

Q1 Multifamily Quarter In Review New York City

2023

by Ariel Property Advisors
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Investment Sales
Capital Services
Research

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Q1 2023 Multifamily Highlights

Despite a 39% Y-O-Y drop in sales volume, NYC still outperforms the nation when it comes to multifamily activity

- During the first quarter, the multifamily market had a total of 268 transactions with 326 buildings, with a combined value of \$2.11 billion in New York City. Multifamily activity in New York City dropped 39% in total dollar volume year-over-year, outperforming multifamily sales across the nation which dropped significantly more at 74% year-over-year, reaching only \$14 billion, according to CoStar.
- It is worth noting that current activity is very much in line with pre-pandemic and pre-HSTPA Q1 '19. Quarterly activity compared to Q4'22 and Q1'22 reveals a significant decline. The decline can be attributed to sharply rising interest rates along with seasonality as the 4th quarter is usually stronger than the first. Additionally, during the first and second quarters of 2022, we saw big money rushing to close and secure loans before rates increased further.

Bright spots: predominantly free-market multifamily continues to power the market

- Predominantly free-market buildings were 78% of the total dollar volume and 55% of the total transaction volume for New York City (see table below). Both metrics are on par with 2022, at 76% and 50%

Transaction Breakdown by Building Unit Mix

	Unit Mix	% of \$ Vol	% of Trans Vol
Predominantly Free Market	FM (including 421a)	75%	46%
	25% - 50% RS	3%	9%
Predominantly Rent-Stabilized	50% - 75% RS	6%	4%
	75% + RS RS	8%	33%
	Buildings w Reg Agreement	8%	9%

VOLUME

Q1 2023 vs
Q1 2022

-39%
↓
\$2.11b
Dollar

-35%
↓
268
Transaction

-34%
↓
326
Property

respectively, as referenced previously in Ariel Property Advisors' 2022 Multifamily Year In Review.

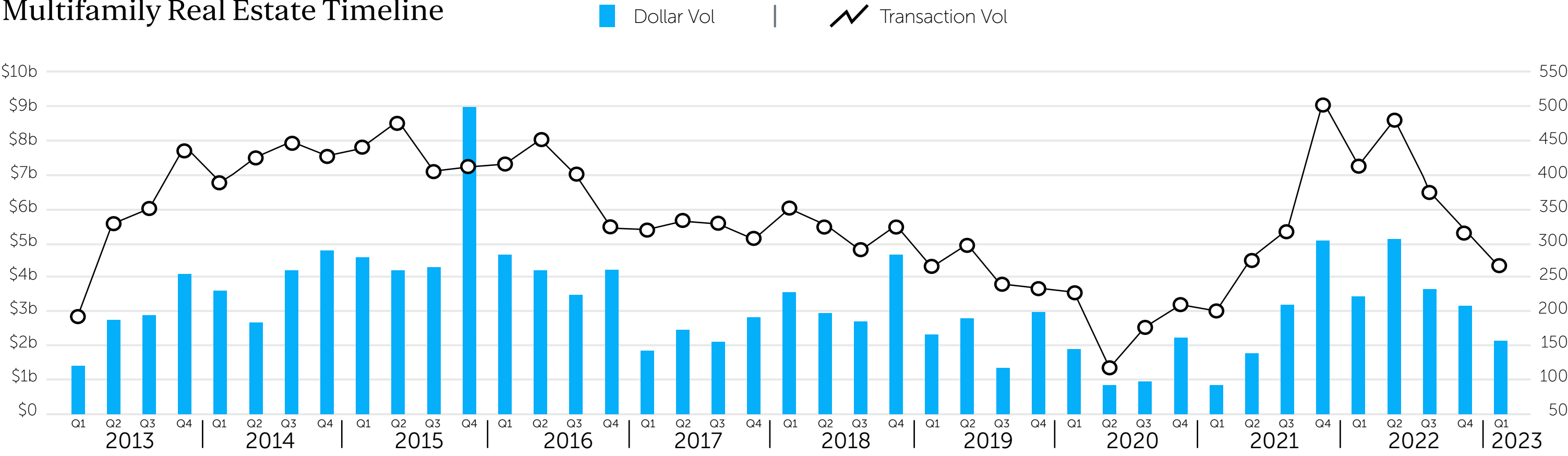
- The largest transaction of the quarter was the sale of 137 N 10th Street & 44 Berry Street in Brooklyn for \$68 million. These are two elevator buildings, one fully free market while the other is likely to turn over to a free market under the J-51 program that expires in 2025. There weren't transactions above \$100 million, a first since Q3 2020. However, there are at least three (3) transactions above \$100 million that are currently in contract and expected to close in Q2.
- Quarter-over-quarter, small multifamily (MF-MU under 6 units) outperformed all other property types with declines of only 12% in dollar volume and 7% in transaction volume. The attraction to this

property type is due to a substantial number of buildings under this category having a tax class of either 2A or 2B, which are tax-class protected and limits increases in real estate taxes to no more than 8% a year.

