

# MULTIFAMILY QUARTER IN REVIEW: NEW YORK CITY | Q3 2020

by Ariel Property Advisors | **Released October 2020**



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# MULTIFAMILY QUARTER IN REVIEW:

## NEW YORK CITY | Q3 2020



**\$642MM**

Dollar Volume

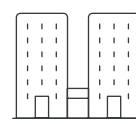
27% decrease vs. Q3 '19



**56**

Transaction Volume

4% increase vs. Q3 '19



**95**

Building Volume

25% increase vs. Q3 '19

The NYC multifamily market has begun to show positive signs of recovery in Q3 2020. Price discovery has become more solidified as deals continue to close throughout the year. However, ongoing factors such as rising vacancy rates and reduced collections have significantly affected the value of NYC real estate. Over the past six months, the average price per square foot has fallen by over 20% in nearly every borough except The Bronx in which it has only dropped by 8%. Furthermore, the trailing six-month average dollar volume ending in September dropped by 67% when compared to March despite achieving similar transaction levels. The sharp fall in dollar volume correlates to declining property values and an absence of institutional sales in recent months.

The NYC multifamily market in Q3 2020 recorded \$641.6 million in gross consideration across 56 transactions that consisted of 95 buildings. Comparative to Q2 2020, this translates to a 19% increase in transaction volume, and virtually no change in dollar volume. However, when examining year-over-year metrics, dollar volume fell by 27%. Following the lowest transactional quarter in a decade, Q3 2020 has begun to inch back toward pre-pandemic levels. There were two more transactions this quarter than in Q3 2019.

Manhattan grossed \$134.6 million, which accounted for 21% of total dollar volume in Q3 2020. The submarket recorded a total of 13 transactions which is only 3 fewer than in Q2 2020. However, dollar volume fell by 41% quarter-over-quarter. When comparing year-over-year metrics, there were only two fewer sales in Q3 2020, yet, dollar volume fell by a dramatic 73%. The variance in dollar volume is due to 2 institutional sales recorded in Q3 2019 that were greater than \$100 million. This results in the average deal size falling from \$33.45 million to \$10.35 million year-over-year.

The largest sale that took place in Manhattan was SL Green Realty Corp's sale of 400 E 58th Street. 400 E 58th Street spans 140,000 square feet and contains 162 units. A&E Real Estate Holdings purchased the mixed-use property for \$62 million which equates to \$443 per square foot or \$469,697 per unit.

Northern Manhattan ranked as the lowest-performing submarket in dollar volume and transaction volume this quarter. The submarket recorded 4 transactions, which is the same number achieved in Q2 2020. However, this quarter, Northern Manhattan grossed \$43.8 million which is a 78% increase in dollar volume. The sharp increase in dollar volume is attributed to the average deal size growing by approximately \$4.7 million this quarter within a limited sales pool. Additionally, when comparing year-over-year metrics, dollar volume increased by 356% and transaction volume doubled from Q3 2019. The largest transaction that took place in Northern Manhattan in Q3 was 185 Claremont Avenue. Black Rock sold the 43,173 square foot, 62-unit building to Prana Investments for \$15.8 million. The sale metrics work out to approximately \$366 per square foot or \$254,839 per unit.

Brooklyn recorded the highest dollar and transaction volume amongst all other submarkets for the second quarter in a row. Brooklyn accounted for 40% of total dollar volume by grossing \$253.9 million across 15 transactions. Comparative to Q2 2020, dollar volume decreased by 19% and there was one less transaction recorded this quarter. Domain Companies' sale of the Spring Creek Gardens Housing buildings was the most prominent in the submarket. Spring Creek Gardens Housing consists of two buildings that serve as affordable housing in East New York. The buildings total 410,283 square feet and consist of 586 units, of which 85% are affordable. Preservation Development Partners purchased the property for \$79 million which translates to \$192 per square foot or \$134,812 per unit. Preservation Development Partners purchased the property at a time when the demand for affordable housing is expected to rise due to the recovering economy amid the pandemic.

The Bronx recorded \$96.5 million in gross consideration across 14 transactions. This represents an 101% increase in dollar volume and 7 more transactions than last quarter. The increase in dollar volume is directly correlated with the rise in transaction volume. The most notable sale in the borough was the PRB Realty Bronx Multifamily Portfolio which consisted of 7 buildings located in Morrisania. The portfolio spanned 98,982 square feet and held a combined total of 112 units. Workforce Housing Group bought the portfolio from PRB Realty for \$14.5 million which equates to \$146 per square foot or \$129,369 per unit.

