, which was attributed to a drop in both multifamily and development sales. The multifamily, industrial/warehouse, and development assets finished the year as the top performing sectors of the market, with the multifamily market not only accounting for over half of the total transaction volume but also the most of all time.

Real Estate Timeline



Volume
2022 vs 2021

17%

↑

\$4.41b

Dollar

12%

↑

659

Transaction

14%

↑

846

Property

Dollar Volume Comparison

Product Type	2022	'22 vs '21	2021	'22 vs '20	2020
Multifamily	\$1,237,602,309	43%	\$864,820,409	158%	\$480,419,118
MF-MU 10+ resi units	\$700,229,831	45%	\$483,723,000	171%	\$258,542,000
MF-MU 6-9 resi units	\$186,930,460	32%	\$141,510,656	149%	\$75,127,026
MF-MU Small	\$350,442,018	46%	\$239,586,753	139%	\$146,750,092
Commercial*	\$664,959,857	-13%	\$761,663,208	177%	\$240,410,660
Ind / WH / Sto**	\$850,302,673	-2%	\$867,036,550	95%	\$435,944,877
Development	\$1,092,658,014	20%	\$909,662,802	65%	\$662,355,929
Office	\$408,096,730	110%	\$194,490,500	1,355%	\$28,055,000
Special Purpose	\$156,658,407	-9%	\$171,566,225	-70%	\$526,457,830
GRAND TOTAL	\$4,410,277,990	17%	\$3,769,239,694	86%	\$2,373,643,414

*Commercial includes retail and hotel properties
**Ind / Wh / Sto: Industrial / Warehouse / Self Storage

2022 Year-End Outlook

The outlook on inflation and the resulting direction of interest rates will be a major driver of sales activity and pricing throughout 2023. We saw buyer sentiment turn sharply negative in late 3Q22 when it became apparent that higher interest rates were not bringing down inflation fast enough, leading most to believe both elevated inflation and elevated interest rates would be present longer than many had hoped.

Market fundamentals have now recovered, but buyers and sellers are more cautiously pricing properties to account for elevated rates and the potential of a recession in the near term. This will likely drive prices down for income-producing properties in 2023. Sales volume, however, may actually increase as owners with loans coming due this year look to sell properties versus refinance, which would require them to accept higher interest rates and potentially pay down principal amounts.

We hope the legislature follows through on recent housing policy announcements by the NY State Governor Hochul and Mayor Adams. Despite improved market fundamentals, development site sales are hobbled by the higher interest rate environment. Clarity on a policy replacing the Affordable New York Program, efforts to streamline DOB operations, and fast-tracked rezoning initiatives are essential to improve development site transactions that ultimately lead to construction.

Transaction Volume Comparison

Product Type	2022	'22 vs '21	2021	'22 vs '20	2020
Multifamily	358	36%	264	134%	153
MF-MU 10+ resi units	71	65%	43	173%	26
MF-MU 6-9 resi units	100	25%	80	138%	42
MF-MU Small	187	33%	141	120%	85
Commercial*	100	-20%	125	85%	54
Ind / WH / Sto**	93	0%	93	66%	56
Development	76	15%	66	21%	63
Office	18	13%	16	200%	6
Special Purpose	14	-48%	27	-33%	21
GRAND TOTAL	659	12%	591	87%	353

*Commercial includes retail and hotel properties
**Ind / Wh / Sto: Industrial / Warehouse / Self Storage

Multifamily Highlights

- This was the best year on record for transaction volume and the best year since 2018 in dollar volume. The growth was a result of increased activity in MF-MU Small which accounted for over half of the multifamily trades and the most in this category on record.
- Pricing metrics increased to their highest level since 2019 however, when compared to pre-Covid pricing metrics, there is still room to grow.
- Higher cost of debt led to a decrease in market activity with dollar volume down 17% and transaction volume down 44% in the second half of 2022.
- Approximately two-thirds of the transaction volume and just over one-half of the dollar volume took place in Northwestern Queens.
- Median rents in Northwestern Queens year-over-year for the sixteenth consecutive month in December 2022, according to the Elliman Report, and propelled investment in free market multifamily buildings.