Assumable mortgages command a pricing premium

- Assumable, long-term mortgages, especially when it comes to rent-stabilized assets, add value as buyers are willing to pay a premium for interest rate certainty. We anticipate strategic sellers with accretive debt to gear up and sell this year.

Multifamily Real Estate Timeline



Q1 2023 Multifamily Highlights

- According to the Rent Guidelines Board (RGB), the net revenue of buildings containing rent-stabilized units declined by 9.1% between 2020 and 2021 across the roughly 15,000 buildings surveyed. The drop—the biggest ever measured in the study’s history—was driven by rising operating costs, which increased by 5.2% citywide, as well as a 1.2% decline in average rent collections.
- Rent-stabilized buildings with at least 10 units have seen a significant decrease in pricing. The average \$/SF and \$/unit are both down to the lowest per quarter since Q1 2014, the lowest in almost a decade.
- For example, 3850 Broadway & 3900 Broadway were purchased within two months of each other for a combined \$27.75 million in 2014 .They were then sold together for \$20.1 million in 2023, a drop of 28%.

WATCHLIST:

Rent growth

- In Manhattan, Brooklyn and Northwest Queens, average rents in March rose 10% or more year-over-year, but were relatively steady compared to February, according to the Elliman Report.

Jobs Data

- New York City added a net of 186,300 jobs in the last year, but the unemployment rate increased from 5.3% to 5.4% in February. Job losses in the event of a recession could potentially result in a decline in rental rates.

Transaction Activity Summary

New York City	Q1 2023	Q1 2023 vs Q4 2022	Q4 2022	Q1 2023 vs Q1 2022	Q1 2022
Transaction Volume Comparison	268	-17%	322	-35%	414
Dollar Volume Comparison	\$2,113,928,152	-33%	\$3,151,087,733	-39%	\$3,489,921,587
Building Volume Comparison	326	-21%	414	-34%	494
Total Units	5,086	-31%	7,414	-51%	10,294

Interest Rate Environment

- Today, the Federal Funds Rate sits at a 4.75-5.00% range. As inflation declines, the rate hikes have gradually decreased from a vigorous 75 basis points to a milder 25 basis points. As a result, economists and other experts in the industry speculate that there will likely continue to be a slowdown in rate hikes throughout 2023.

Bank failures, market consequences

- The effects of The Federal Reserve’s interest rate hikes throughout 2023 have had a considerable impact on multifamily sales. The failure of Signature Bank, one of New York City’s most active multifamily lenders, added another layer of uncertainty around the multifamily asset class for several reasons:
 - Mortgage **maturities and resets** might lead to ‘forced sellers’ and some distress
 - There might be a possible lack of **short-term liquidity** with one of the main lenders out of the market

Albany

- The Good Cause Eviction bill, initially introduced in 2019, is currently being discussed in Albany. If passed, this bill would require landlords to offer tenants new leases annually unless they breach their lease agreement. It would also impose restrictions on the maximum annual rent increase. Lawmakers, who are strongly advocating for the Good Cause Eviction are creating roadblocks for new tax abatements that Gov. Kathy Hochul is pushing to address the existing housing crisis and boost development.