Queens observed considerably more activity this quarter than it had in Q2 2020. The submarket grossed \$112.9 million and recorded 10 transactions, which is an 176% increase in dollar volume and 6 more transactions quarter-over-quarter. The rise in dollar volume is attributed to 4 sales greater than \$10 million as opposed to 1 that was documented last quarter. When comparing sales metrics to Q3 2019, there were 7 more transactions this quarter and a 402% increase in dollar volume year-over-year. This quarter, the transaction with the highest building volume traded in Queens. The Haight Street Mixed Use Portfolio consisted of 11 buildings located in Flushing. The portfolio totaled 77,241 square feet and held 73 units which sold for \$28.1 million or \$363 per foot and \$384,932 per unit.

Looking forward, the steady reopening of NYC will assist in driving demand. Universities reopened in September which has brought back the student population that previously left in March. Additionally, indoor dining is set to reopen at 50% capacity on November 1st. Finally, low-interest rates through the end of 2022 will grant investors more buying power and incentivize them to transact in the near future.

# MULTIFAMILY MARKET PERFORMANCE

## BY SUB-MARKET

	Metrics	Q3 2020	% Change vs. Q2 2020	Q2 2020	% Change vs. Q3 2019	Q3 2019
MANHATTAN	Transaction Vol	13	-19%	16	-13%	15
	Building Vol	13	-46%	24	-19%	16
	Dollar Vol	\$134,650,000	-41%	\$228,039,811	-73%	\$501,751,250
	Total Units	340	-35%	522	-50%	678
N. MANHATTAN	Transaction Vol	4	0%	4	100%	2
	Building Vol	6	-50%	12	100%	3
	Dollar Vol	\$43,750,000	78%	\$24,555,000	356%	\$9,600,000
	Total Units	187	5%	178	97%	95
BRONX	Transaction Vol	14	100%	7	8%	13
	Building Vol	26	189%	9	-4%	27
	Dollar Vol	\$96,456,431	101%	\$47,930,000	5%	\$91,925,752
	Total Units	701	132%	302	14%	616
BROOKLYN	Transaction Vol	15	-6%	16	-29%	21
	Building Vol	27	13%	24	4%	26
	Dollar Vol	\$253,819,948	-19%	\$311,590,000	1%	\$251,103,000
	Total Units	1,299	17%	1,111	84%	705
QUEENS	Transaction Vol	10	150%	4	233%	3
	Building Vol	23	283%	6	475%	4
	Dollar Vol	\$112,911,000	176%	\$40,942,500	402%	\$22,500,000
	Total Units	569	183%	201	463%	101
NEW YORK CITY	Transaction Vol	56	19%	47	4%	54
	Building Vol	95	27%	75	25%	76
	Dollar Vol	\$641,587,379	-2%	\$653,057,311	-27%	\$876,880,002
	Total Units	3,096	34%	2,314	41%	2,195

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# 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

Apr 2020 - Sep 2020 Trailing Numbers

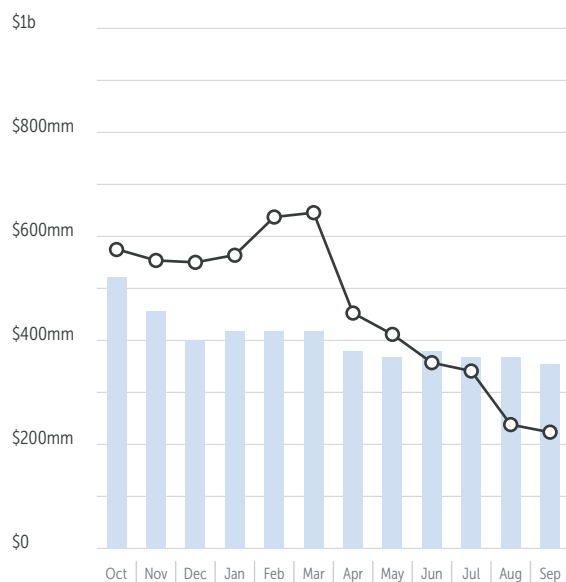
Location	\$ / Unit	\$ / SF	Cap Rate	GRM
Manhattan	\$438,033	\$621	5.11%	12.95
N. Manhattan	\$198,327	\$271	4.99%	10.09
Bronx	\$154,078	\$174	6.34%	9.66
Brooklyn	\$280,886	\$329	5.52%	11.04
Queens	\$184,194	\$222	5.29%	9.66