Volume
2022 vs 2021

43%

↑

\$1.24b

Dollar

36%

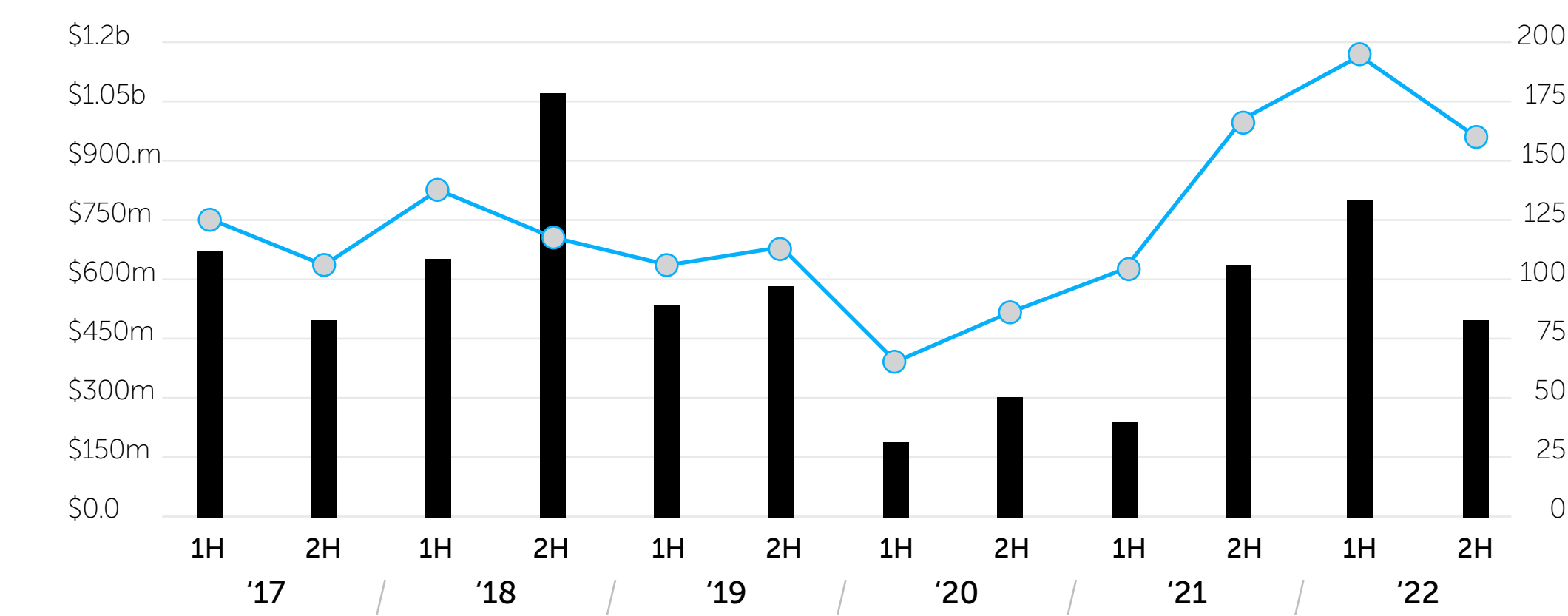
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358

Transaction

Real Estate Timeline

■ Dollar Vol | ▲ Transaction Vol



Property Value Metrics - Multifamily*

Year	2016	2017	2018	2019	2020	2021	2022
\$/SF	\$346	\$371	\$365	\$343	\$246	\$286	\$320
\$/Unit	\$283,588	\$282,834	\$294,798	\$276,261	\$213,813	\$226,938	\$266,894
Cap Rate	4.27%	4.25%	4.31%	4.46%	5.46%	5.40%	5.18%
GRM	15.44	15.31	15.71	14.67	10.35	10.93	11.10

*reflects multifamily transactions of 10+ residential units

2H'22 Featured Transaction



Long Island City
32-04 38th Avenue

Sale Amount:
\$11,244,000
\$/SF:
\$533
Buyer:
Jae Four Real Estate Investment LLC
Seller:
Shanti Towers Llc

Sale Date: **7/12/2022**

Commercial Highlights

- The pandemic shifted New Yorkers’ work and lifestyles, with less commuters to Manhattan and more support for local businesses in the outer boroughs. According to analysis from New York City comptroller, the number of private business’s in Queens grew 4% from Q4 2019 to Q4 2021.
- 2022 was the third best year on record for dollar volume and among the 5 best years ever for transaction volume. Interestingly, the second best year in dollar volume was 2021.
- A majority of the trades were for commercial buildings however, a significant dollar volume were also attributed to hotel sales.