Effects of Bank Collapses

Interest Rates

Tax Abatements

Global Unrest

RGB Rent Increases

Housing Policy Upgrades

State Budget

Inflation

Mortgage Maturities and Resets

Opportunity to Buy at Low Basis

Likelihood of Recession

Good Cause Eviction

NYC Sub-Market Overview: Manhattan

VOLUME
Q1 2023 vs
Q1 2022

-28%
↓
\$1.21b
Dollar

-43%
↓
37
Transaction

-44%
↓
46
Property

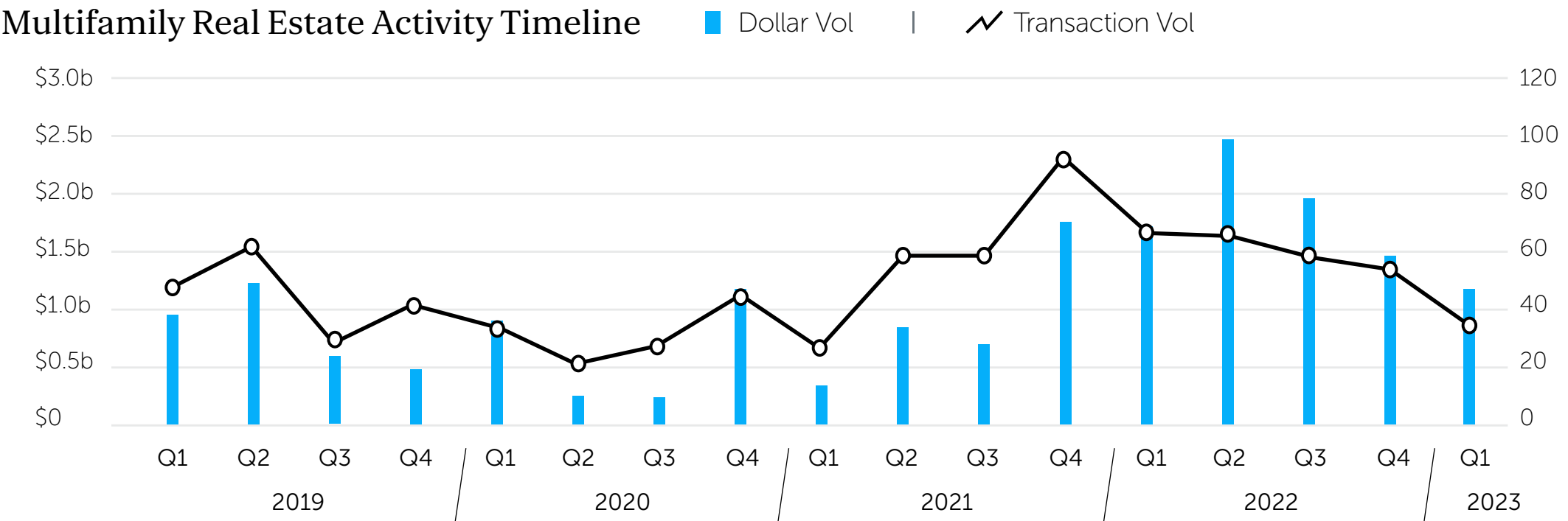
Transaction Activity Summary

Manhattan	Q1 2023	% Change vs Q4 2022	Q4 2022	% Change vs Q1 2022	Q1 2022
Transaction Vol	37	-30%	53	-43%	65
Building Vol	46	-31%	66	-44%	82
Dollar Vol	\$1,209,185,089	-17%	\$1,461,431,035	-28%	\$1,680,848,352
Total Units	1,497	-26%	2,021	-29%	2,103

Transaction Breakdown by Building Unit Mix

Category	% Dol Vol	% Trans Vol	Avg \$/SF	Avg \$/Unit
FM (including 421a)	97%	85%	\$773	\$506,359
25% - 50% RS	3%	15%	\$538	\$419,274
50% - 75% RS	N/A	N/A	N/A	N/A
75%+ RS	N/A	N/A	N/A	N/A
Buildings w Reg Agreement	N/A	N/A	N/A	N/A

Multifamily Real Estate Activity Timeline



Dollar Volume Comparison

Product type	Q1 2023	% Change vs Q4 2022	Q4 2022	% Change vs Q1 2022	Q1 2022
MF-MU 10+ resi units	\$1,103,884,542	-13%	\$1,268,046,035	-25%	\$1,472,503,352
MF-MU 6-9 resi units	\$25,969,880	-64%	\$73,087,500	-67%	\$79,905,000
MF-MU Small	\$79,330,668	-34%	\$120,297,500	-38%	\$128,440,000

Transaction Volume Comparison

Product type	Q1 2023	% Change vs Q4 2022	Q4 2022	% Change vs Q1 2022	Q1 2022
MF-MU 10+ resi units	22	-10%	24	-36%	34
MF-MU 6-9 resi units	4	-64%	12	-67%	13
MF-MU Small	11	-36%	17	-40%	18

