

MULTIFAMILY QUARTER IN REVIEW: NEW YORK CITY | Q1 2020

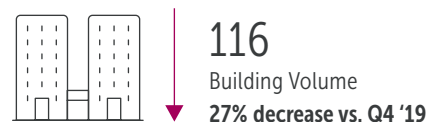
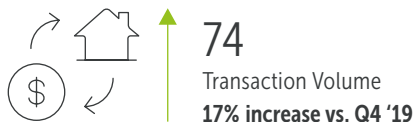
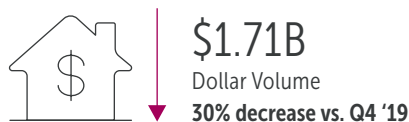
by Ariel Property Advisors | Released April 2020



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The New York City multifamily market transaction volume will be significantly affected by COVID-19 in Q2. As of now, we have tracked minimal activity for this asset class during April and we project that the same will be the case in May and June. As the New York State on Pause order was executed in the last two weeks of Q1 on March 22nd, the first quarter transaction volume was not affected by COVID-19.

Fundamentals: multifamily has seen better collections compared to any other asset class during the month of April. Free market multifamily units across the board reported high collection levels of 80 to 90%, while rent-stabilized units ranged anywhere from 50 to 75%. Project Base Section 8 collections were not affected as the majority of the payment comes from the government and the tenant has a high incentive to pay or ask the government for relief.

Although the virus was identified in NYC in March of this year, the full impact of COVID-19 will be observed in Q2 and Q3 of 2020. Furthermore, we predict Q4 will also record minimal transactions as buyer hesitancy overtakes in a recovering economy.

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The multifamily market in the first quarter of 2020 grossed \$1.71 billion across 74 transactions that consisted of 116 properties. This marks a 30% decrease in dollar volume comparative to 2019 Q4. However, this metric is influenced by the Brookfield Properties East Harlem Portfolio that transacted for \$1.16 billion in October of last year. Once this outlier transaction is removed from the data set, sales dollar volume has actually risen by 34% quarter-over-quarter. Transaction volume has also risen by 17% while building volume decreased by 27%. Furthermore, when comparing year-over-year metrics, dollar volume and transaction volume has remained relatively flat.

Manhattan achieved the highest dollar volume this quarter, grossing \$707.6 million. This accounts for 41% of total dollar volume traded across all submarkets. Dollar volume rose by 232% comparative to last quarter, while transaction and building volume dropped 6% and 23% respectively. The main driver behind the sharp rise in dollar volume is the transaction of 10 E 29th Street for \$380.6 million at \$934 per square foot. Invesco sold the Midtown luxury apartment building to Global Holdings Management Group. The building stands at an impressive 48 stories high and holds 406 units that sold for \$937,438 per unit. When comparing year-over-year metrics, dollar volume was flat, transaction volume fell by 29% and building volume fell by 43%. The fall in transaction volume stemmed from the absence of small to mid-size deals less than \$40 million. In 2019 Q1 there were 19 small to mid-size transactions, while 2020 Q1 only recorded 9 in the borough.

Northern Manhattan achieved \$115.7 million in gross consideration which is a 630% increase year-over-year. Additionally, once removing the Brookfield Properties East Harlem sale, dollar volume was flat from last quarter. Northern Manhattan recorded 10 transactions which is consistent with 2019 Q4 and is 6 more transactions than last year. The most notable sale in the submarket this quarter was the \$74 million transaction of the Irgang Group Portfolio. The portfolio consisted of a total of 14 buildings

that are spread across Northern Manhattan and the Bronx, 9 of which traded in East Harlem. The Neighborhood Restore Housing Development Fund purchased the portfolio and partnered with NYC in an effort to use the 235 units to provide housing to homeless individuals.

