

MULTIFAMILY QUARTER IN REVIEW: NEW YORK CITY | Q1 2021

by Ariel Property Advisors | **Released April 2021**



Investment Sales
Capital Services
Investment Research

arielpa.nyc
212.544.9500

MULTIFAMILY QUARTER IN REVIEW:

NEW YORK CITY | Q1 2021



The New York City multifamily market continues to experience low transaction and dollar volume as a result of the Housing Stability and Tenant Protection Act of 2019 and the ongoing Covid-19 pandemic. The good news is that New York City is coming back with tailwinds that include lower vacancy rates, fewer rental concessions, better collections, and significantly higher price discovery in the multifamily sector. Overall contract execution during the first quarter has increased significantly which implies a higher volume of transactions throughout 2021.

In the first quarter of 2021, the New York City multifamily market recorded \$620 million in gross consideration, stemming from 56 transactions spanning 83 properties. These numbers reflect a 58% decrease in dollar volume, 14% decrease in transaction volume, and 16% decrease in property volume on a year-over-year basis, and decreases of 66%, 25%, and 53% respectively when compared to Q4 2020.

FUNDAMENTALS

The first quarter of 2021 displayed encouraging signs for many market fundamentals. In Manhattan, February's new lease signings rose 112% year-over-year, marking the largest monthly gain since April 2011. The average vacancy rate fell to 5%, down from a high of 6.14% in October 2020, while the average rent (\$3,791) and average concessions (2.1 months) appear to have bottomed out from market lows of \$3,745 and 2.3 months respectively, according to a recent Elliman Report. The Brooklyn rental market recorded 1,843 new lease signings in February, a 133% increase from the previous year.

Out of the 56 total transactions in Q1 2021, 40% were free market and 60% contained rent-stabilized units. Investor confidence in rent-stabilized assets is growing as 26 of the rent-stabilized transactions were at least 80% rent-stabilized. Our Trailing Six-Month Performance Averages shows a decline in pricing metrics across all submarkets with the exception of The Bronx, where the average cap rate has decreased from 5.99% (Oct 2019-Mar2020) to 5.50% (Oct 2020-Mar 2021) and average GRM has increased from 9.75 to 10.92. In Brooklyn (5.89%), Northern Manhattan (6.19%), and Queens (6.23%), average cap rates have risen from 4.85%, 4.92%, and 5.09% respectively, while Manhattan's average cap rate noticed only a slight increase from 4.26% to 4.43%. The trailing six-month performance averages are lagging indicators from October to March and investor sentiment has improved drastically over the past 60 days. Our prediction is that pricing has stabilized in general and we have hit bottom when it comes to multifamily pricing.

OVERVIEW BY LOCATION

Manhattan grossed \$322.9 million, which accounted for 52% of total dollar volume in Q1 2021. The submarket recorded 14 transactions spanning 22 properties, reflecting an 8% increase in transaction volume and 47% in property volume year-over-year. However this also reflects a 55% decrease in dollar volume, indicating reduced property values as a result of the Covid-19 pandemic. Comparative to Q4 2020, dollar volume, transaction volume, and property volume declined by 69%, 39%, and 72% respectively.

Northern Manhattan recorded 5 transactions in Q1 2021, the lowest total of all submarkets. Those 5 transactions spanned 10 properties and \$52.1 million in gross consideration, representing a 54% decrease in

dollar volume, 38% decrease in transaction volume, and 55% decrease in property volume year-over-year. When compared to the prior quarter, dollar volume decreased slightly by 6%, whereas transaction volume rose from 3 transactions to 5, and property volume rose from 7 buildings to 10.

Brooklyn saw 15 total transactions in the first quarter of 2021, tying it with the Bronx as the most transactional submarket during the time period. Those 15 transactions spanned 26 properties, the most of all submarkets, and a gross consideration of \$126.4 million, translating to a 32% decrease in transaction volume, 28% decrease in building volume, and a 74% decrease in dollar volume on a year-over-year basis. Compared to Q4 2020, we see a similar story of declines in the amount of 35%, 53%, and 62% respectively.

The Bronx multifamily market recorded \$72.1 million in gross consideration during the first quarter of 2021, the result of 15 transactions spanning 16 properties. These numbers reflect a 7% increase in transaction volume, 11% decrease in building volume, and 39% decrease in dollar volume year-over-year, while compared to Q4 2020 we see decreases of 32%, 45%, and 79% respectively.

