

MULTIFAMILY QUARTER IN REVIEW: NEW YORK CITY | Q3 2021

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

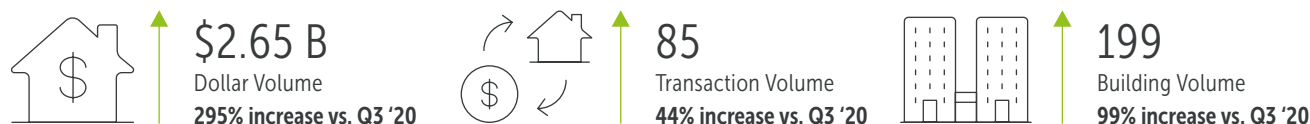


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MULTIFAMILY QUARTER IN REVIEW:

NEW YORK CITY | Q3 2021



The NYC multifamily market experienced a significant uptick in activity on both a year-over-year and quarter-over-quarter basis during the third quarter of 2021 recording 85 transactions across 199 properties that totaled \$2.65 billion in gross consideration. One substantial institutional transaction to note is the \$1.3 billion partial interest sale of the Starrett City Portfolio which accounted for approximately 49% of total dollar volume for the quarter. Excluding that transaction as it skewed the volume amounts, the third quarter of 2021 resulted in increases of 42% in transaction volume, 83% in building volume and 101% in dollar volume when compared on a year-by-year basis. Further, when compared to the second quarter of 2021, there were just 5 fewer transactions in the third quarter resulting in increases of 20% in building volume and 6% in dollar volume.

FUNDAMENTALS

According to The Elliman Report, Manhattan's new lease signings in August totaled 8,201, rising to their highest level for the month since at least 2008 and increasing 64% from August 2020. Manhattan's luxury rental market saw a similar spike in August, where new lease signings rose 63% year-over-year. In addition, the average vacancy rate fell to 3.23%, down from 5.10% in August 2020. The Brooklyn rental market recorded 2,071 new lease signings in August, a 28% increase from the previous year.

Manhattan totaled 26 transactions which spanned 48 buildings and grossed \$493.4 million. This accounted for 19% of total dollar volume and 24% of total building volume in Q3 2021. The 26 transactions were 4 fewer than Q2 2021 and comparably dollar volume fell by 26% quarter-over-quarter, whereas the building volume grew by 20%. When comparing year-over-year metrics, there were increases across the board. These numbers reflected a 63% increase in transaction volume, a 167% increase in property volume and a 199% increase in dollar volume. Interestingly, when looking at the trailing 6 month pricing metrics, the price per square foot rose from \$602 to \$644 and the cap rate compressed from 5% to 4.75%. The largest transaction that took place in Manhattan was SL Green's sale of 400 E 57th Street to A&E Real Estate. The 269 unit mixed use elevator building spans 290,482 square feet and was purchased for \$133.5 million equating to \$460 per square foot and \$496,283 per unit.

Northern Manhattan in the third quarter experienced 11 transactions, which totaled 22 buildings and \$212 million in dollar volume. The pricing metrics stayed relatively flat when comparing the 6 month trailing figures. On a year-over-year basis, the borough recorded increases of 175% in transaction volume, 267% in building volume and 385% in dollar volume. When compared to Q2 2021, there were 2 more transactions which resulted in a rise of 267% in building volume and 385% in dollar volume. Northern Manhattan's dollar volume in Q3 was largely fueled by the sale of 56 W 125th Street to HUBB NYC. Jay Group sold the 139,209 square foot, 142-unit newly constructed building for \$105 million. The sale metrics work out to approximately \$739,437 per unit and \$754 per square foot.

The Bronx recorded the highest building volume among all boroughs at 61 buildings. Although the pricing metrics remained level, the borough totaled \$359.5 million in gross consideration across 20 transactions. This represented a 273% increase in dollar volume, 43% increase in transaction volume and 135% increase in building volume from Q3 of 2020. When looking at Q2 2021, the numbers translated to increases of 38%, 11% and 49%, respectively. The most notable sale in the borough was the Academy Gardens Portfolio which consisted of 8 buildings located in Clason Point. The project-based Section 8 portfolio spanned 376,218 square feet and held a combined total of 472 units. Phoenix Realty bought the portfolio from Spencer Equity for \$91 million equating to \$242 per square foot and \$192,797 per unit.