The Bronx marked a rise in dollar volume and transaction volume comparative to last quarter. The submarket grossed \$115.7 million across 15 transactions. These metrics mark a 9% and 50% rise in dollar volume and transaction volume quarter-over-quarter. Yet, when compared to year-over-year metrics, dollar volume decreased by 25% and transaction volume fell by one. The almost equivalent transaction volume suggests that The Bronx followed a similar sales pattern as last year and the difference in dollar volume is derived from the \$35.6 million sale of 3240 Henry Hudson Parkway that took place in 2019 Q1. The largest sale in 2020 Q1 was the Morgan Group MF Portfolio. The portfolio consisted of three buildings in Morris Heights with a combined 187,706 square feet that holds 184 units. The Morgan Group sold the portfolio to 511 Realty LLC for \$29.9 million or \$160 per square foot.

Brooklyn was the most transactional amongst all submarkets and accounted for 1/3 of total transactions in NYC. Furthermore, Brooklyn experienced across the board increases quarter-over-quarter. Total dollar volume grossed \$549.5 million across 25 transactions and building volume reached 42. This represents a 74%, 67%, and 20% improvement from last quarter. When measured against year-over-year figures, dollar volume fell slightly by 10% and transaction and building volume rose 39% and 75% respectively. The decrease in dollar volume with a rise in transaction volume indicates that there were fewer institutional sales this quarter as compared to last year. Brooklyn's largest transaction was TF Cornerstone's purchase of 250 North 10th Street from TIAA-CREF. The Williamsburg property was constructed in 2013 and holds 237 units across its 241,764 square feet. TF Cornerstone purchased the property for \$137.75 million at \$570 per square foot. This resulted in an 18% net loss for TIAA-CREF who bought the property for \$169 million in 2015.

Queens fared the worst this quarter and had the lowest dollar and transaction volume of all other submarkets. Queens achieved \$83.5 million in gross consideration and had a total of 9 properties transact. This marks a 78% decrease and 31% decrease in dollar and transaction volume from last quarter. The borough also saw across the board declines when comparing year-over-year metrics. Dollar volume fell 56% and transaction volume fell 25% from last year. The only sale greater than \$10 million this quarter was 31-65 29th Street which sold for \$16.7 million in Astoria. St Ivan LLC purchased the 48 unit elevator building from George Lambadis Inc for \$424 per square foot.

The future of the NYC Multifamily Market is unclear in the months ahead and we can expect activity to decline further. In an effort to combat the downward pressures of the economy, the Federal Reserve cut interest rates to a range of 0-0.25% in an emergency meeting on March 15. Ariel Property Advisors will continue to monitor the market and provide our clients with industry knowledge and expertise to navigate these uncertain times.

MULTIFAMILY MARKET PERFORMANCE

BY SUB-MARKET

	Metrics	Q1 2020	% Change vs. Q4 2019	Q4 2019	% Change vs. Q1 2019	Q1 2019
MANHATTAN	Transaction Vol	15	-6%	16	-29%	21
	Building Vol	17	-23%	22	-43%	30
	Dollar Vol	\$707,671,393	232%	\$212,995,381	-1%	\$714,105,960
	Total Units	1,034	122%	465	28%	806
N. MANHATTAN	Transaction Vol	10	11%	9	150%	4
	Building Vol	28	-39%	46	600%	4
	Dollar Vol	\$250,614,091	-82%	\$1,410,355,000	630%	\$34,350,000
	Total Units	767	-78%	3,506	519%	124
BRONX	Transaction Vol	15	50%	10	-6%	16
	Building Vol	19	-27%	26	-5%	20
	Dollar Vol	\$115,748,022	9%	\$105,827,973	-25%	\$154,180,000
	Total Units	877	-48%	1,696	13%	773
BROOKLYN	Transaction Vol	25	67%	15	39%	18
	Building Vol	42	20%	35	75%	24
	Dollar Vol	\$549,458,454	74%	\$316,445,000	-10%	\$612,986,787
	Total Units	1,294	196%	437	-22%	1,664
QUEENS	Transaction Vol	9	-31%	13	-25%	12
	Building Vol	10	-66%	29	-33%	15
	Dollar Vol	\$83,458,818	-78%	\$381,605,000	-56%	\$188,283,095
	Total Units	314	-80%	1,581	-38%	506
NEW YORK CITY	Transaction Vol	74	17%	63	4%	71
	Building Vol	116	-27%	158	25%	93
	Dollar Vol	\$1,706,950,778	-30%	\$2,427,228,354	0.2%	\$1,703,905,842
	Total Units	4,286	-44%	7,685	11%	3,873

