

MULTIFAMILY QUARTER IN REVIEW

NEW YORK CITY

2022

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Ariel Property Advisors
in April 2022

MULTIFAMILY QUARTER IN REVIEW:

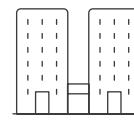
NEW YORK CITY | Q1 2022



\$2.87B
Dollar Volume
451% increase vs Q1 '21



117
Transaction Volume
89% increase vs Q1 '21



194
Building Volume
106% increase vs Q1 '21

Takeaways:

- Strong rents caused by a lack of supply and inflationary pressures
- Rising mortgage rates will affect pricing for predominantly rent-stabilized buildings
- Increased demand for free market, luxury buildings in prime locations expected to continue
- Mixed local politics. Watch for Good Cause Eviction and Rent Guidelines Board

Momentum:

After an unprecedented \$2.45 billion of transactions in December 2021, the first quarter of 2022 experienced a robust \$2.87 billion in the multifamily market, well above the five-year quarterly average of \$1.90 billion. However, the dollar volume numbers were skewed by Black Spruce's \$837 million purchase of The American Copper Buildings which accounted for 29% of New York City's total dollar volume. As a result, we expect the volume of transactions to move down closer to an average of below \$2 billion moving forward. Additionally, there was pricing metric growth across the city ranging from around 10 - 20% year-over-year depending on the borough.

Rents and Rates:

According to Douglas Elliman, rents in Manhattan reached a new high in February with a median rental price of \$3,700 and \$80.66 per square foot due to a lack of supply and inflation. Policymakers committed to curbing inflation are putting upward pressure on interest rates which resulted in mortgage rates increasing considerably in the first quarter. Multifamily mortgage rates rose anywhere from 75 - 125 basis points between January 1, 2022 and March 31, 2022, the fastest rate hike in recent memory. Consequently, the multifamily inventory experienced a slowdown as investors weighed the increase in rates vs. the inflation hedge the multifamily asset class provides.

Clearer Pricing for rent-stabilized multifamily:

Last year, the market provided increased clarity on how investors approached this segment post-Housing Stability and Tenant Protection Act of 2019 (HSTPA). However, the high inflationary and the low interest rate environment also contributed to the recent attractiveness in this segment as a stable, cash-flowing asset. The transaction momentum from 2021 continued throughout the first quarter and one notable transaction was the Queens Village multifamily portfolio sold by Cunningham Associates to A&E Real Estate Holdings for \$130 million. Still, interest rates are going to play a major role for this segment of multifamily moving forward; as a result, we anticipate price adjustments specifically for rent-stabilized multifamily to compensate for the increase in the cost of debt absent any major law changes in Albany or true rent increases approved by the Rent Guidelines Board.

High demand for free market, luxury buildings:

With rising interest rates expected to affect rent-regulated apartment buildings, institutions, high net-worth individuals and family offices are showing increased interest in free market and luxury apartment buildings located in prime locations. The resurgence of the New York City residential rental market has resulted in increased confidence in the ability of these assets to offer stable cash flow that can still be financed with relatively low interest, long-term debt. Transactions like Black Spruce's \$837 million purchase of The American Copper Buildings in the first quarter is indicative of this development. Additionally, we believe this trend will continue in the next quarter with other significant free market luxury deals including A&E Real Estate's \$266 million acquisition of a 354-unit luxury apartment tower at 140 Riverside Boulevard on the Upper West Side, which was announced in early April, and Blackstone's pending acquisition of the Frank Gehry-designed, 899-unit, 76-story luxury apartment building at 8 Spruce Street in Lower Manhattan reportedly for \$930 million.