Brooklyn The large partial interest sale of the 16 building Starrett City Portfolio pushed Brooklyn to record the highest dollar volume and the second most building volume amongst all other submarkets. Brooklyn accounted for 55% of total dollar volume by grossing \$1.469 billion across 20 transactions. Rockpoint Group and Brooksville Partners took full control of Starrett City valuing the entire 5,901 unit apartment complex at \$1.84 billion. Without including the Starrett City Portfolio, the year-over-year metrics resulted in increases in transaction volume (27%) and building volume (26%), but with a decrease in dollar volume by 35%. Compared to Q2 of 2021, there were decreases by 14% in transaction volume, 22% in building volume and 29% in dollar volume. The year-over-year pricing metrics in Brooklyn stayed relatively flat with the cap rate rising from 5.34% to 5.43%, along with the price per square foot moving slightly from \$339 to \$335.

Queens The borough grossed \$118.2 million over 8 transactions spanning 18 buildings, which resulted in a 5% increase in dollar volume, in addition to decreases in transaction volume and building volume by 20% and 22% respectively when compared to Q3 2020. Additionally, Queens saw its trailing 6 months pricing metric for price per square foot increase from \$222 to \$272, with the cap rate changing slightly from 5.29% to 5.39% in 2021. This quarter, the largest transaction sold in Queens was the sale of 35-64 84th Street & 80-01 37th Avenue, located in Jackson Heights. The two mixed-use properties purchased by A&E Real Estate for \$58.75 million were owned and managed by the Joseph Bruno Trust since their development nearly a century ago. The buildings totaled 217,262 square feet and held 222 units, translating to \$270 per foot and \$264,640 per unit.

CONCLUSION

New York City's multifamily market experienced a continuation of the positive markers that we noted last quarter including increases in transaction, properties sold and dollar volume, along with a spike in lease signings. The city continues to see higher volume across the board when looking at the year-over-year levels. In addition, quarter-over-quarter numbers show an increase in both building and dollar volume signifying an eagerness for multifamily investors following difficulties brought on by the Covid-19 pandemic. Looking forward, the US economic growth rate is on pace to grow to 5.9% in 2021 and 5% in 2022 resulting in the highest level of growth since 1984, according to Goldman Sachs Q3 Investment Update. With volume numbers continually increasing along with the expected US economic growth for 2021 and 2022, we anticipate a strong New York City multifamily market in Q4.

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	Q3 2021	% Change vs. Q2 2021	Q2 2021	% Change vs. Q3 2020	Q3 2020
MANHATTAN	Transaction Vol	26	-13%	30	63%	16
	Building Vol	48	20%	40	167%	18
	Dollar Vol	\$493,439,534	-26%	\$666,577,329	199%	\$164,805,319
	Total Units	1,329	19%	1,115	179%	476
N. MANHATTAN	Transaction Vol	11	22%	9	175%	4
	Building Vol	22	144%	9	267%	6
	Dollar Vol	\$212,064,907	208%	\$68,906,000	385%	\$43,750,000
	Total Units	649	78%	365	247%	187
BRONX	Transaction Vol	20	11%	18	43%	14
	Building Vol	61	49%	41	135%	26
	Dollar Vol	\$359,493,288	38%	\$260,520,847	273%	\$96,456,431
	Total Units	2,178	22%	1,782	211%	701
BROOKLYN	Transaction Vol	20	-9%	22	33%	15
	Building Vol	50	-4%	52	85%	27
	Dollar Vol	\$1,468,922,527	528%	\$233,818,620	479%	\$253,819,948
	Total Units	6,999	752%	821	439%	1,299
QUEENS	Transaction Vol	8	-20%	10	-20%	10
	Building Vol	18	64%	11	-22%	23
	Dollar Vol	\$118,244,675	149%	\$47,544,000	5%	\$112,911,000
	Total Units	453	70%	267	-20%	569
NEW YORK CITY	Transaction Vol	85	-4%	89	44%	59
	Building Vol	199	30%	153	99%	100
	Dollar Vol	\$2,652,164,931	108%	\$1,277,366,796	295%	\$671,742,698
	Total Units	11,608	167%	4,350	259%	3,232

