

MULTIFAMILY QUARTER IN REVIEW

NEW YORK CITY
2022

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Ariel Property Advisors
in October 2022

MULTIFAMILY QUARTER IN REVIEW:

NEW YORK CITY | Q3 2022



\$3.57B
Dollar Volume
37% increase vs Q3 '21



128
Transaction Volume
41% increase vs Q3 '21



212
Building Volume
7% increase vs Q3 '21

Strong Q3: Positive New York City Indicators Still Trump Macroeconomic Challenges

- Q3 2022 Dollar Volume Increased Year-Over-Year and Remained 71% Above Five-Year Quarterly Average
- Brooklyn and Manhattan (below 96th St) Accounted for Approximately 89% of the Multifamily Dollar Volume
- Free Market and 421a Buildings Continued to Maintain Market Appeal

Q3 2022 Dollar Volume Increased Year-Over-Year and Remained 71% Above Five-Year Quarterly Average

The multifamily market in the third quarter totaled \$3.57 billion over 128 transactions and 212 buildings. Year-over-year the quarter experienced increases in dollar volume, transaction volume, and building volume by 37%, 41%, and 7%, respectively. However, quarter-over-quarter volume declined by 17%, 20%, and 11%. Transactions such as 8 Spruce St, which sold for \$930 million, inflated the previous quarter along with other large transactions that closed. The second quarter had nine transactions close for \$100+ million whereas the third quarter only totaled five sales of \$100+ million. However, this quarter resulted in dollar volume growth of 71% and transaction volume growth of 32% from the quarterly average dollar volume of \$2.085 billion over 97 transactions recorded since the beginning of 2017. Hence, multifamily investment is still substantially higher than the average quarter over the past five years and has not yet felt the full effect of rising interest rates on the market.

Brooklyn and Manhattan (below 96th St) Accounted for Approximately 89% of the Multifamily Dollar Volume

Investor interest in Brooklyn and Manhattan below 96th Street continues to grow as we have seen an uptick in dollar volume for these two locations. This quarter Brooklyn accounted for \$1.046 billion and Manhattan (below 96th St) accounted for \$2.139 billion of dollar volume in the multifamily market. Together the two locations combined for 89% of the dollar volume, which is slightly more than the 85% in the second quarter. This represents more investor interest in these areas following just 73% in the first quarter of 2022 and 77% for all multifamily transactions in 2021. The top ten multifamily sales in the third quarter took place in Manhattan and Brooklyn combined. The top two sales of the quarter were Ponte Gadea Group's purchase of 114 Fulton St in the Financial District for \$487.5 million and A&E Real Estate's purchase of 160 Riverside Blvd on the Upper West Side for \$415 million. Additionally, the top sale in Brooklyn was KKR's purchase of 80 Dekalb Ave in Fort Greene for \$190 million.

Free Market and 421a Buildings Continued to Maintain Market Appeal

160 Riverside Blvd and 114 Fulton St are good examples of increased investor preference for free market multifamily buildings. In fact, free market and 421a buildings accounted for approximately 89% of the dollar volume for the quarter. That is comparable to 88% from the previous quarter and up from 67% in the first quarter of 2022. As noted in our last Multifamily Market Quarter in Review, these buildings are considered an

inflation hedge since rents can be raised to offset rising expenses such as the cost of debt, utilities, salaries, repairs & maintenance, and property taxes.