Queens posted only slight changes year-over-year. The borough recorded 7 total transactions across 9 properties in Q1 2021, whereas in Q1 2020 there were 8 transactions across 8 properties. From a dollar volume perspective, Queens recorded \$46.5 million in gross consideration, only a 6% decrease year-over-year. When compared to Q4 2020, transaction volume increased by 3 sales and property volume increased by 1 building, but total dollar volume decreased by 16% from \$55.2 million.

CONCLUSION

Looking forward, there is plenty of reason for optimism in the New York City multifamily market. The city continues to re-open with restaurants currently at 75% of indoor capacity. With the continued reopening and widespread Covid-19 vaccine distribution, people and capital will come back to New York City. Furthermore, the Federal Reserve has signaled that they plan to keep interest rates low for the foreseeable future which will ensure an opportunistic multifamily lending environment. We look forward to keeping you informed on the state of the New York City commercial real estate market. For more information, please visit our website www.arielpa.nyc.

MULTIFAMILY MARKET PERFORMANCE

BY SUB-MARKET

	Metrics	Q1 2021	% Change vs. Q4 2020	Q4 2020	% Change vs. Q1 2020	Q1 2020
MANHATTAN	Transaction Vol	14	-39%	23	8%	13
	Building Vol	22	-72%	78	47%	15
	Dollar Vol	\$322,878,538	-69%	\$1,028,270,019	-55%	\$724,785,596
	Total Units	716	-65%	2,055	-36%	1,126
N. MANHATTAN	Transaction Vol	5	67%	3	-38%	8
	Building Vol	10	43%	7	-55%	22
	Dollar Vol	\$52,083,510	-6%	\$55,262,610	-54%	\$112,200,000
	Total Units	319	-18%	390	-22%	411
BRONX	Transaction Vol	15	-32%	22	7%	14
	Building Vol	16	-45%	29	-11%	18
	Dollar Vol	\$72,070,000	-79%	\$343,760,000	-39%	\$118,283,356
	Total Units	439	-72%	1,578	-46%	814
BROOKLYN	Transaction Vol	15	-35%	23	-32%	22
	Building Vol	26	-53%	55	-28%	36
	Dollar Vol	\$126,413,813	-62%	\$335,601,939	-74%	\$477,299,833
	Total Units	524	-47%	991	-54%	1,150
QUEENS	Transaction Vol	7	75%	4	-13%	8
	Building Vol	9	13%	8	13%	8
	Dollar Vol	\$46,527,273	-16%	\$55,200,000	-6%	\$49,488,500
	Total Units	214	-14%	250	10%	194
NEW YORK CITY	Transaction Vol	56	-25%	75	-14%	65
	Building Vol	83	-53%	177	-16%	99
	Dollar Vol	\$619,973,134	-66%	\$1,818,094,568	-58%	\$1,482,057,285
	Total Units	2,212	-58%	5,264	-40%	3,695

3

TRAILING SIX MONTH ANALYSIS

INTRODUCTION

Trailing Six Month Analysis Methodology

Given the commercial real estate industry's cyclical nature and relatively small number of sample properties that trade in any month or quarter, Ariel Property Advisors developed the Trailing Six Month Analysis as a unique research tool for identifying multifamily sales trends in New York City.

The Trailing Six Month Analysis includes charts for the most recent six month period that detail the average price per unit, average price per square foot, average cap rate, average gross rent multiplier, and total transactions and prices for multifamily properties in Manhattan (south of East 96th Street and south of West 110th Street), Northern Manhattan (north of East 96th Street, north of West 110th Street), The Bronx, Brooklyn, and Queens. Sales figures from neighborhoods that had transactions during the six month period also are highlighted.