Building Volume Comparison

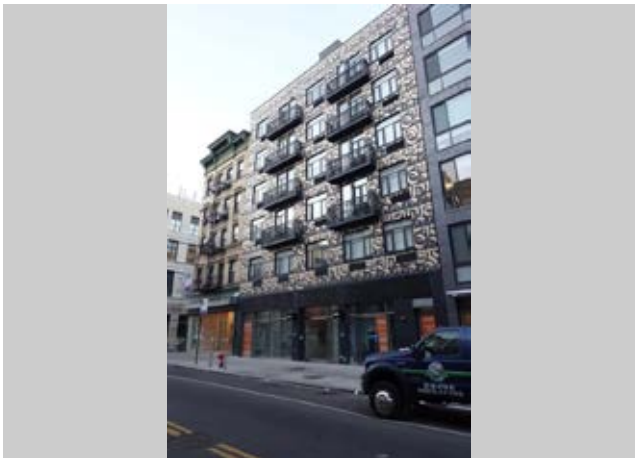
Product type	Q1 2023	% Change vs Q4 2022	Q4 2022	% Change vs Q1 2022	Q1 2022
MF-MU 10+ resi units	30	-16%	36	-40%	51
MF-MU 6-9 resi units	4	-67%	13	-67%	13
MF-MU Small	11	-36%	17	-40%	18

Featured Transactions



217 Thompson Street

Sale Date: **1/30/2023**
Sale Price: **\$31,550,000**
Gross SF: **25,144**



324 Grand Street

Sale Date: **1/20/2023**
Sale Price: **\$23,750,000**
Gross SF: **25,549**

NYC Sub-Market Overview: N. Manhattan

VOLUME
Q1 2023 vs
Q1 2022

-41%
↓
\$104.74M
Dollar

-11%
↓
15
Transaction

21%
↑
31
Property

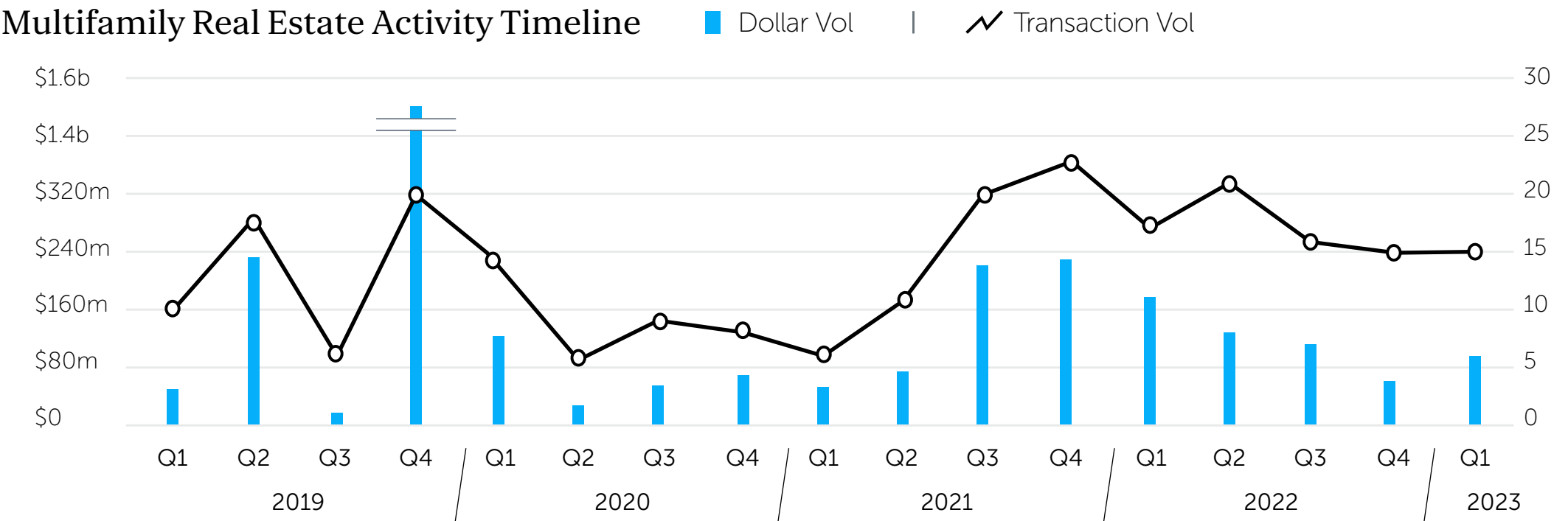
Transaction Activity Summary

N. Manhattan	Q1 2023	% Change vs Q4 2022	Q4 2022	% Change vs Q1 2022	Q1 2022
Transaction Vol	15	0%	15	-11%	17
Building Vol	31	31%	24	21%	26
Dollar Vol	\$104,738,802	74%	\$60,231,577	-41%	\$176,645,000
Total Units	668	128%	293	-20%	838