Local Politics as a Driving Force in Multifamily:

As the market looks forward to the rest of 2022, local politics could play a significant role in New York City's multifamily market. Most notable is the Good Cause Eviction bill introduced in the NY State Senate, which would regulate free market units by requiring automatic lease renewals and capping rent increases. In more positive news, Mayor Eric Adams announced the appointment of two new members to the New York City Rent Guidelines Board - Arpit Gupta, as a public member, and Christina Smyth, as an owner member. For that reason, property owners are hopeful that the new members will bolster their representation on the board. In June, the Rent Guidelines Board will vote on the annual rent increase allowed for rent stabilized units whose tenants choose to renew either a one or two-year lease in New York City over the following year. The vote will have a strong impact on the multifamily market as rent stabilized assets have become more attractive to buyers. The segment will likely continue to act as a hedge against inflation after the Consumer Price Index rose to 8.5% year-over-year in March, its fastest pace since January 1982.

We look forward to providing you with the most up-to-date data and insights on the New York City commercial real estate market. For more information and access to our research reports, please visit our website at www.arielpa.nyc.

*Limited transaction count

MULTIFAMILY MARKET PERFORMANCE

BY SUB-MARKET

	Metrics	Q1 2022	% Change vs.Q4 2021	Q4 2021	% Change vs.Q1 2021	Q1 2021
NEW YORK CITY	Transaction Vol	117	-21%	149	89%	62
	Building Vol	194	-38%	311	106%	94
	Dollar Vol	\$2,872,274,556	-28%	\$3,987,902,574	451%	\$521,532,365
	Total Units	9,472	-21%	11,999	384%	1,958
MANHATTAN	Transaction Vol	32	-24%	42	113%	15
	Building Vol	49	-48%	94	63%	30
	Dollar Vol	\$1,506,302,132	10%	\$1,373,532,421	472%	\$263,208,496
	Total Units	2,090	-24%	2,760	251%	595
N. MANHATTAN	Transaction Vol	12	-25%	16	100%	6
	Building Vol	23	-21%	29	109%	11
	Dollar Vol	\$170,521,390	-19%	\$210,273,625	237%	\$50,533,000
	Total Units	787	-7%	849	168%	294
BROOKLYN	Transaction Vol	34	-31%	49	113%	16
	Building Vol	65	-21%	82	160%	25
	Dollar Vol	\$627,227,167	-65%	\$1,809,168,528	501%	\$104,297,500
	Total Units	2,729	-29%	3,840	516%	443
BRONX	Transaction Vol	21	-22%	27	31%	16
	Building Vol	32	-62%	85	100%	16
	Dollar Vol	\$270,856,578	-14%	\$315,128,000	404%	\$53,763,369
	Total Units	1,925	-46%	3,587	386%	396
QUEENS	Transaction Vol	18	20%	15	100%	9
	Building Vol	25	19%	21	108%	12
	Dollar Vol	\$297,367,289	6%	\$279,800,000	498%	\$49,730,000
	Total Units	1,941	102%	963	744%	230

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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