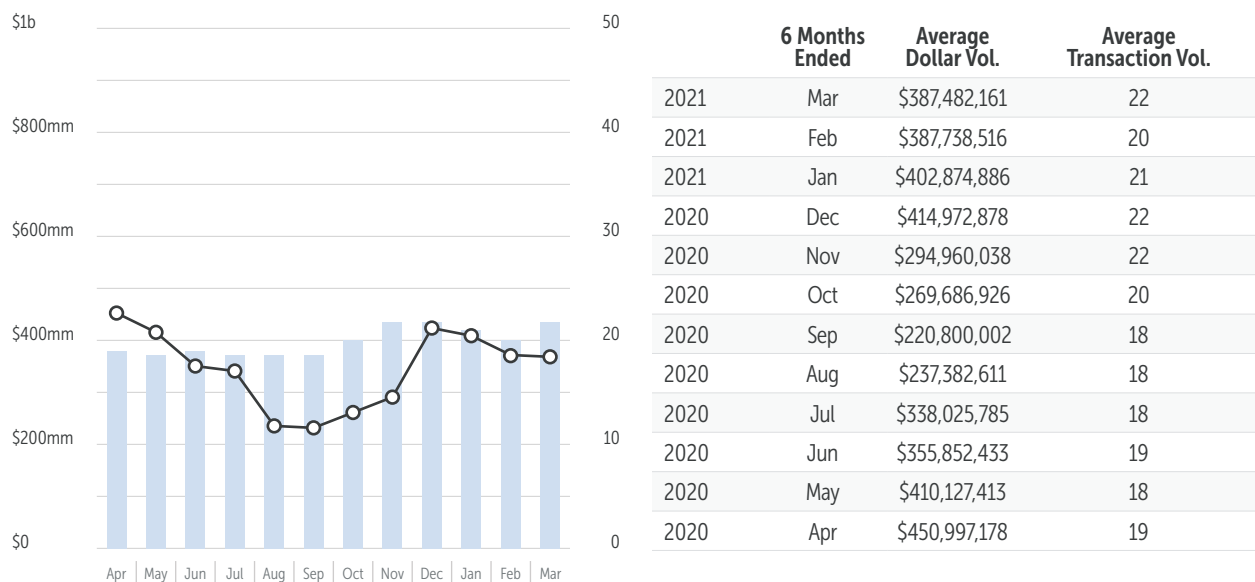
Trailing Six Month Performance - Averages

Oct 2020 - Mar 2021 Trailing Numbers					Oct 2019 - Mar 2020 Trailing numbers			
Location	\$ / Unit	\$ / SF	Cap Rate	GRM	\$ / Unit	\$ / SF	Cap Rate	GRM
Manhattan	\$488,085	\$634	4.43%	14.82	\$543,704	\$748	4.26%	13.90
N. Manhattan	\$166,297*	\$215*	6.19%*	9.06*	\$310,990	\$389	4.92%	12.12
Bronx	\$165,588	\$187	5.50%	10.92	\$160,520	\$190	5.99%	9.75
Brooklyn	\$278,822	\$335	5.89%	11.38	\$400,016	\$453	4.85%	12.65
Queens	\$197,566*	\$255*	6.23%*	9.91*	\$266,509	\$346	5.09%	12.25

*Small Sample Size (10 transactions or less in a given 6-month period)

The Trailing 6-Month Moving Average

Transaction Volume ● | Dollar Volume ○



FEATURED Q1 2021 TRANSACTIONS | REAL ESTATE TIMELINE

Financial District
**15 Park Row &
19 Ann Street**



Sale Amount: **\$142,000,000**
\$/SF: **\$422**
\$/Unit: **\$440,994**
Sale Date: **1/21/2021**
Seller: **J&R Music World**
Buyer: **Atlas Capital Group**

Washington Heights
**633 West 171st Street &
636-43 West 172nd Street**



Sale Amount: **\$20,600,000**
\$/SF: **\$213**
\$/Unit: **\$182,301**
Sale Date: **1/21/2021**
Seller: **Burke Leighton Group**
Buyer: **Christos Spyropoulos**

Park Slope
70 Prospect Park West



Sale Amount: **\$15,000,000**
\$/SF: **\$409**
\$/Unit: **\$500,000**
Sale Date: **3/19/2021**
Seller: **Expert Associates**
Buyer: **Greenbrook Partners**

Astoria
12-26 30th Avenue



Sale Amount: **\$14,800,000**
\$/SF: **\$372**
\$/Unit: **\$400,000**
Sale Date: **1/5/2021**
Seller: **ECTACO Inc.**
Buyer: **Pirzada Properties**