Volume
vs 2021

-13%

↓

\$665M

Dollar

-20%

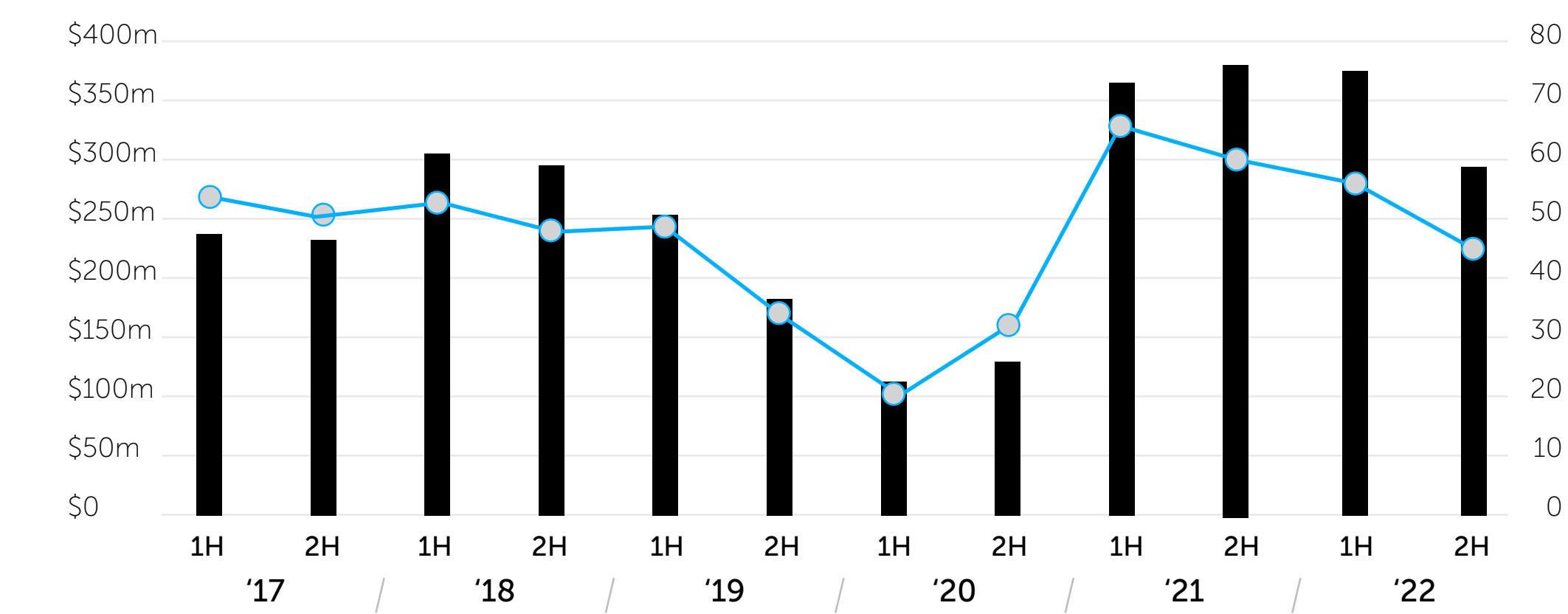
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100

Transaction

Real Estate Timeline

■ Dollar Vol | ▲ Transaction Vol



Property Value Metrics - Commercial*

Year	2016	2017	2018	2019	2020	2021	2022
\$/SF	\$567	\$552	\$843	\$637	\$637	\$693	\$663

*reflects transactions of commercial buildings

2H'22 Featured Transaction



East Elmhurst
90-10 Ditmars Boulevard

Sale Amount:
\$53,000,000
\$/SF:
\$280
Buyer:
Main & Northern Partners
Seller:
GCP Realty II LLC

Sale Date: **12/27/2022**

Ind / WH / Sto Highlights

- The industrial market in 2022 was on par with both 2019 and 2021 as the best years on record in dollar volume. Also, 2022 matched the transaction volume in 2021 with 93 transactions, which is also the highest on record.
- Pricing metrics also set a new record in the city and continue a string of 6 years of improving \$/SF.
- Transaction volume was relatively the same in H2 2022 and H1 2022, although dollar volume fell considerably. The difference was the lack of top tier trades in the second half of the year as the top 10 trades in 2022 per dollar volume were all in H1 2022.