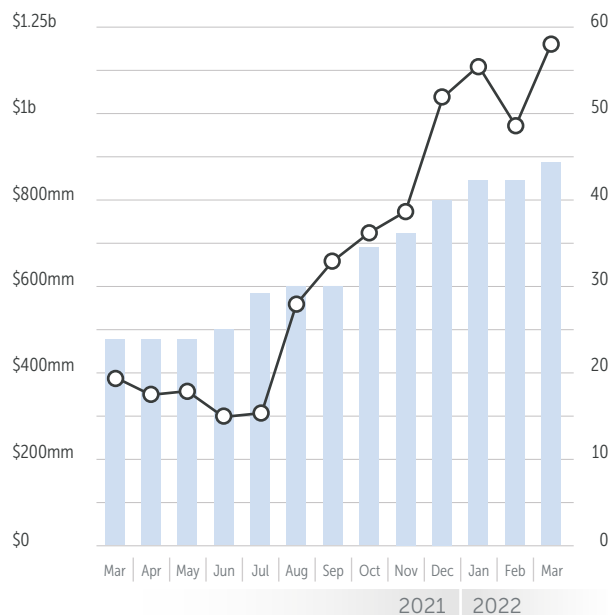
Oct 2021 - Mar 2022 Trailing Numbers

Oct 2020 - Mar 2021 Trailing Numbers

Location	\$ / Unit	\$ / SF	Cap Rate	GRM	\$ / Unit	\$ / SF	Cap Rate	GRM
Manhattan	\$545,962	\$720	4.40%	13.14	\$486,091	\$668	4.67%	14.72
N. Manhattan	\$235,644	\$283	5.02%	10.62	\$198,002	\$237	6.26%	9.17
Bronx	\$177,174	\$206	5.56%	10.41	\$161,800	\$183	5.61%	10.35
Brooklyn	\$374,755	\$405	5.34%	12.48	\$295,863	\$371	5.75%	11.68
Queens	\$244,922	\$298	5.38%	10.96	\$199,413	\$259	5.99%	11.12

The Trailing 6-Month Moving Average

Transaction Volume ● | Dollar Volume ○



Year	6 Months Ended	Average Dollar Vol.	Average Transaction Vol.
2021	Mar	\$391,996,156	23
2021	Apr	\$352,366,035	23
2021	May	\$372,037,923	23
2021	Jun	\$300,549,860	25
2021	Jul	\$304,520,540	28
2021	Aug	\$572,737,416	30
2021	Sep	\$647,358,458	30
2021	Oct	\$722,050,302	34
2021	Nov	\$793,413,866	36
2021	Dec	\$1,098,381,088	40
2022	Jan	\$1,131,263,195	42
2022	Feb	\$939,139,444	42
2022	Mar	\$1,247,919,227	44

FEATURED Q1 2022 TRANSACTIONS | REAL ESTATE TIMELINE

Manhattan
(below 96th Street)
616 1st Avenue



Sale Amount: **\$837,000,000**
\$/SF: **\$881**
\$/Unit: **\$1,095,550**
Sale Date: **3/1/2022**

Brooklyn
1277 East 14th Street



Sale Amount: **\$180,000,000**
\$/SF: **\$471**
\$/Unit: **\$594,059**
Sale Date: **3/23/2022**

Queens
Cunningham Heights Portfolio



Sale Amount: **\$130,000,000**
\$/SF: **\$158**
\$/Unit: **\$123,106**
Sale Date: **2/24/2022**

Northern Manhattan
(above 96th Street)
Yeshiva Washington Heights Portfolio



Sale Amount: **\$92,200,000**
\$/SF: **\$240**
\$/Unit: **\$224,878**
Sale Date: **3/4/2022**