Bedford Park
2775 Morris Avenue

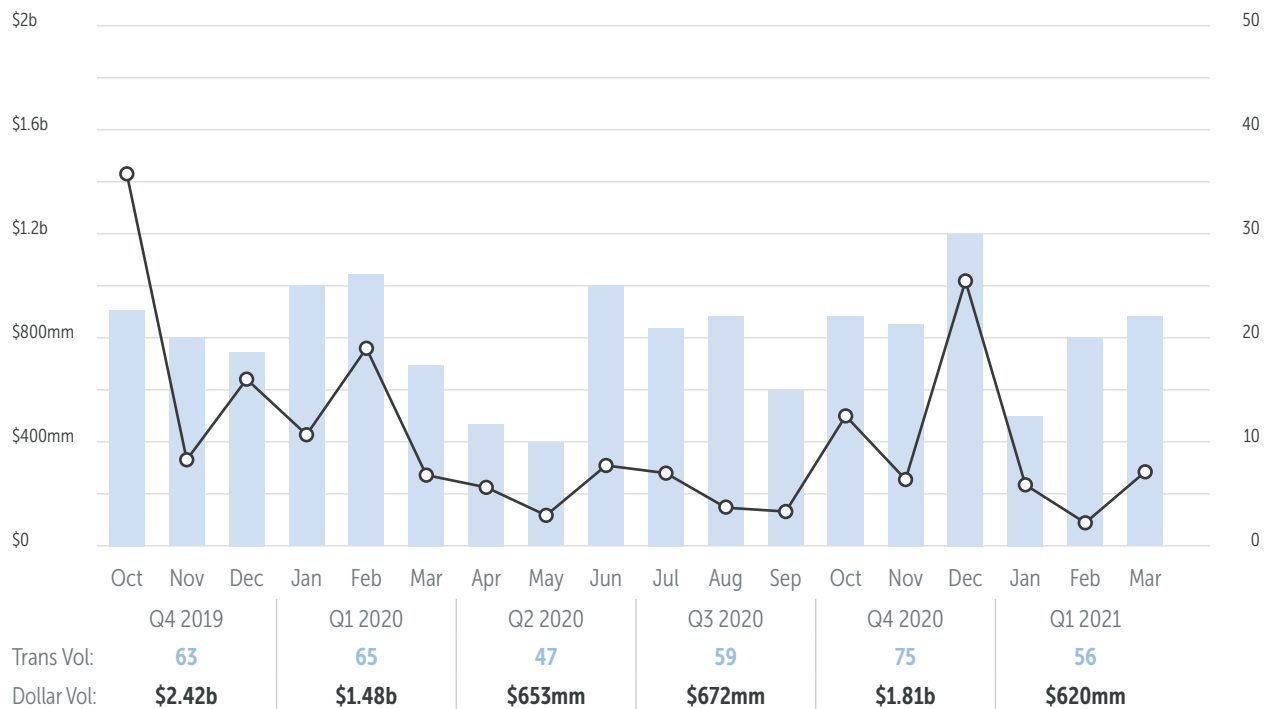


Sale Amount: **\$5,675,000**
\$/SF: **\$96**
\$/Unit: **\$115,816**
Sale Date: **3/4/2021**
Seller: **2775 MMK**
Buyer: **Frelor Realty Corp**

5

Multifamily Real Estate Timeline

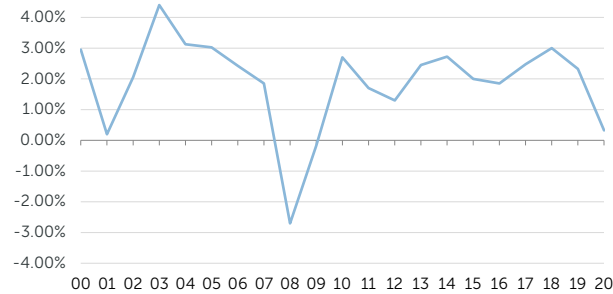
Transaction Volume ● | Dollar Volume ○



MACRO-ECONOMIC OVERVIEW & MARKET FUNDAMENTALS

% Change in Real Gross Domestic Product:

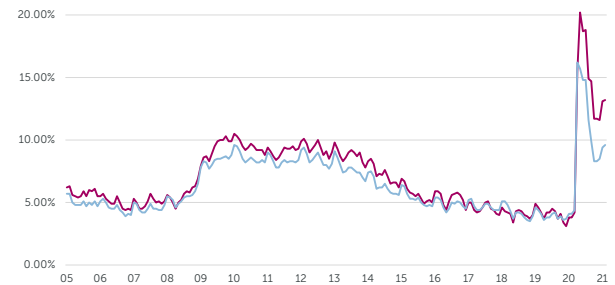
Change in GDP as of 3Q 2020: 4.3%



Unemployment:

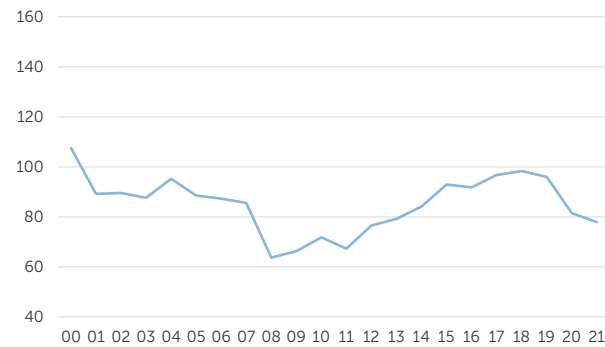
As of February 2021: NYS: 9.6% | NYC: 13.2%

Unemployment Rate History | [NYS](#) (Seasonally Adjusted) & [NYC](#) (Not Seasonally Adjusted)



Consumer Sentiment Index:

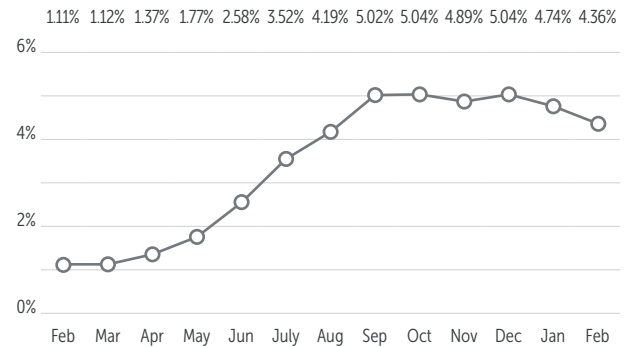
CSI as of February 2021: 76.8



Rental Market / Vacancy:

Manhattan Vacancy as of February 2021: 4.36%

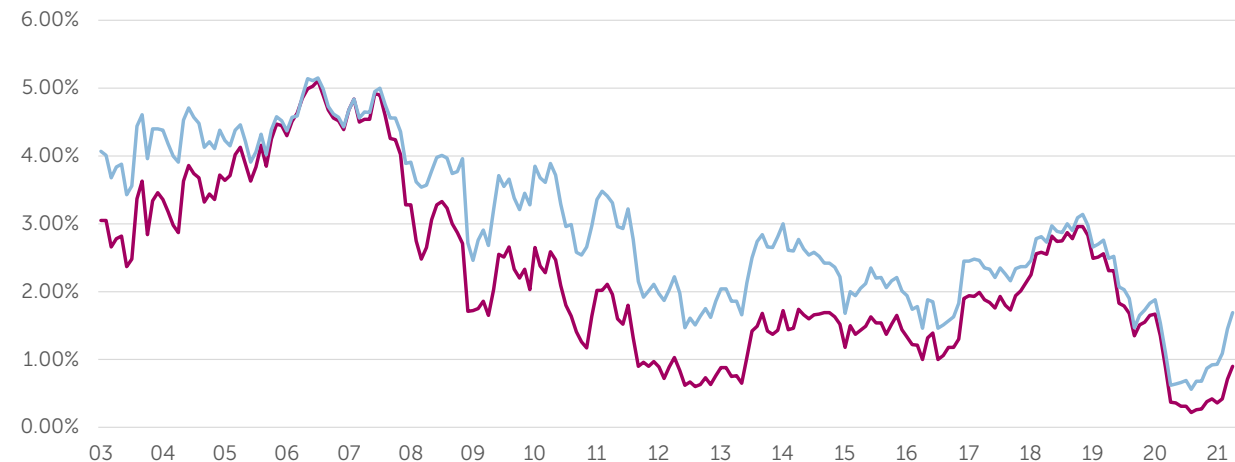
Source: Corcoran



Financing:

10-Year: 1.69% | 5-Year: 0.9% | as of April 2021

Treasury Yield Curve Rates [10-year](#) | [5-year](#)



GEOGRAPHIC COVERAGE SYSTEM

BY ARIEL PROPERTY ADVISORS

Ariel's unique company structure with separate divisions for Investment Sales, Capital Services and Investment Research, ensures outstanding service for our clients. Whether it's implementing a strategic marketing process, compiling a comprehensive Asset Evaluation, securing financing or providing timely market information, every assignment is served by a team of specialized professionals.