Volume
2022 vs 2021

-2%

↓

\$850.3M

Dollar

0%

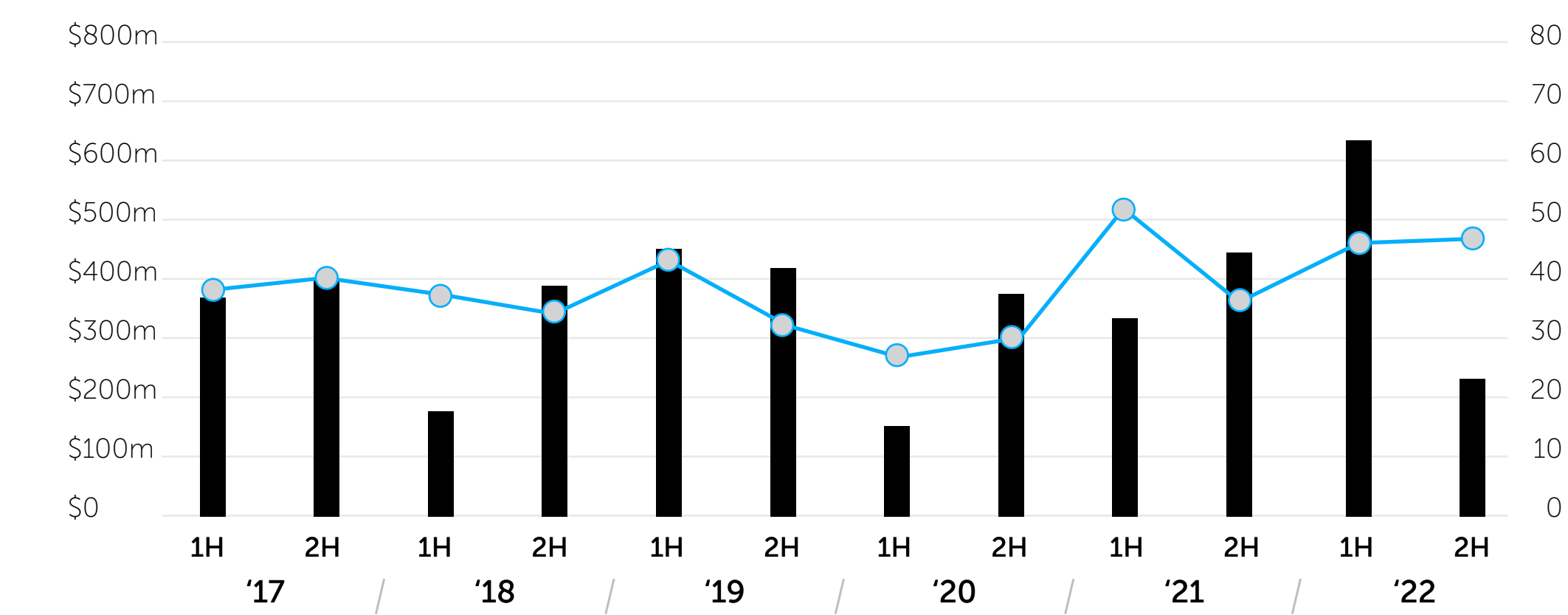
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93

Transaction

Real Estate Timeline

■ Dollar Vol | ✓ Transaction Vol



Property Value Metrics - Ind / WH / Sto*

Year	2016	2017	2018	2019	2020	2021	2022
\$/Gross SF	\$357	\$333	\$360	\$366	\$404	\$411	\$455
\$/Lot SF**	\$160	\$138	\$187	\$239	\$161	\$219	\$283

*Ind / Wh / Sto: Industrial / Warehouse / Self Storage
**\$/Lot SF applies only to properties where the gross building square footage is less than 50% of the lot square footage

2H'22 Featured Transaction



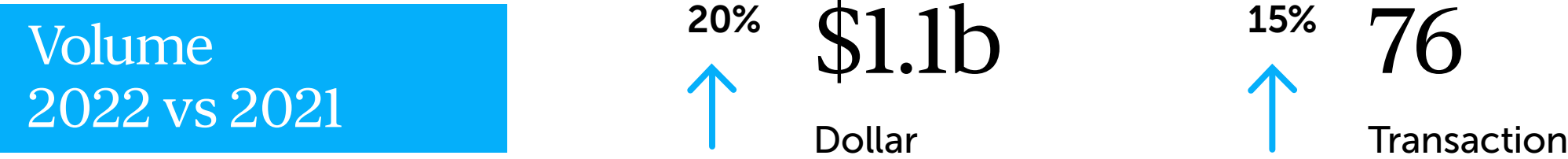
Long Island City
37-19 Crescent Street

Sale Amount:
\$12,750,000
\$/SF:
\$272
\$/Lot SF:
\$1,462
Buyer:
Queens Self Storage Owner Lp
Seller:
Knickpoint Ventures