Transaction Breakdown by Building Unit Mix

Category	% Dol Vol	% Trans Vol	Avg \$/SF	Avg \$/Unit
FM (including 421a)	18%	42%	\$316	\$209,964
25% - 50% RS	8%	8%	\$165	\$145,833
50% - 75% RS	13%	8%	\$139	\$131,183
75%+ RS	35%	25%	\$159	\$182,759
Buildings w Reg Agreement	27%	17%	\$132	\$122,000

Multifamily Real Estate Activity Timeline



Dollar Volume Comparison

Product type	Q1 2023	% Change vs Q4 2022	Q4 2022	% Change vs Q1 2022	Q1 2022
MF-MU 10+ resi units	\$100,710,489	117%	\$46,348,708	-40%	\$168,195,000
MF-MU 6-9 resi units	\$2,293,373	-60%	\$5,667,869	-57%	\$5,350,000
MF-MU Small	\$1,734,940	-79%	\$8,215,000	-44%	\$3,100,000

Transaction Volume Comparison

Product type	Q1 2023	% Change vs Q4 2022	Q4 2022	% Change vs Q1 2022	Q1 2022
MF-MU 10+ resi units	13	63%	8	8%	12
MF-MU 6-9 resi units	1	-64%	3	-64%	3
MF-MU Small	1	-73%	4	-46%	2

Building Volume Comparison

Product type	Q1 2023	% Change vs Q4 2022	Q4 2022	% Change vs Q1 2022	Q1 2022
MF-MU 10+ resi units	29	72%	17	39%	21
MF-MU 6-9 resi units	1	-64%	3	-64%	3
MF-MU Small	1	-73%	4	-46%	2