Institutional Team / Partners:

Shimon Shkury
Victor Sozio
Michael A. Tortorici
Ivan Petrovic

Capital Services:

Paul McCormick
Eli Weisblum
Matthew Dzbanek
Matthew Swerdlow
Ahron Sussman
Drew Chartash

Broker Coverage:

Manhattan:

Matthew L. Gillis - Upper East Side
Howard Raber, Esq. - Midtown East
Jack Moran - Lower Manhattan

Northern Manhattan:

Mark Anderson - East Harlem
James Nestor - Washington Heights, Inwood
Courtney Lee - West Harlem, Central Harlem

Brooklyn:

Sean R. Kelly, Esq. - Downtown Brooklyn
David Khukhashvili - Fort Greene, Clinton Hill

Jiani Zhou - Cobble Hill, Carroll Gardens, Boerum Hill
Stephen Vorvolakos - Sunset Park, Bay Ridge, Greenwood Heights
Matt Davis - North Bushwick
Rowen Giles - South Bushwick
Jonathan Berman - Crown Heights, Bedford-Stuyvesant, Prospect Lefferts Gardens
Dov Chein - Crown Heights
Brendan Dal Col - Bedford-Stuyvesant
Lawrence Sarn - Flatbush, East Flatbush, Borough Park
Benjamin Vago - Greenpoint, Williamsburg

John Higgins - South Brooklyn, Bensonhurst, Sheepshead Bay, Bath Beach, North Staten Island

Bronx:

Jason M. Gold - South Bronx, Melrose, Mott Haven, Morrisania
Daniel Mahfar - Fordham, Belmont

Queens:

Alexander Taic - Long Island City, Sunnyside
Dorit Pinhas - Ridgewood
Chris Afriyie - Astoria



For More Information Please Contact Us At
212.544.9500 / arielpa.nyc



METHODOLOGY

The multifamily transactions included in the analysis occurred at a minimum sales price of \$1 million and with a minimum of 10 residential units. Our estimated sales statistics reflect all data available on public records and through other sources we deem reliable.

TYPES OF TRANSACTIONS CONSIDERED

Transactions in which there was a transfer of ownership and deed document recorded on ACRIS were considered.

LOCATION DEFINITIONS

- Manhattan - south of East 96th Street and south of West 110th Street
- Northern Manhattan - north of East 96th Street, north of West 110th Street
- The Bronx - Bronx Borough
- Brooklyn - Brooklyn Borough
- Queens - Queens Borough

If you would like to use or quote this report on the web, we ask that you quote the source as **"Multifamily Quarter In Review: New York City | Q1 2021 by Ariel Property Advisors"** and link report from our website page arielpa.nyc/investor-relations/research-reports.

COMPLIMENTARY ASSET EVALUATION

Whether you are considering selling your building or you just want to know the current market value of your property, we are available to provide you with a complimentary asset evaluation. Produced by the joint efforts of our investment sales and investment research teams, an Asset Evaluation will provide you with a thorough analysis of your investment property and will detail our future marketing efforts on your behalf.



Please call us at 212.544.9500 to request an Asset Evaluation

CAPITAL SERVICES DIVISION

A Diligent Approach for Procuring Your Ideal Commercial Real Estate Lender

Our Capital Services Division provides clients with a broad spectrum of funding sources through our established relationships with over 150 lending entities coupled with our powerful research & investment sales platforms. Our dynamic professionals are immersed in the market, versed in the competition and service each client with a personalized unique offering memorandum and ongoing financial guidance.

For more information, please contact:
Paul McCormick, SVP - Investment Sales & Capital Services
212-544-9500 ext.45 | pmccormick@arielpa.com