WATCHLIST:

- **Underwriting volatility as the Fed once again raised the federal funds target rate by 75 basis points in September to a target range of 3.0% and 3.25%, with it projected to hit 4.6% in 2023.** This makes it more difficult for investors to size up the deal by anticipating interest rates at closings, potential refinancing events down the line and ultimately what exit strategy will look like. Investor preference continues to be focused on free market buildings in prime locations over the past few quarters. Investor preference continues to be focused on free market buildings in prime locations over the past few quarters. However, with the cost of debt expected to be elevated in the near future the distribution of multifamily sales will be something to keep an eye on going forward, especially rent-stabilized owners who bought before HSTPA of 2019 with a business plan to deregulate units through improvements and higher legal rents and were not able to do so in time.
- **The city has had many positive macroeconomic indicators**, especially around transportation. According to the MTA, weekday ridership, both coming into the city and commuting around the city via the subway, buses, LIRR, Metro-North, Access-A-Ride, and bridges and tunnels, averaged approximately 5.74 million people per day in the third quarter of 2022 and within the last week of September the average rose to 6.11 million people per day. Although, these represent 64% and 69%, respectively, of total ridership pre-pandemic, we continue to anticipate an uptick in ridership, especially when the Grand Central Madison station opens in December.
- **Positive attitudes toward real estate in local politics** could offer well-needed changes going forward. Mayor Eric Adams' "City of Yes" zoning rule changes are expected to help modernize and update the city's zoning regulations to support small businesses, create affordable housing, and promote sustainability. Additionally, the city has announced plans to sell about \$1.4 billion of municipal bonds through the city's first-ever issuance of bonds explicitly earmarked to tackle social issues, including approximately \$400 million for affordable housing that will primarily benefit the Extremely Low- and Low-Income Affordability (ELLA) program.

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.

MULTIFAMILY MARKET PERFORMANCE

BY SUB-MARKET

	Metrics	Q3 2022	% Change vs.Q2 2022	Q2 2022	% Change vs.Q3 2021	Q3 2021
NEW YORK CITY	Transaction Vol	128	-20%	160	41%	91
	Building Vol	212	-11%	237	7%	198
	Dollar Vol	\$3,567,816,661	-17%	\$4,295,770,318	37%	\$2,602,383,951
	Total Units	6,972	-23%	9,010	-36%	10,862
MANHATTAN	Transaction Vol	36	-12%	41	24%	29
	Building Vol	53	-26%	72	-4%	55
	Dollar Vol	\$2,138,637,707	-7%	\$2,295,978,180	327%	\$501,236,000
	Total Units	2,672	-15%	3,129	97%	1,355
N. MANHATTAN	Transaction Vol	13	-7%	14	-7%	14
	Building Vol	25	39%	18	-7%	27
	Dollar Vol	\$109,749,679	-2%	\$112,293,567	-47%	\$207,751,614
	Total Units	640	35%	474	-5%	673
BROOKLYN	Transaction Vol	42	-16%	50	91%	22
	Building Vol	75	7%	70	50%	50
	Dollar Vol	\$1,045,599,841	-23%	\$1,349,265,281	-29%	\$1,475,387,002
	Total Units	2,287	-16%	2,714	-65%	6,526
BRONX	Transaction Vol	15	-59%	37	-21%	19
	Building Vol	32	-40%	53	-43%	56
	Dollar Vol	\$134,933,253	-69%	\$430,951,424	-58%	\$320,609,335
	Total Units	873	-61%	2,217	-54%	1,913
QUEENS	Transaction Vol	22	22%	18	214%	7
	Building Vol	27	13%	24	170%	10
	Dollar Vol	\$138,896,181	29%	\$107,281,866	43%	\$97,400,000
	Total Units	500	5%	476	27%	395