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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

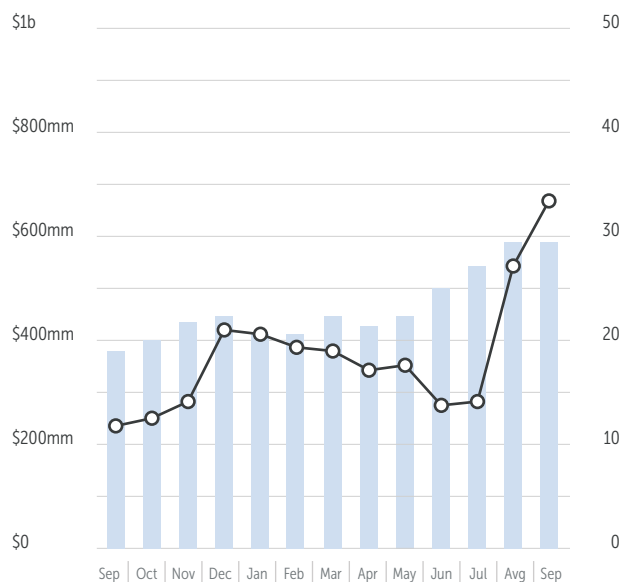
Apr 2021 - Sep 2021 Trailing Numbers

Apr 2020 - Sep 2020 Trailing Numbers

Location	\$ / Unit	\$ / SF	Cap Rate	GRM	\$ / Unit	\$ / SF	Cap Rate	GRM
Manhattan	\$462,104	\$644	4.75%	13.21	\$425,941	\$602	5.00%	13.24
N. Manhattan	\$225,844	\$286	5.32%	9.87	\$198,327	\$271	5.05%	10.31
Bronx	\$143,162	\$161	6.00%	8.87	\$154,078	\$174	6.15%	10.14
Brooklyn	\$302,048	\$335	5.43%	11.75	\$280,886	\$339	5.34%	12.55
Queens	\$242,570	\$272	5.39%	9.92	\$184,194	\$222	5.29%	9.66

The Trailing 6-Month Moving Average

Transaction Volume ● | Dollar Volume ○



Year	6 Months Ended	Average Dollar Vol.	Average Transaction Vol.
2020	Sep	\$220,800,002	18
2020	Oct	\$269,686,926	20
2020	Nov	\$295,035,038	22
2020	Dec	\$417,031,211	23
2021	Jan	\$404,933,220	21
2021	Feb	\$390,001,016	21
2021	Mar	\$385,620,989	23
2021	Apr	\$345,990,868	22
2021	May	\$364,929,423	23
2021	Jun	\$293,441,360	25
2021	Jul	\$295,194,171	27
2021	Aug	\$540,834,766	29
2021	Sep	\$681,879,872	29

FEATURED Q3 2021 TRANSACTIONS | REAL ESTATE TIMELINE

Manhattan
(below 96th Street)
400 East 57th Street



Sale Amount: **\$133,500,000**
\$/SF: **\$460**
\$/Unit: **\$496,283**
Sale Date: **09/22/2021**

Northern Manhattan
(above 96th Street)
56 West 125th Street



Sale Amount: **\$105,000,000**
\$/SF: **\$754**
\$/Unit: **\$739,437**
Sale Date: **9/15/2021**

Bronx
Academy Gardens Portfolio



Sale Amount: **\$91,000,000**
\$/SF: **\$242**
\$/Unit: **\$192,797**
Sale Date: **9/17/2021**

Queens
35-64 84th St & 80-01 37th Avenue



Sale Amount: **\$58,750,000**
\$/SF: **\$270**
\$/Unit: **\$264,640**
Sale Date: **09/28/2021**