Sale Date: **7/15/2022**

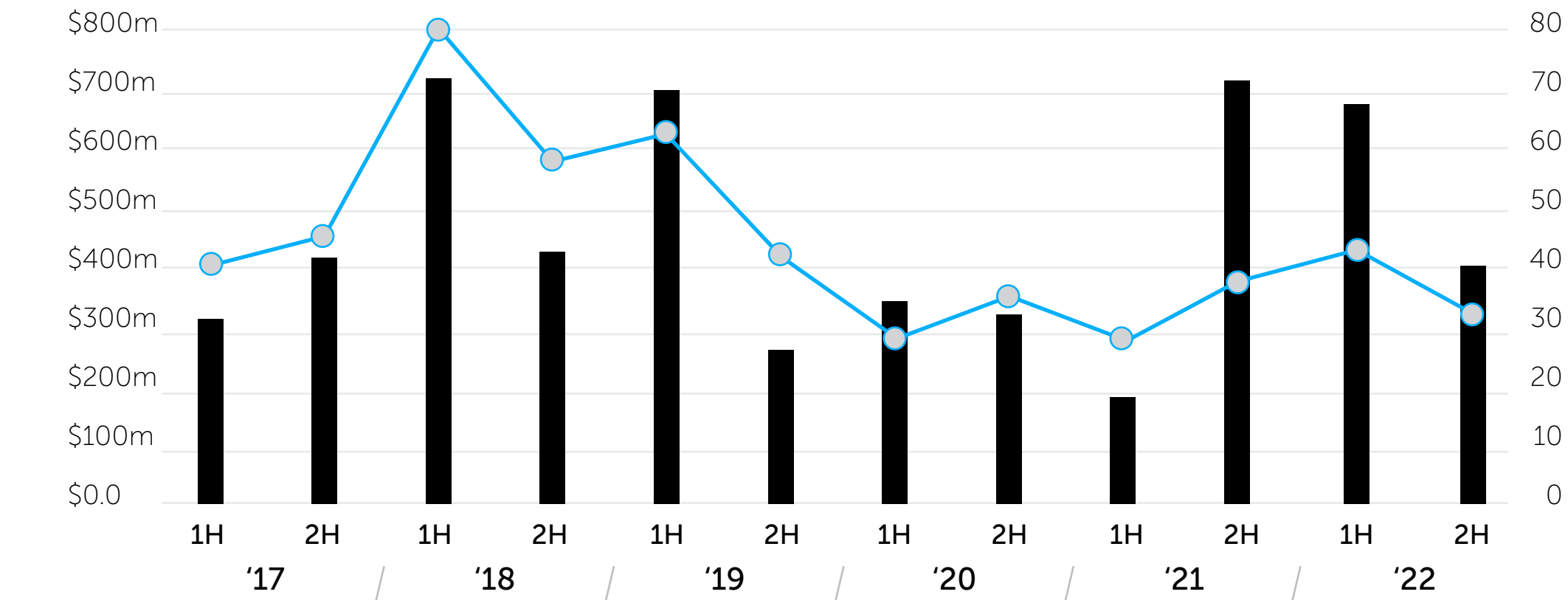
Development Highlights

- The borough was on par with the best years in dollar volume (2015, 2016, 2018 & 2019) although it was inflated by large purchases in the first half of the year including 43-30 24th St bought by Carmel Partners for \$176 million and 131-01 39th Ave bought by United Construction & Development Group for \$115 million.
- The borough experienced a significant amount of variance rezonings including:
 - Astoria: The Innovation QNS megaproject that will bring 3,200 apartments (1,400 affordable units) to Astoria.
 - Willets Point: The transformative Willets Point redevelopment project includes Related Companies and Sterling Equities’ plan to build 2,500 fully affordable units, a 250-key hotel and a brand new soccer stadium to house NYCFC across a 23-acre stretch in Willet’s Point. This is in addition to 50 acres around Citi Field that Mets Owner Steve Cohen would like to develop to bring year-round entertainment to the area, including the possibility of a casino license.
- The City Council’s approval of a 166-acre rezoning in Edgemere could lead to the creation of 1,200 units (530 affordable units).
- 24-19 Jackson Avenue was purchased by Tavros Capital Partners and Charney Companies from Toyoko Inn, which was originally planned as a 50-story hotel with more than 1,000 rooms. Toyoko Inn assembled the site for more than \$26 million from 2007 to 2014 and sold it for a considerable gain as land prices in Long Island City have continued to rise.