Featured Transactions



3850 Broadway & 3900 Broadway

Sale Date: **3/31/2023**
Sale Price: **\$20,100,000**
Gross SF: **95,885**



Sugar Hill Capital Partners
Manhattan Portfolio

Sale Date: **1/31/2023**
Sale Price: **\$12,618,598**
Gross SF: **102,243**

NYC Sub-Market Overview: Brooklyn

VOLUME
Q1 2023 vs
Q1 2022

-45%
↓
\$478.2M
Dollar

-18%
↓
130
Transaction

-39%
↓
139
Property

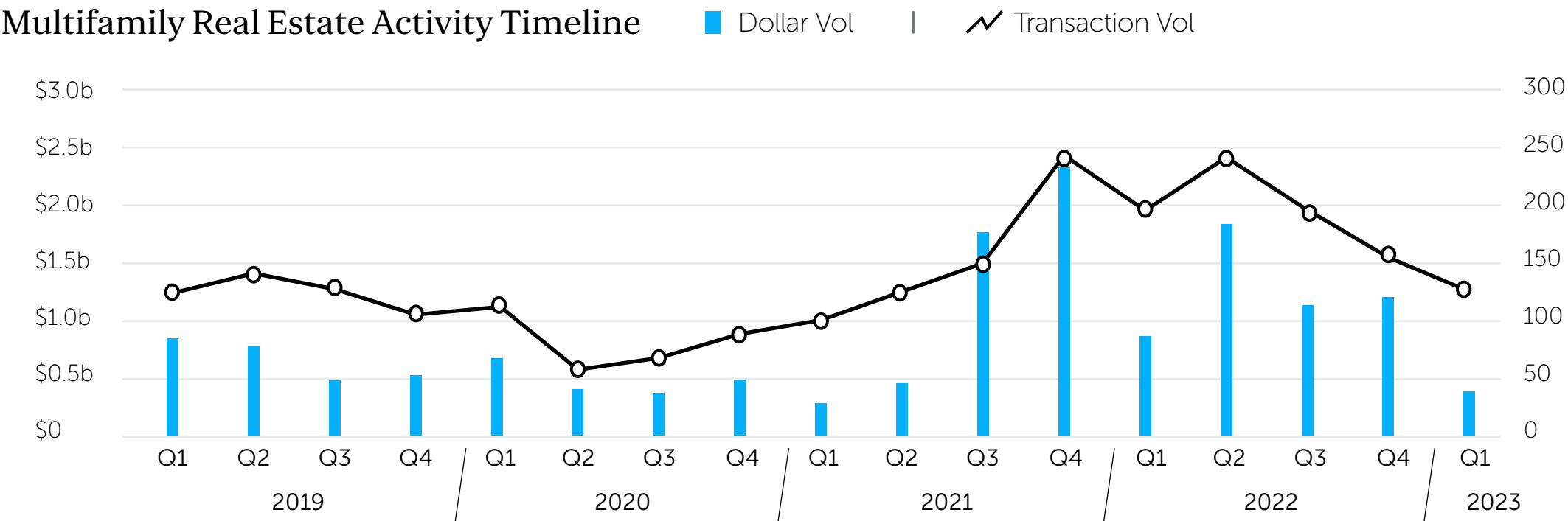
Transaction Activity Summary

Brooklyn	Q1 2023	% Change vs Q4 2022	Q4 2022	% Change vs Q1 2022	Q1 2022
Transaction Vol	130	-18%	158	-34%	196
Building Vol	139	-31%	200	-39%	227
Dollar Vol	\$478,197,204	-60%	\$1,206,624,277	-45%	\$861,884,262
Total Units	1,124	-65%	3,245	-65%	3,199

Transaction Breakdown by Building Unit Mix

Category	% Dol Vol	% Trans Vol	Avg \$/SF	Avg \$/Unit
FM (including 421a)	54%	50%	\$522	\$523,120
25% - 50% RS	N/A	N/A	N/A	N/A
50% - 75% RS	37%	7%	\$787	\$830,671
75%+ RS	9%	43%	\$140	\$125,256
Buildings w Reg Agreement	N/A	N/A	N/A	N/A

Multifamily Real Estate Activity Timeline



Dollar Volume Comparison

Product type	Q1 2023	% Change vs Q4 2022	Q4 2022	% Change vs Q1 2022	Q1 2022
MF-MU 10+ resi units	\$198,532,410	-78%	\$889,513,735	-60%	\$497,841,417
MF-MU 6-9 resi units	\$98,669,284	-34%	\$150,461,013	-34%	\$148,781,816
MF-MU Small	\$180,995,511	9%	\$166,649,529	-16%	\$215,261,029

Transaction Volume Comparison

Product type	Q1 2023	% Change vs Q4 2022	Q4 2022	% Change vs Q1 2022	Q1 2022
MF-MU 10+ resi units	15	-53%	32	-60%	38
MF-MU 6-9 resi units	35	-31%	50	-32%	51
MF-MU Small	80	6%	76	-25%	107

Building Volume Comparison

Product type	Q1 2023	% Change vs Q4 2022	Q4 2022	% Change vs Q1 2022	Q1 2022
MF-MU 10+ resi units	17	-72%	61	-74%	67
MF-MU 6-9 resi units	36	-35%	55	-30%	51
MF-MU Small	86	2%	84	-21%	109