Apr 2019 - Sep 2019 Trailing numbers

\$ / Unit	\$ / SF	Cap Rate	GRM
\$659,287	\$980	4.23%	15.89
\$283,075	\$353	4.67%	13.63
\$162,903	\$189	5.19%	11.11
\$392,496	\$429	4.44%	14.21
\$219,962	\$281	5.38%	12.33

### The Trailing 6-Month Moving Average

Transaction Volume ● | Dollar Volume ○



	6 Months Ended	Average Dollar Vol.	Average Transaction Vol.
2020	Sep	\$215,774,115	17
2020	Aug	\$234,796,082	18
2020	Jul	\$338,025,785	18
2020	Jun	\$355,852,433	19
2020	May	\$410,127,413	18
2020	Apr	\$450,997,178	19
2020	Mar	\$651,547,606	21
2020	Feb	\$631,521,076	21
2020	Jan	\$564,060,865	21
2019	Dec	\$550,684,726	20
2019	Nov	\$554,687,621	23
2019	Oct	\$575,308,602	26

# FEATURED Q3 2020 TRANSACTIONS | REAL ESTATE TIMELINE

## East New York Spring Creek Gardens Housing



Property Type: **Multifamily**  
Sale Amount: **\$79,000,000**  
\$/SF: **\$193**  
\$/Unit: **\$134,812**  
Sale Date: **7/30/2020**

## Sutton Place 400 East 58<sup>th</sup> Street



Property Type: **Multifamily**  
Sale Amount: **\$62,000,000**  
\$/SF: **\$443**  
\$/Unit: **\$469,697**  
Sale Date: **9/9/2020**

## Flushing Haight Street MU Portfolio



Property Type: **Multifamily**  
Sale Amount: **\$28,100,000**  
\$/SF: **\$364**  
\$/Unit: **\$384,932**  
Sale Date: **9/14/2020**

## Morningside Heights 185 Claremont Avenue



Property Type: **Multifamily**  
Sale Amount: **\$15,800,000**  
\$/SF: **\$366**  
\$/Unit: **\$254,839**  
Sale Date: **8/5/2020**

## Morrisania PRB Realty Bronx MF Portfolio



Property Type: **Multifamily**  
Sale Amount: **\$14,489,297**  
\$/SF: **\$146**  
\$/Unit: **\$129,369**  
Sale Date: **8/13/2020**

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## Multifamily Real Estate Timeline