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 2019 - Mar 2020 Trailing Numbers

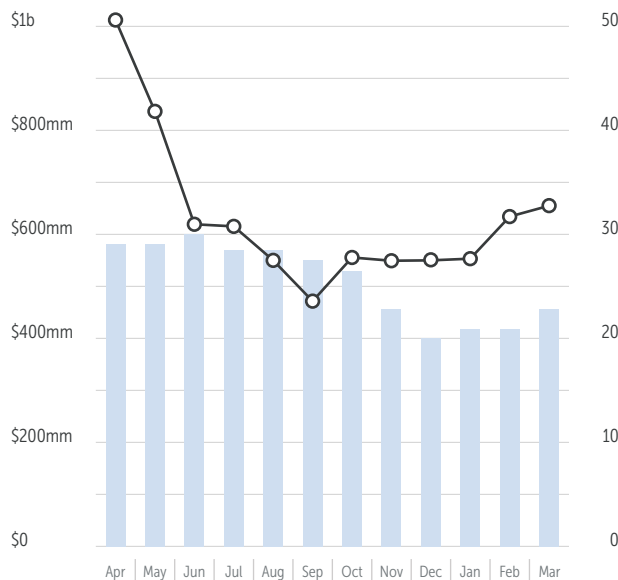
Oct 2018 - Mar 2019 Trailing numbers

Location	\$ / Unit	\$ / SF	Cap Rate	GRM	\$ / Unit	\$ / SF	Cap Rate	GRM
Manhattan	\$547,825	\$765	4.46%	13.40	\$775,427	\$877	3.72%	16.70
N. Manhattan	\$310,990	\$389	4.91%	13.08	\$290,981	\$341	4.25%	14.72
Bronx	\$161,194	\$191	6.09%	10.00	\$185,919	\$203	4.96%	11.72
Brooklyn	\$400,016	\$453	4.88%	12.33	\$367,212	\$444	4.91%	14.58
Queens	\$273,909	\$356	4.79%	13.13	\$320,531	\$391	4.22%	15.50

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The Trailing 6-Month Moving Average

Transaction Volume ● | Dollar Volume ○



	6 Months Ended	Average Dollar Vol.	Average Transaction Vol.
2020	Mar	\$658,511,951	23
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
2019	Sep	\$486,783,240	27
2019	Aug	\$557,599,746	28
2019	Jul	\$611,761,636	28
2019	Jun	\$624,620,880	30
2019	May	\$832,144,670	29
2019	Apr	\$1,016,985,424	29

FEATURED Q1 2020 TRANSACTIONS | REAL ESTATE TIMELINE

Midtown
10 East 29th Street



Property Type: **Multifamily**
Sale Amount: **\$380,600,000**
\$/SF: **\$934**
Sale Date: **2/19/2020**

Williamsburg
250 North 10th Street



Property Type: **Multifamily**
Sale Amount: **\$137,750,000**
\$/SF: **\$570**
Sale Date: **1/15/2020**

NYC Locations
Irgang Group
BX MN MF Portfolio



Property Type: **Multifamily**
Sale Amount: **\$74,000,000**
\$/SF: **\$522**
Sale Date: **2/4/2020**

Bronx Locations
The Morgan Group MF
Bronx Portfolio



Property Type: **Multifamily**
Sale Amount: **\$29,973,356**
\$/SF: **\$160**
Sale Date: **2/6/2020**