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

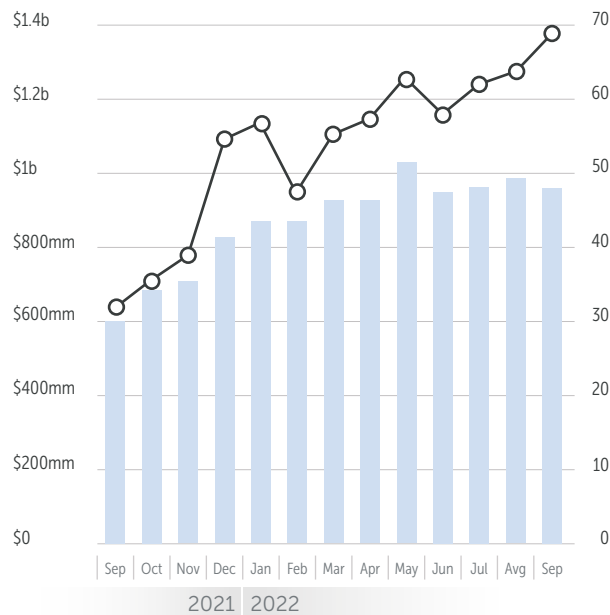
Apr 2022 - Sep 2022 Trailing Numbers

Apr 2021 - Sep 2021 Trailing Numbers

Location	\$ / Unit	\$ / SF	Cap Rate	GRM	\$ / Unit	\$ / SF	Cap Rate	GRM
Manhattan	\$553,718	\$744	4.36%	13.83	\$463,794	\$658	4.69%	12.65
N. Manhattan	\$228,633	\$324	5.36%	11.47	\$217,909	\$297	5.20%	9.83
Bronx	\$157,287	\$181	6.17%	8.94	\$148,668	\$169	5.91%	8.78
Brooklyn	\$408,219	\$471	4.67%	14.56	\$294,371	\$335	5.48%	11.00
Queens	\$296,467	\$349	4.77%	12.23	\$210,882	\$262	5.24%	10.74

The Trailing 6-Month Moving Average

Transaction Volume ● | Dollar Volume ○



Year	6 Months Ended	Average Dollar Vol.	Average Transaction Vol.
2021	Sep	\$647,358,458	30
2021	Oct	\$721,016,969	34
2021	Nov	\$792,380,533	35
2021	Dec	\$1,107,700,528	41
2022	Jan	\$1,146,330,302	43
2022	Feb	\$954,231,552	43
2022	Mar	\$1,124,939,998	46
2022	Apr	\$1,165,365,674	46
2022	May	\$1,262,947,429	51
2022	Jun	\$1,166,931,848	47
2022	Jul	\$1,260,342,812	48
2022	Aug	\$1,271,011,979	49
2022	Sep	\$1,396,077,793	48

FEATURED Q3 2022 TRANSACTIONS | REAL ESTATE TIMELINE

Manhattan
(below 96th Street)
114 Fulton Street



Sale Amount: **\$487,500,000**
\$/SF: **\$1,107**
\$/Unit: **\$1,005,155**
Sale Date: **9/23/2022**

Brooklyn
80 Dekalb Avenue



Sale Amount: **\$190,000,000**
\$/SF: **\$799**
\$/Unit: **\$520,548**
Sale Date: **7/8/2022**

Northern Manhattan
(above 96th Street)
**KLM Construction MU
Harlem Portfolio**



Sale Amount: **\$32,000,000**
\$/SF: **\$159**
\$/Unit: **\$128,514**
Sale Date: **7/28/2022**

Queens
47-16 Greenpoint Avenue



Sale Amount: **\$23,500,000**
\$/SF: **\$809**
\$/Unit: **\$1,807,692**
Sale Date: **7/1/2022**