Brooklyn
22-30 Starr Street

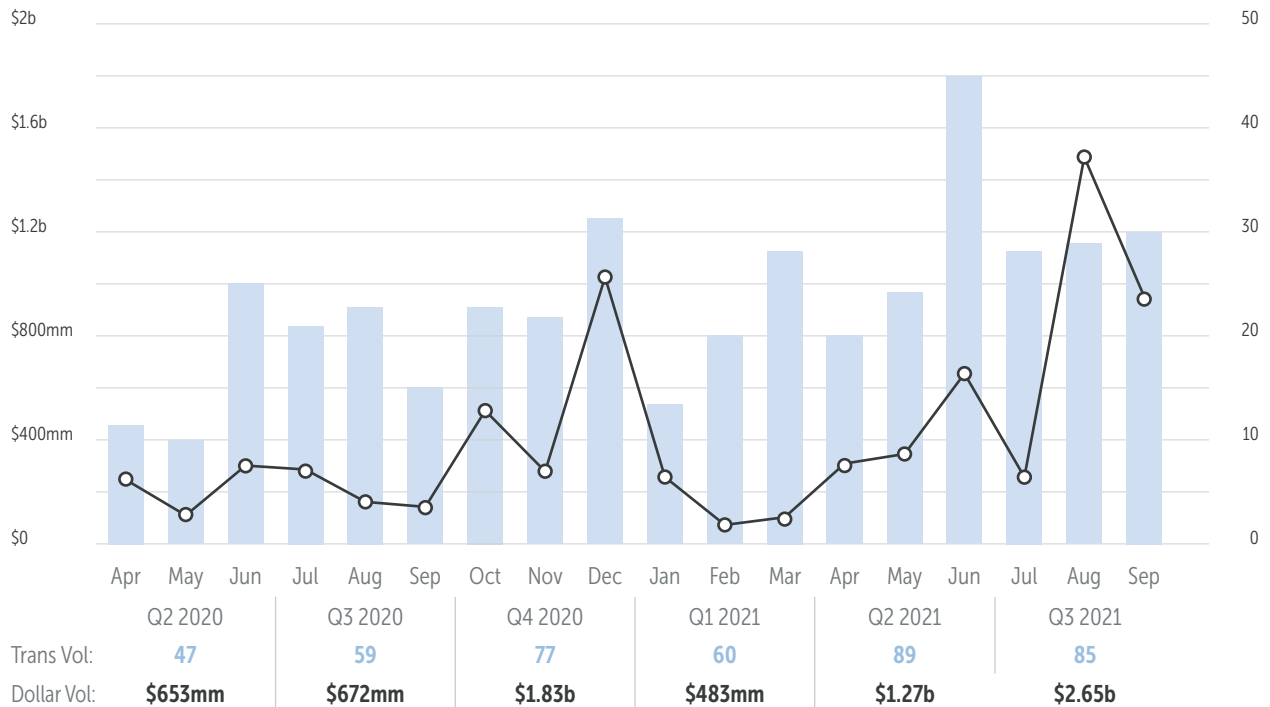


Sale Amount: **\$20,208,785**
\$/SF: **\$715**
\$/Unit: **\$531,810**
Sale Date: **7/2/2021**

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Multifamily Real Estate Timeline

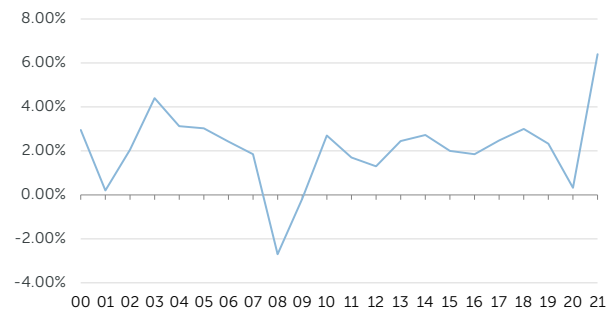
Transaction Volume ● | Dollar Volume ○



MACRO-ECONOMIC OVERVIEW & MARKET FUNDAMENTALS

% Change in Real Gross Domestic Product:

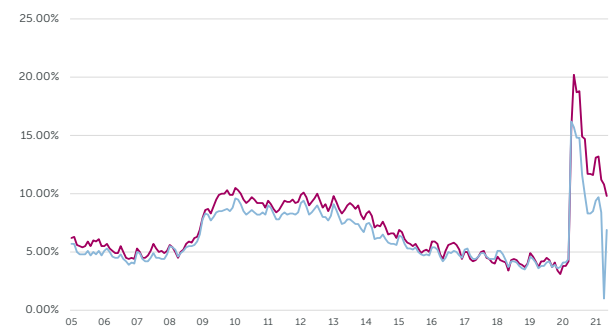
Change in GDP as of 2Q 2021: 6.7%



Unemployment:

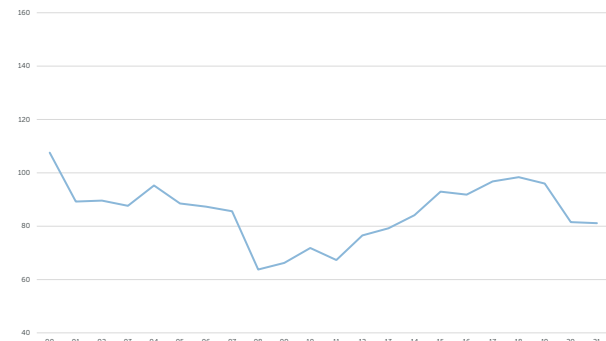
As of August 2021: NYS: 7.1% | NYC: 9.8%

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



Consumer Sentiment Index:

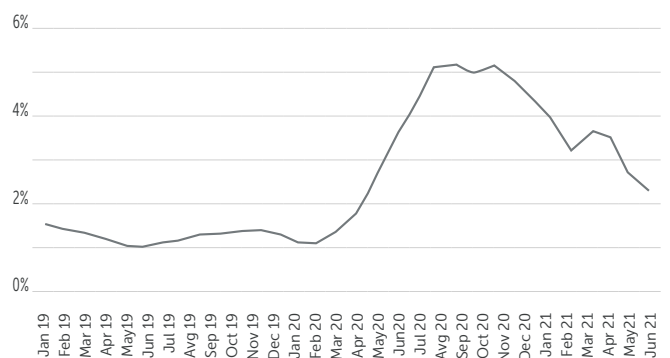
CSI as of August 2021: 81.1



Rental Market / Vacancy:

Manhattan Vacancy as of August 2021: 2.26%

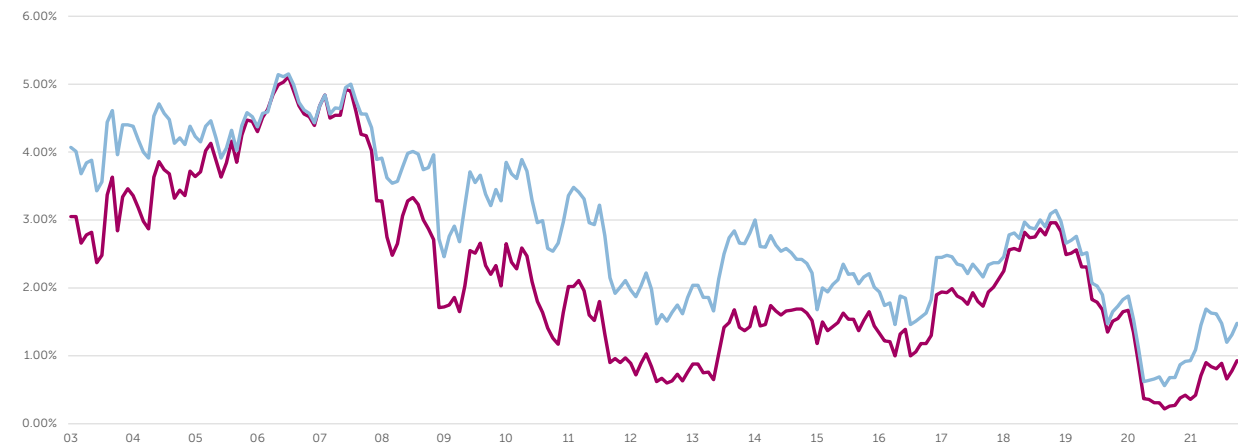
Source: Corcoran



Financing:

10-Year: 1.64% | 5-Year: 1.19% | as of October 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.

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Howard Raber, Esq. - Midtown East
Jack Moran - Downtown East

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James Nestor - Washington Heights, Inwood

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Mott Haven, Morrisania
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Queens:

Alexander Taic - Long Island City, Sunnyside
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.

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 | Q3 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

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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.

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