Real Estate Timeline

■ Dollar Vol | ✓ Transaction Vol



Property Value Metrics - Development*

Year	2016	2017	2018	2019	2020	2021	2022
\$/BSF	\$185	\$212	\$211	\$208	\$222	\$217	\$201

*reflects transactions of vacant land or equivalent development sites

2H'22 Featured Transaction



Long Island City
24-19 Jackson Avenue

Sale Amount:
\$68,325,000
\$/BSF:
\$383
Buyer:
Tavros Capital Partners
Seller:
Toyoko Inn New York LLC

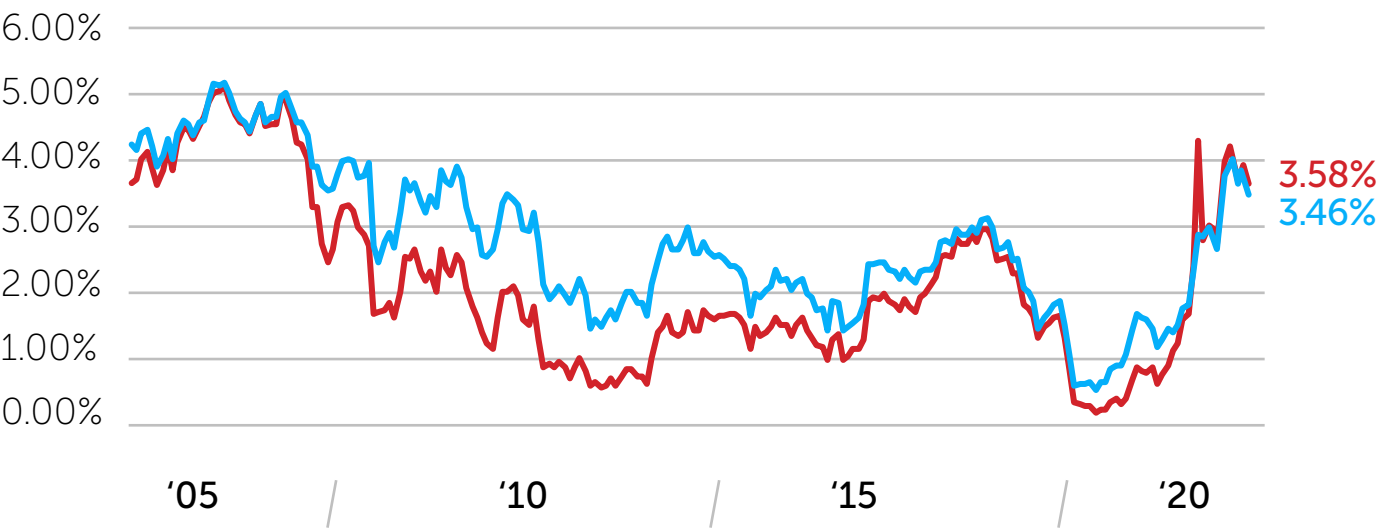
Sale Date: **7/20/2022**

Macro Economic Overview

A number of macro-economic indicators affect the bottom line of commercial real estate investments in New York City and, in turn, the pricing and demand for these assets during any given period. Ariel Property Advisors’ Research Division tracks national and local metrics to identify key market drivers influencing the real estate industry.

Financing:

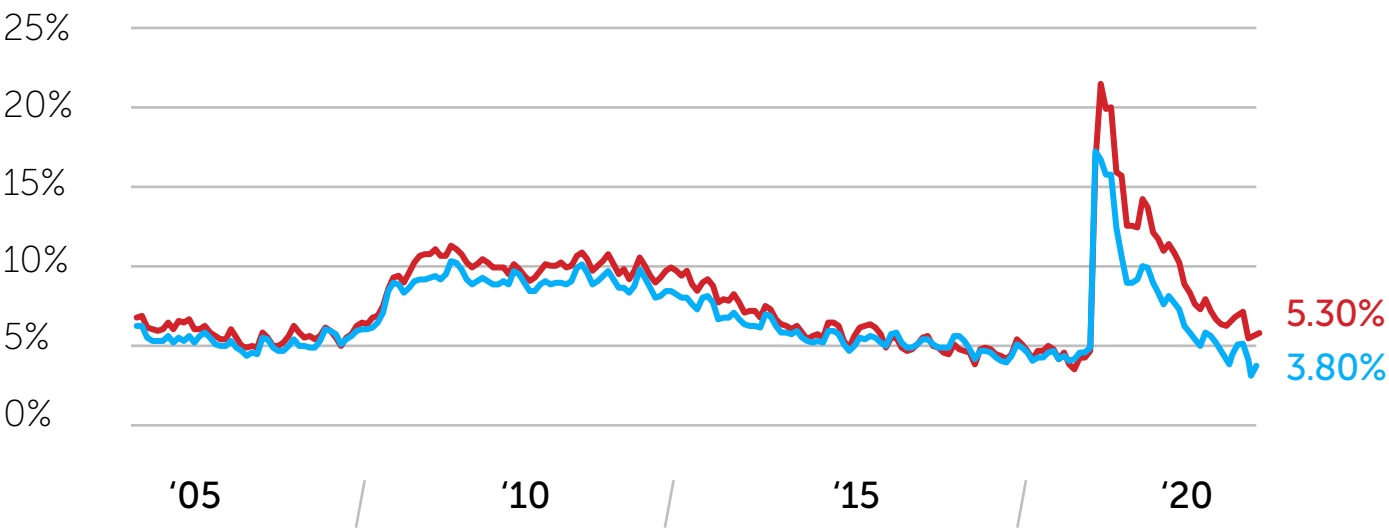
10-Year: 3.46% | 5-Year: 3.58% | As of January 24th, 2023
Treasury Yield Curve Rates 10-year | 5-year



Source: U.S. Department Of The Treasury

Unemployment Timeline:

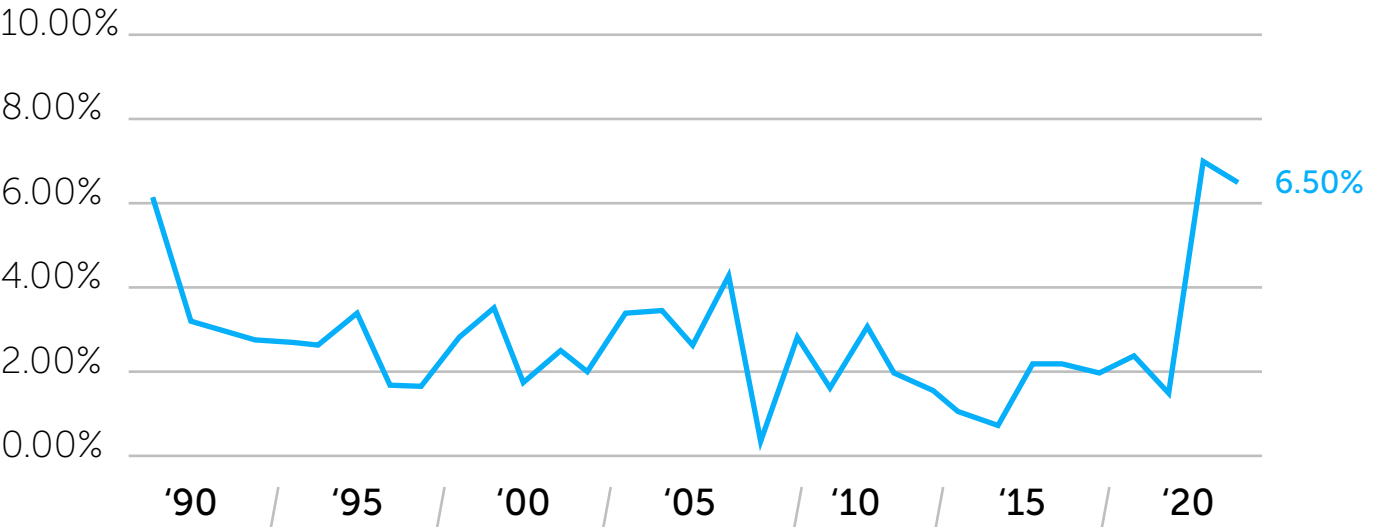
NYS: 3.80% | NYC: 5.30% | As of December 2022
Unemployment Rate History | NYS & NYC (Not Seasonally Adjusted)



Source: Department Of Labor

Consumer Price Index (CPI):