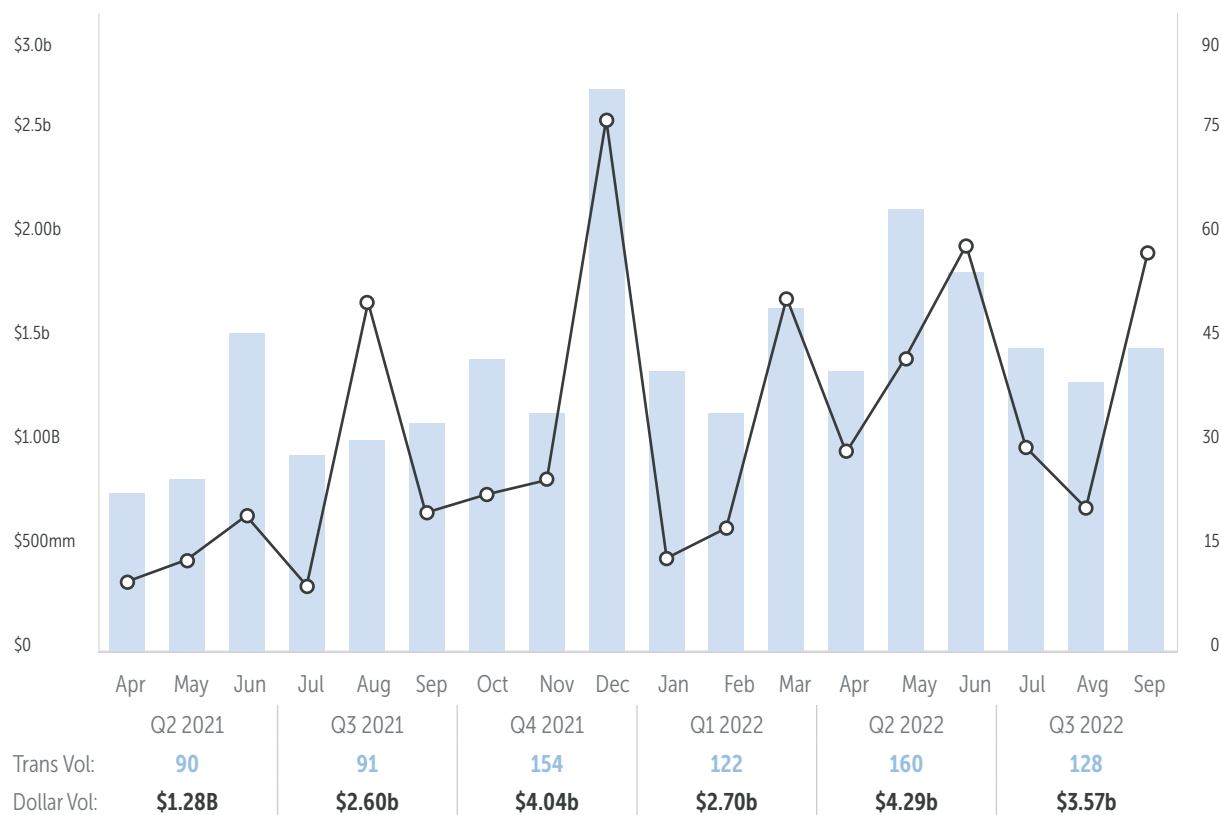
Bronx
**2260 Bronx Park East &
2206 Holland Avenue &
730 E 236th Street**



Sale Amount: **\$23,000,000**
\$/SF: **\$132**
\$/Unit: **\$127,778**
Sale Date: **8/16/2022**

Multifamily Real Estate Timeline

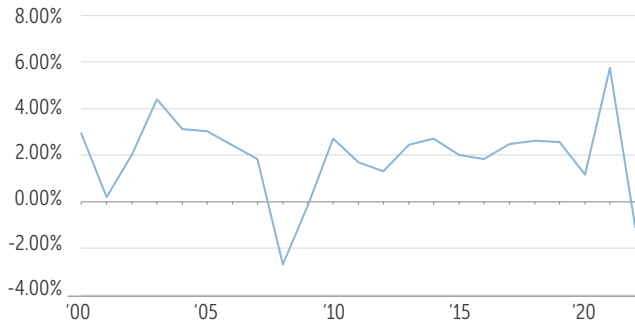
Transaction Volume ● | Dollar Volume ○



MACRO-ECONOMIC OVERVIEW & MARKET FUNDAMENTALS

% Change in Real Gross Domestic Product:

Change in GDP as of 2Q 2022: -1.10%

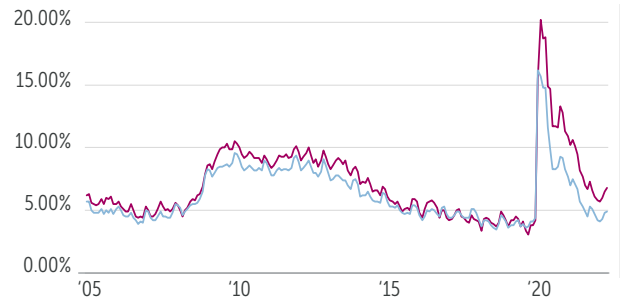


Source: FRED Economic Data

Unemployment:

NYS: 4.90% | NYC: 6.80% as of August 2022

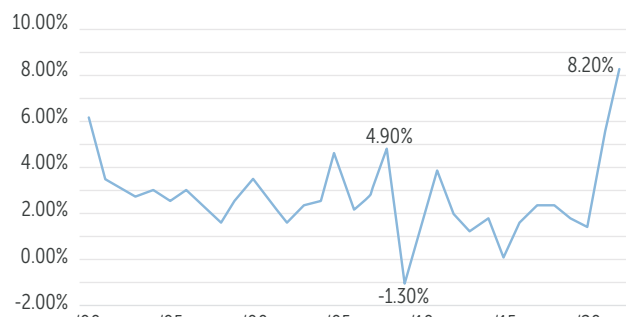
Unemployment Rate History | **NYS** & **NYC** (Not Seasonally Adjusted)



Source: Department Of Labor

Consumer Price Index (CPI):

National CPI Growth - October Y-O-Y



Source: U.S. Bureau Of Labor Statistics

Rental Market / Vacancy:

Manhattan Residential Rental Vacancy 2008-2022

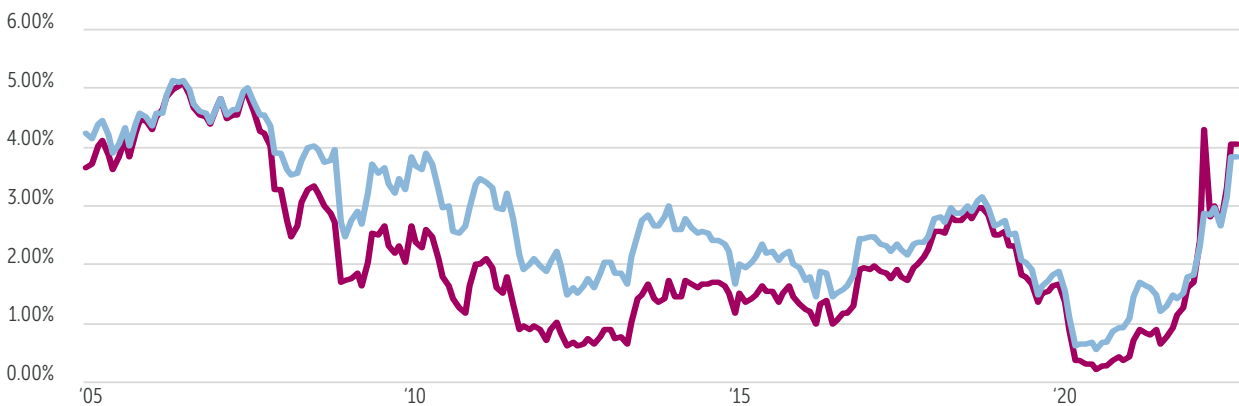


Source: Corcoran

Financing:

10-Year: 3.83% | **5-Year: 4.05%** | as of October 6th, 2022

Treasury Yield Curve Rates **10-year** | **5-year**



Source: U.S. Department Of The Treasury

GEOGRAPHIC COVERAGE SYSTEM

BY ARIEL PROPERTY ADVISORS

Ariel's unique company structure, with separate divisions for Investment Sales, Capital Services and 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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Dov Chein - Crown Heights, Prospect Heights, Prospect Lefferts Gardens