Bronx
276 Grand Concourse

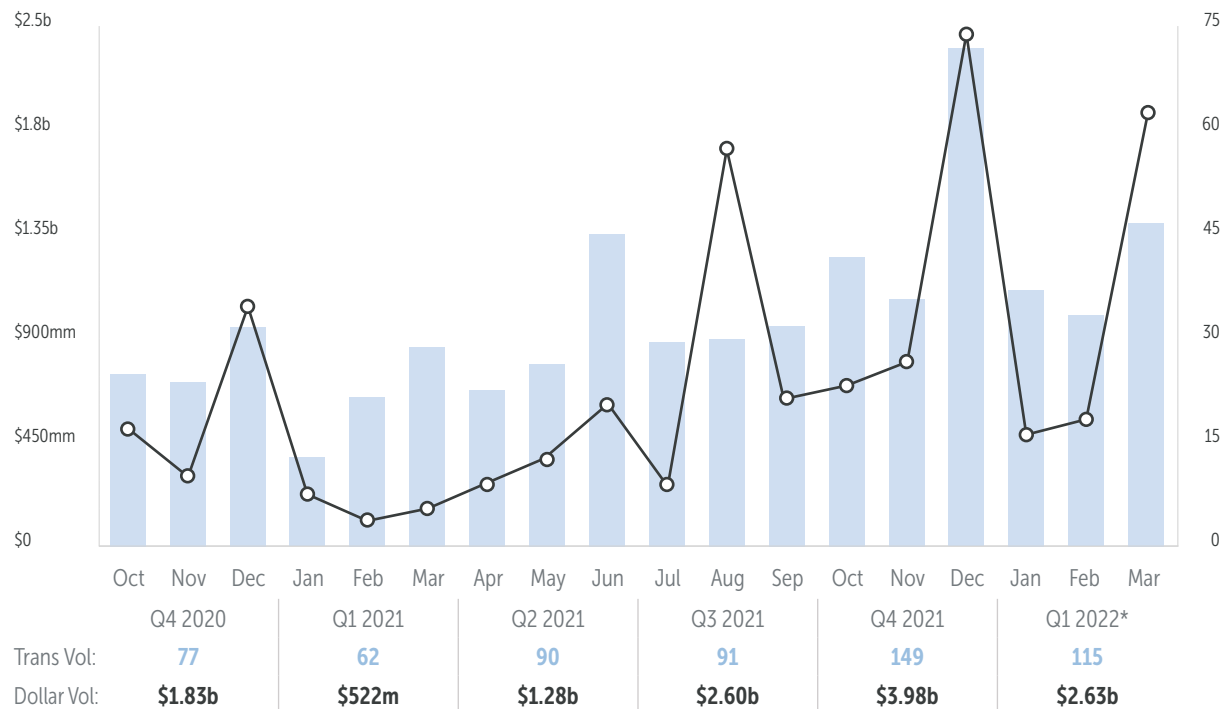


Sale Amount: **\$50,000,000**
\$/SF: **\$257**
\$/Unit: **\$230,415**
Sale Date: **2/25/2022**

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Multifamily Real Estate Timeline

Transaction Volume ● | Dollar Volume ○



*Values represent activity in current quarter and includes future projections

MACRO-ECONOMIC OVERVIEW & MARKET FUNDAMENTALS

% Change in Real Gross Domestic Product:

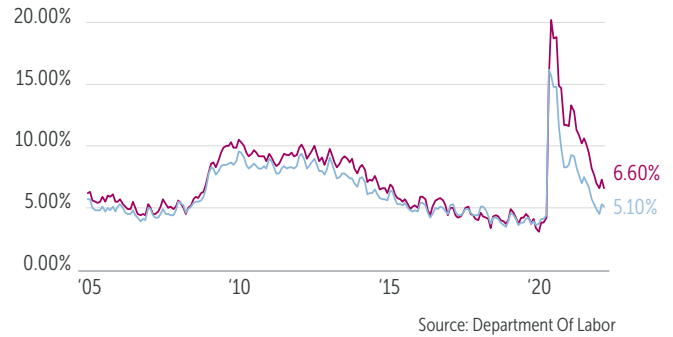
Change in GDP as of 4Q 2021: 5.55%



Unemployment:

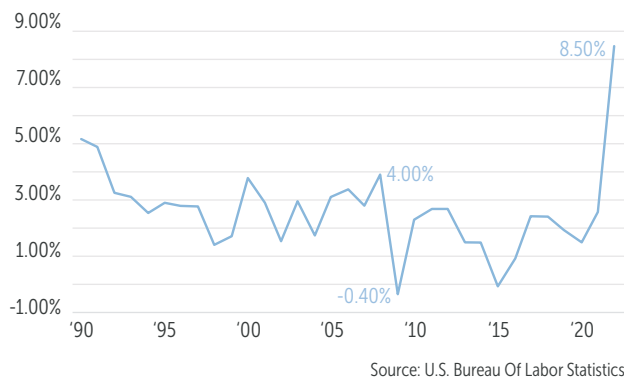
NYS: 5.10% | NYC: 6.60% as of February 2022

Unemployment Rate History | **NYS** (Seasonally Adjusted) & **NYC** (Not Seasonally Adjusted)