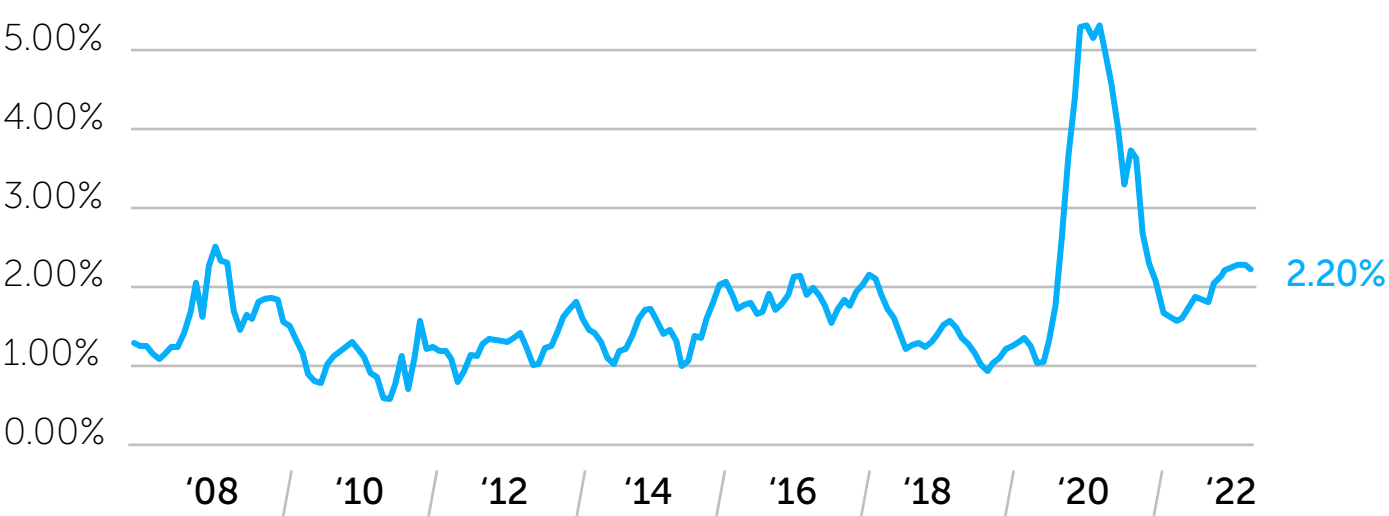
National CPI
Growth - December 2022 Y-O-Y



Source: U.S. Bureau Of Labor Statistics

Rental Market / Vacancy:

Manhattan Residential
Rental Vacancy January 2008- December 2022



Source: Corcoran

Thought Leadership Featured in Forbes

Ariel Property Advisors has been a regular contributor for Forbes. Here is the list of the five latest articles.



Sep 9, 2022
The Bronx Is Back: Institutional Money Is Chasing Yield

The Bronx saw record dollar volume and the second most transactions ever recorded with \$1.54 billion investment sales across 191 transactions, according to research produced by Ariel Property Advisors.



Oct 7, 2022
New York City Real Estate: Top Trends That Are Moving The Needle

New York City is once again demonstrating its resiliency. Office workers are returning, the workforce is growing, tourists are back, lunch hour lines are forming outside eateries, and trains and buses are filling up. The first half of the year the city saw \$22.1 billion in investment sales, slightly lower than the last six months of 2021 but significantly higher than all of 2020 and 1H 2021.



Oct 24, 2022
Brooklyn’s Investment Sales Reach \$5.56 Billion

Brooklyn’s investment sales totaled \$5.56 billion in 1H 2022, a slight dip of 8% from the record \$6.1 billion in 2H 2022, but up 213% year-over-year, according to Ariel Property Advisors Mid-Year Brooklyn Report.




Nov 9, 2022
New York City Multifamily Sales Totaled \$3.57 Billion In 3rd Quarter

Despite continuing economic headwinds, the New York City multifamily sector posted surprisingly impressive results during the third quarter, according to Ariel Property Advisors’ Q3 Multifamily Quarter in Review report.



Dec 13, 2022
NYC’s Perfect Storm: Rent Stabilized Opportunities in the Face of Mortgage Resets and Maturities

New York City owners of rent-stabilized apartment buildings are facing a perfect storm as a tidal wave of mortgage maturities and resets is fast approaching for properties purchased before the passage of the Housing Stability and Tenant Protection Act (HSTPA) of 2019.

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