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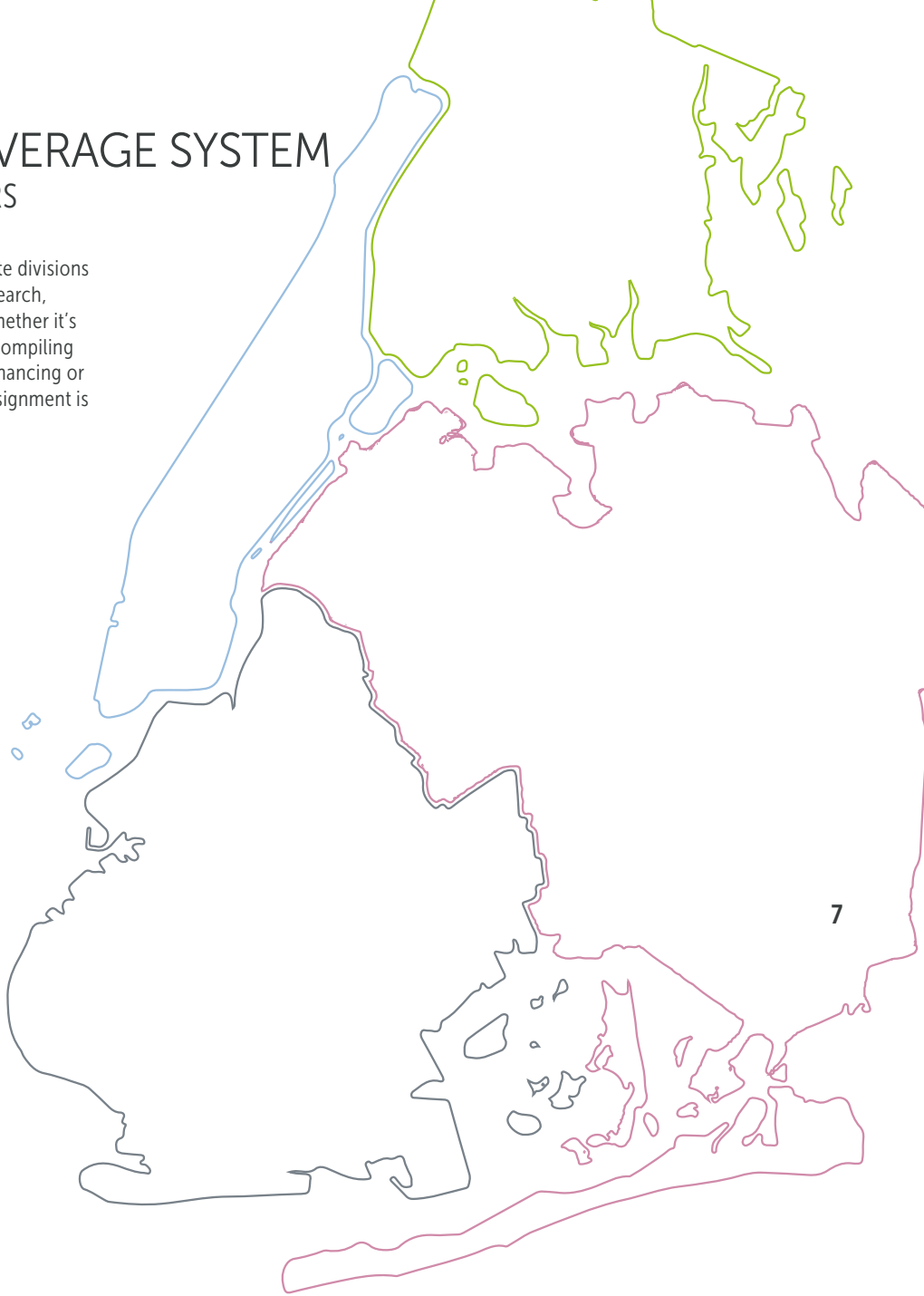
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Daniel Mahfar - Belmont, Hunts Point, Fordham, Kingsbridge

Queens:

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Dorit Pinhas - Ridgewood, Elmhurst, Maspeth, Middle Village, Woodside



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.

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