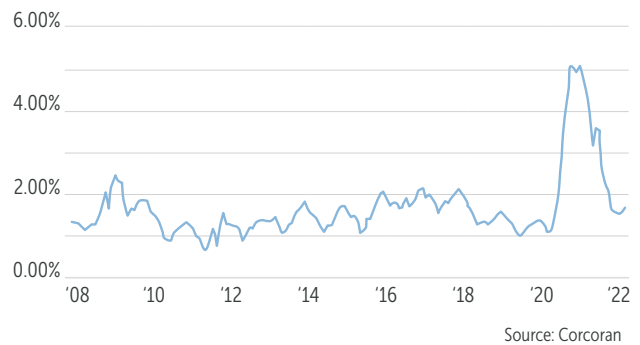
Consumer Price Index (CPI):

National CPI Growth - March Y-O-Y



Rental Market / Vacancy:

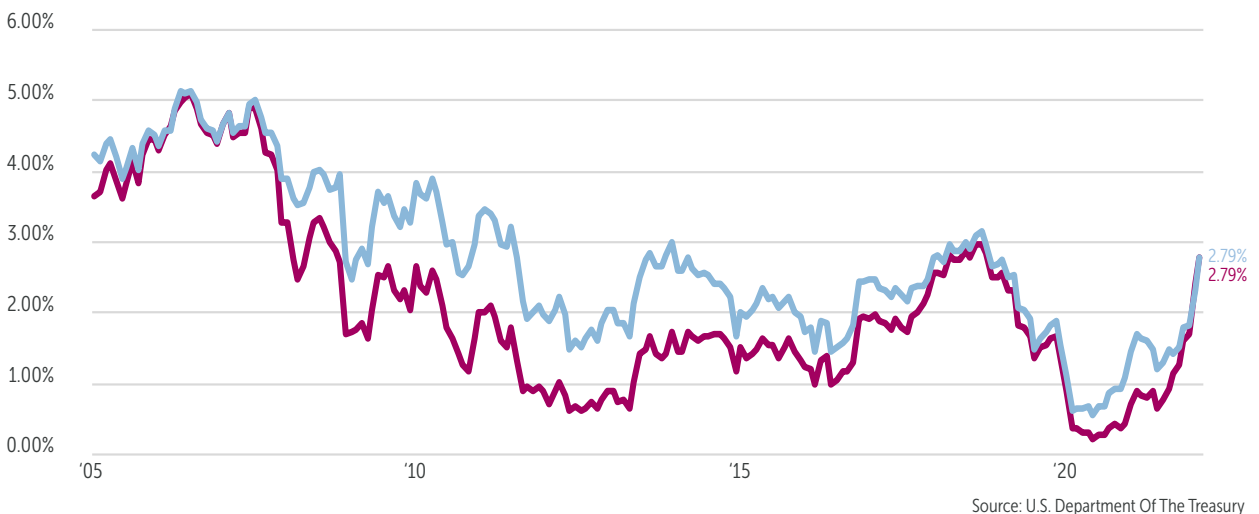
Manhattan Residential Rental Vacancy 2008-2022



Financing:

10-Year: 2.79% | 5-Year: 2.79% | as of April 11th 2022

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:

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Michael A. Tortorici	Sean R. Kelly, Esq.

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Howard Raber, Esq. - Midtown East

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James Nestor - Washington Heights,
Inwood

Brooklyn:

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Fort Greene, Clinton Hill, Cobble Hill,
Carroll Gardens, Boerum Hill

Stephen Vorvolakos

- Park Slope
Jonathan Berman - Crown Heights,
Bedford-Stuyvesant, Prospect Lefferts Gardens
Dov Chein - Crown Heights