Featured Transactions



137 N 10th Street & 44 Berry Street

Sale Date: **1/25/2023**
Sale Price: **\$68,115,000**
Gross SF: **86,500**



50 N 1st Street

Sale Date: **1/30/2023**
Sale Price: **\$34,926,000**
Gross SF: **54,698**

NYC Sub-Market Overview: Bronx

VOLUME
Q1 2023 vs
Q1 2022

-44%
↓
\$146.09M
Dollar

-41%
↓
18
Transaction

-8%
↓
36
Property

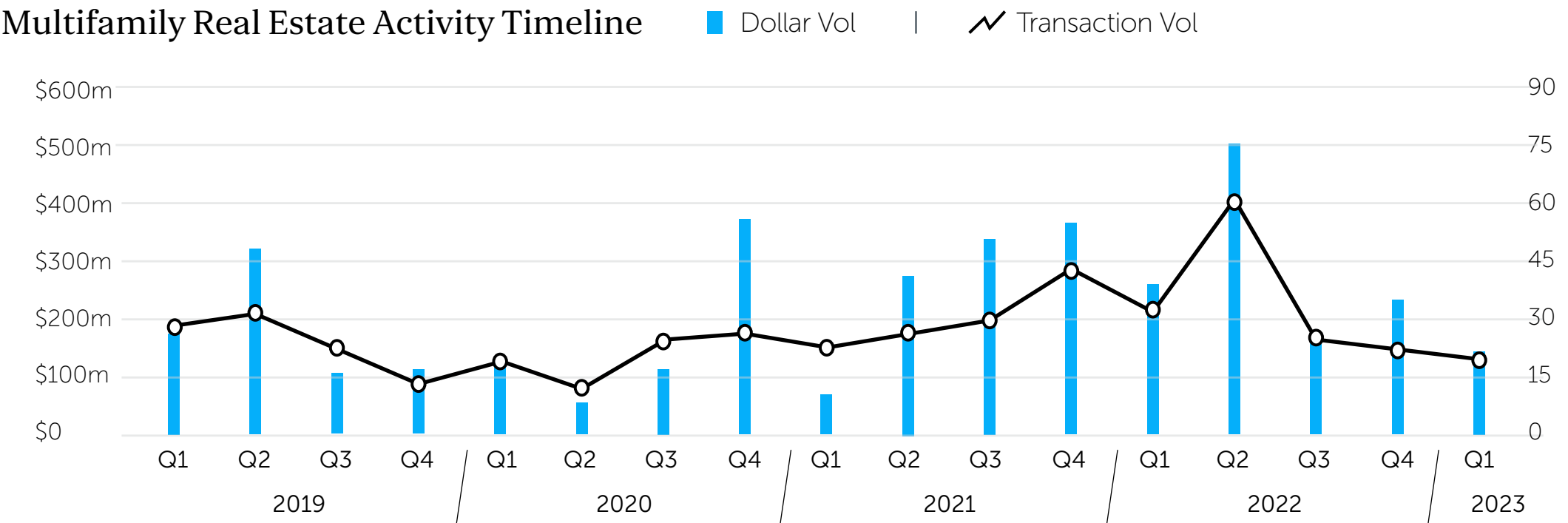
Transaction Activity Summary

Bronx	Q1 2023	% Change vs Q4 2022	Q4 2022	% Change vs Q1 2022	Q1 2022
Transaction Vol	18	-20%	23	-41%	31
Building Vol	36	-15%	42	-8%	39
Dollar Vol	\$146,091,856	-37%	\$233,385,000	-44%	\$259,442,000
Total Units	1,055	-15%	1,242	-37%	1,671

Transaction Breakdown by Building Unit Mix

Category	% Dol Vol	% Trans Vol	Avg \$/SF	Avg \$/Unit
FM (including 421a)	N/A	N/A	N/A	N/A
25% - 50% RS	7%	10%	\$125	\$117,123
50% - 75% RS	6%	10%	\$208	\$148,000
75%+ RS	13%	50%	\$133	\$114,076
Buildings w Reg Agreement	74%	30%	\$163	\$142,858

Multifamily Real Estate Activity Timeline



Dollar Volume Comparison

Product type	Q1 2023	% Change vs Q4 2022	Q4 2022	% Change vs Q1 2022	Q1 2022
MF-MU 10+ resi units	\$135,466,265	-38%	\$216,935,000	-44%	\$241,340,000
MF-MU 6-9 resi units	\$3,914,458	-43%	\$6,850,000	-72%	\$13,802,000
MF-MU Small	\$6,711,133	-30%	\$9,600,000	56%	\$4,300,000

Transaction Volume Comparison

Product type	Q1 2023	% Change vs Q4 2022	Q4 2022	% Change vs Q1 2022	Q1 2022
MF-MU 10+ resi units	11	-10%	12	-46%	20
MF-MU 6-9 resi units	2	-46%	4	-73%	8
MF-MU Small	5	-23%	7	81%	3

Building Volume Comparison

Product type	Q1 2023	% Change vs Q4 2022	Q4 2022	% Change vs Q1 2022	Q1 2022
MF-MU 10+ resi units	28	-9%	31	0%	28
MF-MU 6-9 resi units	2	-46%	4	-73%	8
MF-MU Small	5	-23%	7	81%	3