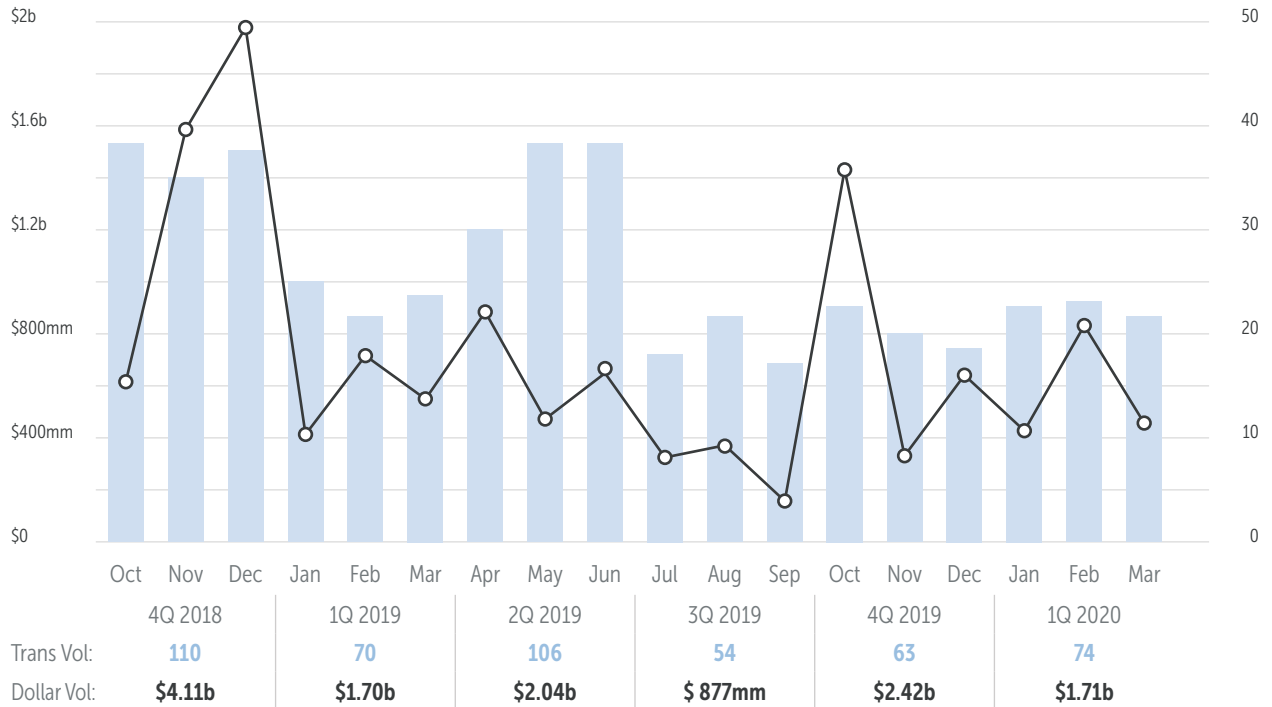
Astoria
31-65 29th Street



Property Type: **Multifamily**
Sale Amount: **\$16,769,500**
\$/SF: **\$424**
Sale Date: **3/24/2020**

Multifamily Real Estate Timeline

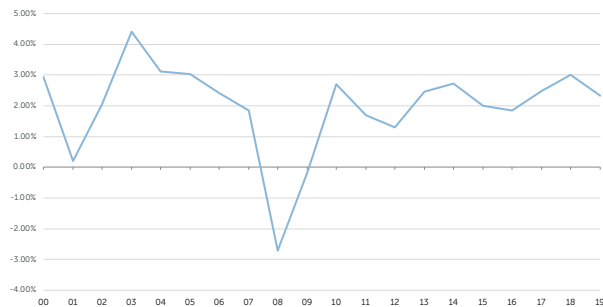
Transaction Volume ● | Dollar Volume ○



MACRO-ECONOMIC OVERVIEW & MARKET FUNDAMENTALS

% Change in Real Gross Domestic Product:

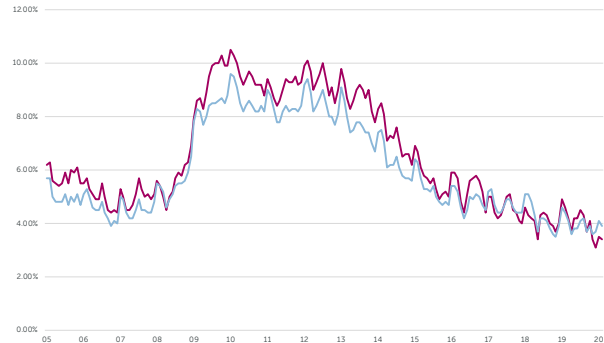
Change in GDP as of 3Q 2019: 2.33%



Unemployment:

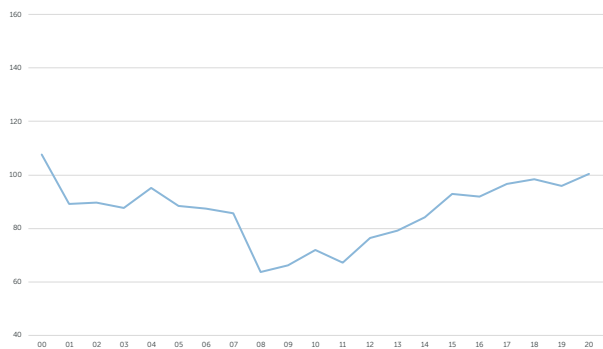
NYS: 3.90% | NYC: 3.40% as of February 2020

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



Consumer Sentiment Index:

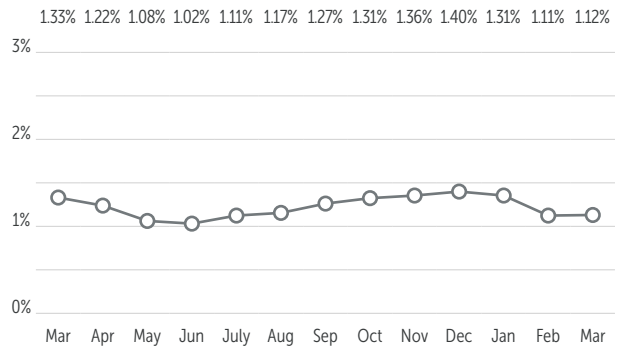
CSI as of February 2020 is 100.4



Rental Market / Vacancy:

Manhattan Vacancy as of March 2020: 1.12%

Source Citi Habitats / Corcoran

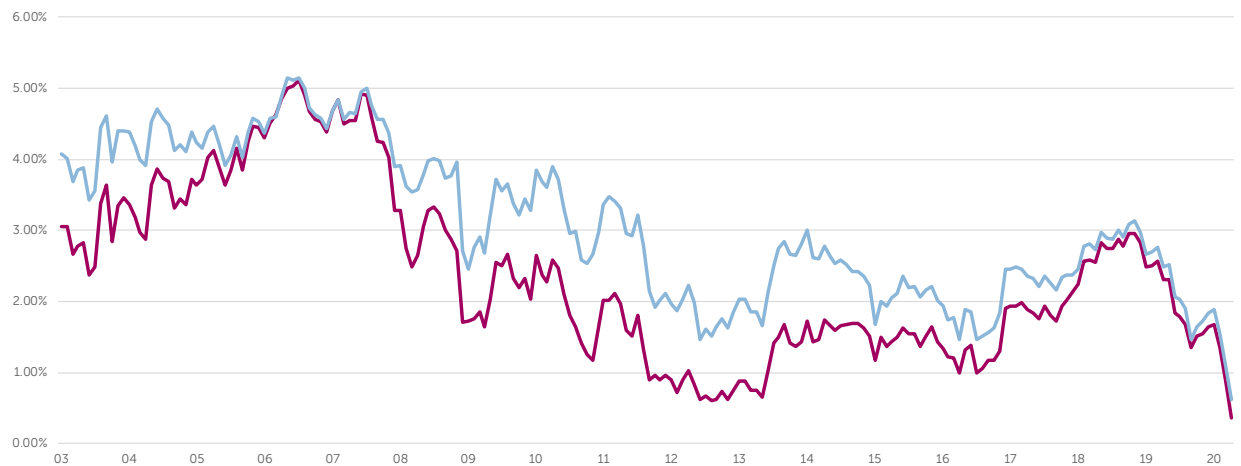


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Financing:

10-Year: 0.62% | 5-Year: 0.37% | as of April 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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Victor Sozio
Michael A. Tortorici
Ivan Petrovic

Capital Services:

Paul McCormick
Eli Weisblum
Matthew Dzbaneck
Matthew Swerdlow
Matthew Lev
Ahron Sussman

Sales Associates:

Jack Moran
Sean O'Brien
Oliver Elihu
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Howard Raber, Esq. - Midtown East

Northern Manhattan:

Marko Agbaba - East Harlem
James Nestor - Washington Heights, Inwood

Brooklyn:

Sean R. Kelly, Esq. - Downtown Brooklyn
David Khukhashvili - Fort Greene, Clinton Hill
Jiani Zhou - Cobble Hill, Carroll Gardens, Boerum Hill

Stephen Vorvolakos

 - Sunset Park, Bay Ridge,

Greenwood Heights

Matt Davis - North Bushwick

Jonathan Berman - Crown Heights,
Bedford-Stuyvesant

James Meehan - Bedford-Stuyvesant

Lawrence Sarn - Flatbush, East Flatbush, Borough Park

Dov Chein - Crown Heights

Orry Michael - South Bushwick

John Higgins - South Brooklyn, Bensonhurst,

Sheepshead Bay, Bath Beach, North Staten Island

Bronx:

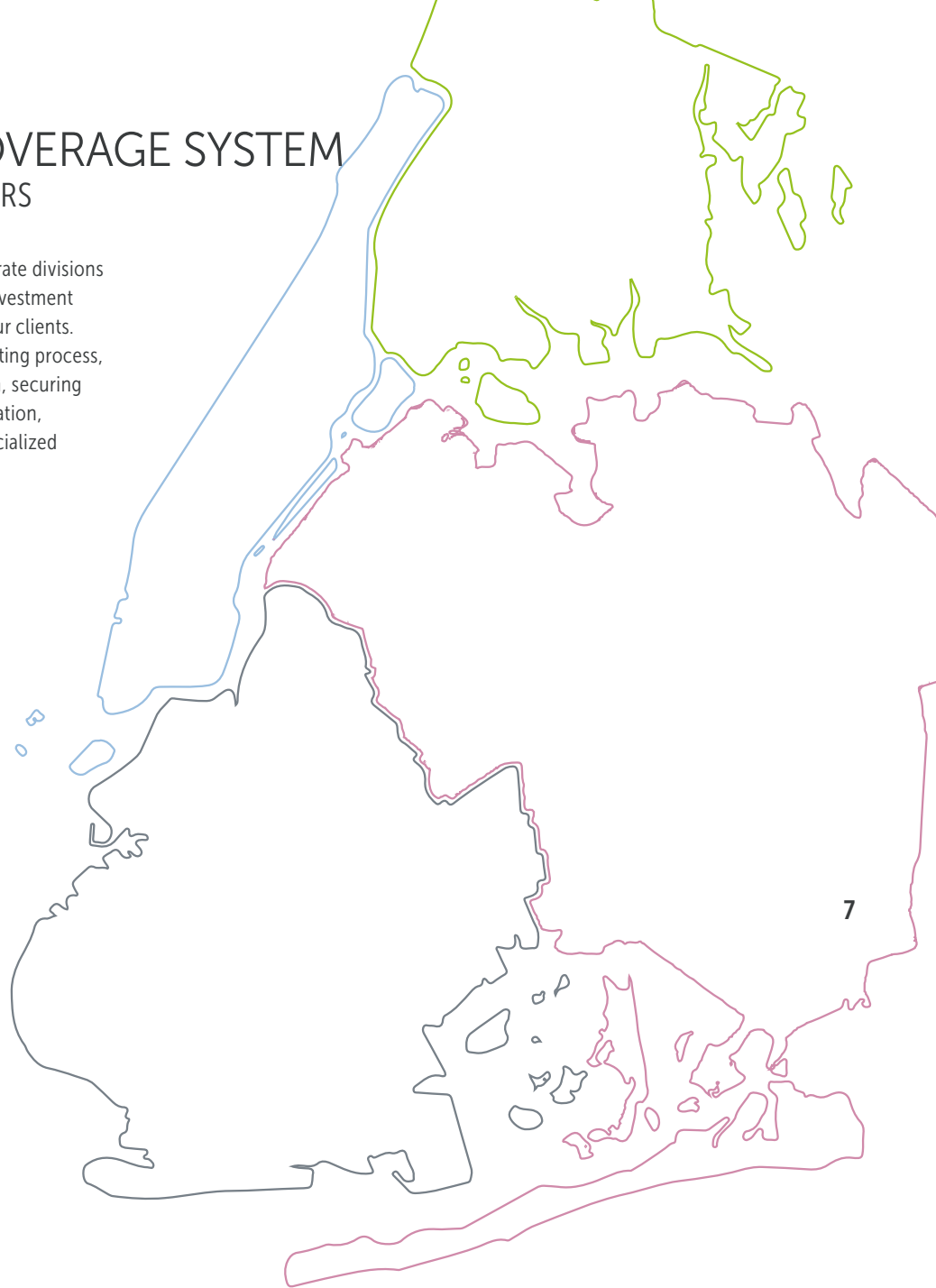
Daniel Mahfar - Fordham, Belmont

Jason M. Gold - South Bronx, Melrose,
Mott Haven, Morrisania

Queens:

Alexander Taic - Long Island City,
Sunnyside

Dorit Pinhas - Ridgewood



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.

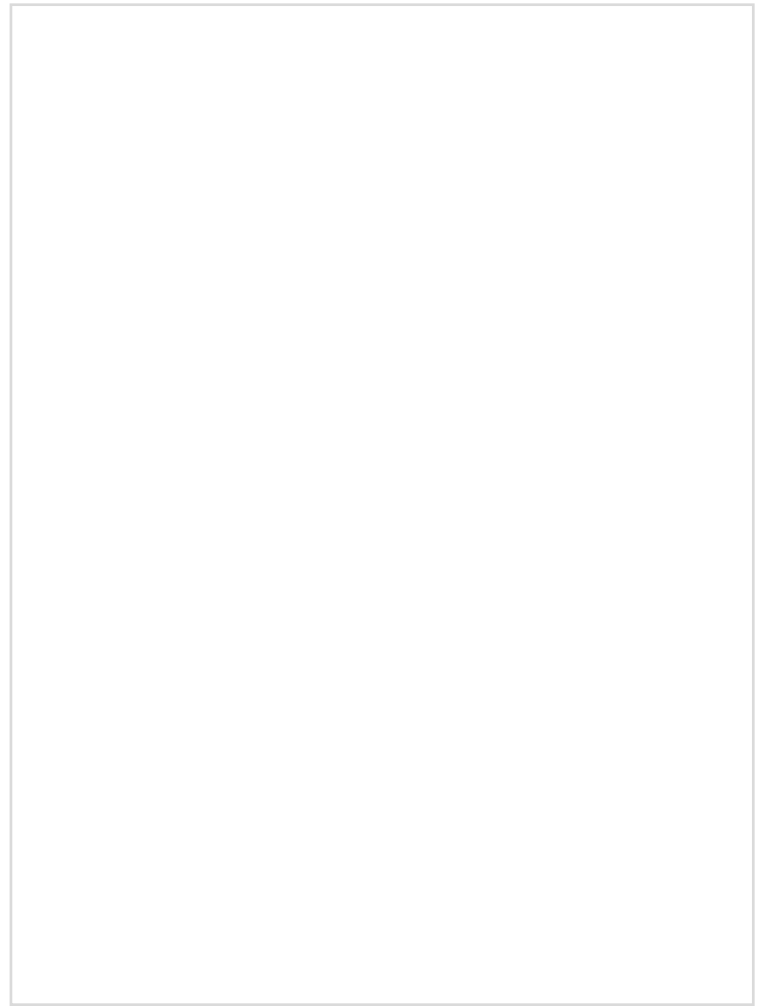
TYPES OF TRANSACTIONS CONSIDERED

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 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

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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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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.

For more information, please contact:
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