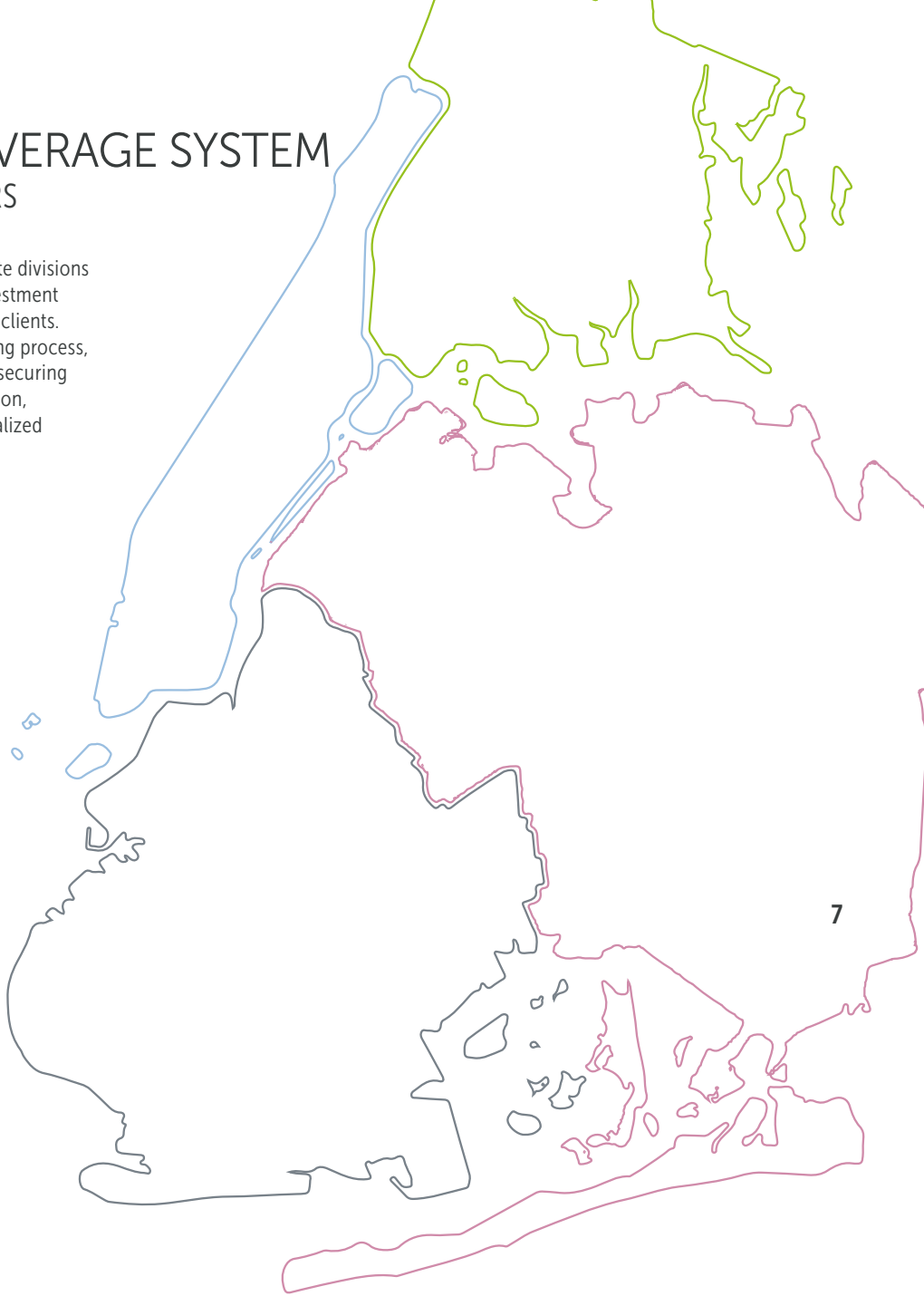
Lawrence Sarn - Flatbush, East Flatbush,
Borough Park, South Brooklyn, Bensonhurst,
Sheepshead Bay, Bath Beach
Benjamin Vago - Greenpoint, Williamsburg

Bronx:

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

Queens:

Alexander Taic - Long Island City,
Sunnyside
Dorit Pinhas - Ridgewood, 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. Does not include city transactions, internal sales, notes & ground leases

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 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 | 2022 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:
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