Featured Transactions



44,47 West 175th Street
& 1695 Grand Avenue

Sale Date: **1/6/2023**
Sale Price: **\$26,500,000**
Gross SF: **124,541**



3045 Godwin Terrace

Sale Date: **2/10/2023**
Sale Price: **\$8,550,000**
Gross SF: **68,610**

NYC Sub-Market Overview: Queens

VOLUME
Q1 2023 vs
Q1 2022

-66%
↓
\$175.72M
Dollar

-36%
↓
67
Transaction

-38%
↓
75
Property

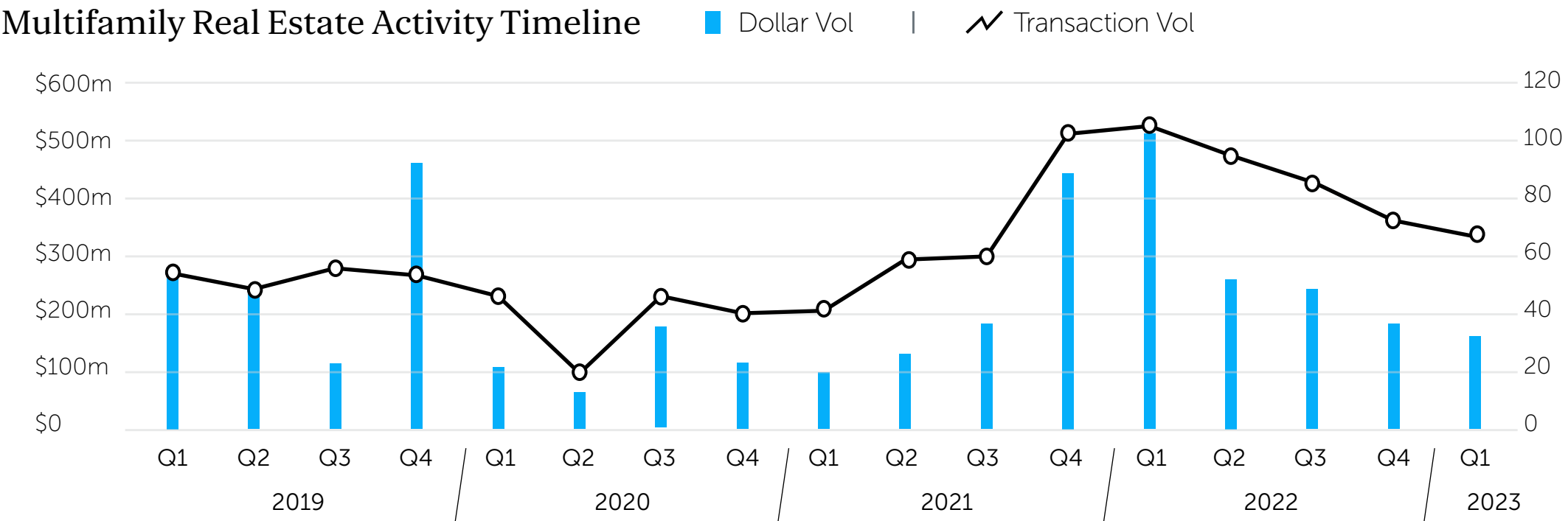
Transaction Activity Summary

Queens	Q1 2023	% Change vs Q4 2022	Q4 2022	% Change vs Q1 2022	Q1 2022
Transaction Vol	67	-8%	73	-36%	105
Building Vol	75	-9%	82	-38%	120
Dollar Vol	\$175,715,201	-7%	\$189,415,844	-66%	\$511,101,973
Total Units	741	21%	613	-70%	2,483

Transaction Breakdown by Building Unit Mix

Category	% DoI Vol	% Trans Vol	Avg \$/SF	Avg \$/Unit
FM (including 421a)	21%	21%	\$384	\$406,947
25% - 50% RS	3%	7%	\$251	\$183,333
50% - 75% RS	N/A	N/A	N/A	N/A
75%+ RS	65%	64%	\$226	\$156,385
Buildings w Reg Agreement	12%	7%	\$226	\$150,794

Multifamily Real Estate Activity Timeline



Dollar Volume Comparison

Product type	Q1 2023	% Change vs Q4 2022	Q4 2022	% Change vs Q1 2022	Q1 2022
MF-MU 10+ resi units	\$86,772,443	9%	\$79,765,769	-76%	\$354,946,000
MF-MU 6-9 resi units	\$25,970,951	-28%	\$35,868,075	-53%	\$54,727,950
MF-MU Small	\$62,971,807	-15%	\$73,782,000	-38%	\$101,428,023

Transaction Volume Comparison

Product type	Q1 2023	% Change vs Q4 2022	Q4 2022	% Change vs Q1 2022	Q1 2022
MF-MU 10+ resi units	15	52%	10	-24%	20
MF-MU 6-9 resi units	14	-33%	21	-48%	27
MF-MU Small	38	-10%	42	-35%	58

Building Volume Comparison

Product type	Q1 2023	% Change vs Q4 2022	Q4 2022	% Change vs Q1 2022	Q1 2022
MF-MU 10+ resi units	23	42%	16	-21%	29
MF-MU 6-9 resi units	14	-36%	22	-51%	29
MF-MU Small	38	-14%	44	-39%	62

Featured Transactions



Fuller Street Realty Flushing Multifamily Portfolio

Sale Date: **1/24/2023**
Sale Price: **\$14,820,000**
Gross SF: **58,840**



29-03 Bessemond Avenue & 31-01 Healy Avenue

Sale Date: **3/3/2023**
Sale Price: **\$9,800,000**
Gross SF: **98,718**

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