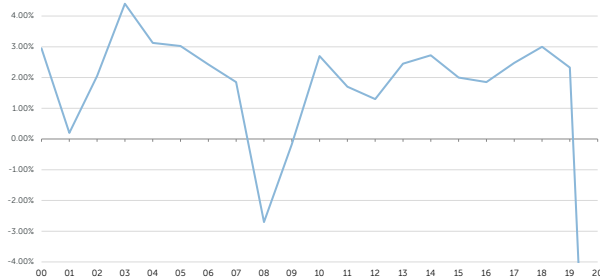
Transaction Volume ● | Dollar Volume ○



# MACRO-ECONOMIC OVERVIEW & MARKET FUNDAMENTALS

## % Change in Real Gross Domestic Product:

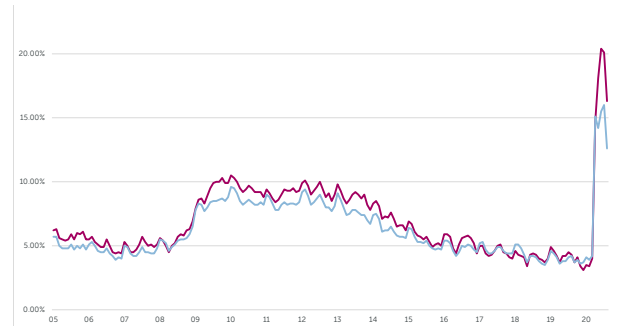
Change in GDP as of 2Q 2020: -31.4%



## Unemployment:

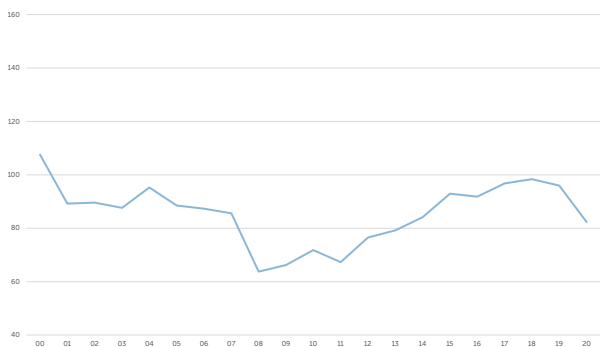
NYS: 12.6% | NYC: 16.3% as of October 2020

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



## Consumer Sentiment Index:

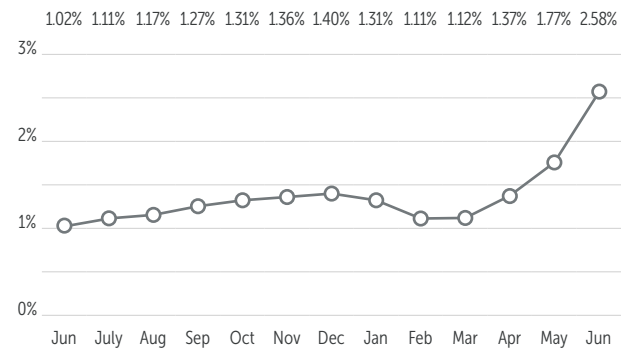
CSI as of August 2020 is 82



## Rental Market / Vacancy:

Manhattan Vacancy as of June 2020: 2.58%

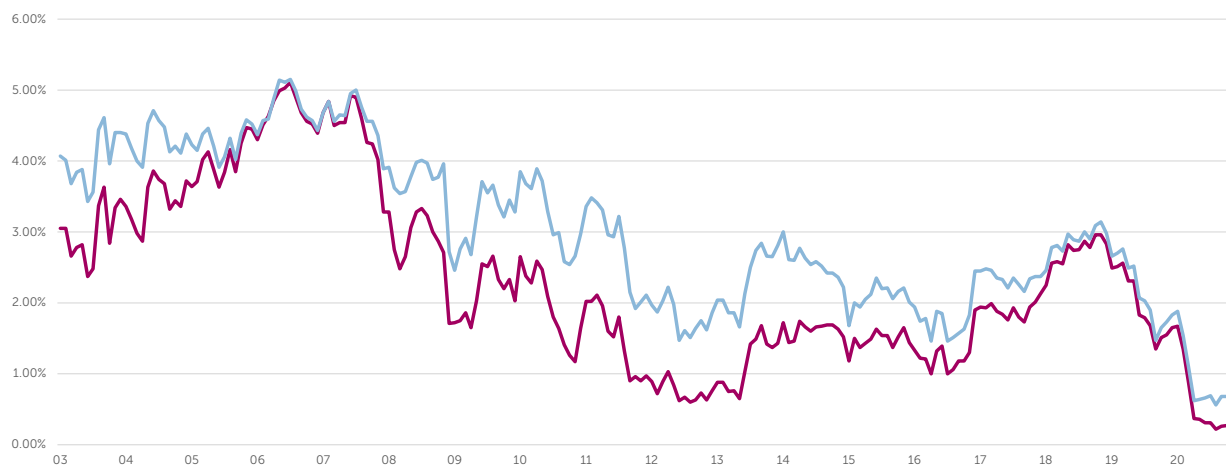
Source Corcoran



## Financing:

10-Year: 0.68% | 5-Year: 0.27% | as of October 2020

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.

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**Howard Raber, Esq.** - Midtown East

Northern Manhattan:  
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**James Nestor** - Washington Heights, Inwood  
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**David Khukhashvili** - Fort Greene, Clinton Hill  
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Queens:  
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**Dorit Pinhas** - Ridgewood  
**Chris Afriyie** - Astoria



For More Information Please Contact Us At  
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#### 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. Data is collected from public sources and other sources we deem reliable.

#### LOCATION DEFINITIONS

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

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## 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

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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 70 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.

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