

MULTIFAMILY QUARTER IN REVIEW: NEW YORK CITY | Q3 2019

by Ariel Property Advisors | Released October 2019



Investment Sales
Capital Services
Investment Research

arielpa.nyc
212.544.9500

MULTIFAMILY QUARTER IN REVIEW: NEW YORK CITY | Q3 2019



\$1.10B
Dollar Volume
51% decrease vs. Q3 '18



61
Transaction Volume
45% decrease vs. Q3 '18



88
Building Volume
57% decrease vs. Q3 '18

The New York City multifamily market in the third quarter of 2019 experienced across-the-board declines when measured against the metrics of both the previous quarter (Q2 2019) and the same time period a year prior (Q3 2018). The third quarter represents the immediate months following the enactment of The Tenant Stability and Protection Act of 2019, which justifies the drastic downturn in commercial real estate activity. It is important to note, however, those transactions that took place towards the beginning of the quarter were most likely put into contract before the legislation was approved, however, investors could guess what was ahead and knew government officials were in talks for sweeping changes in rent regulation.

New York City, overall, posted \$1.10 billion in gross consideration for 61 transactions consisting of 88 buildings. Compared year-over-year, dollar volume decreased by 51%, transaction volume decreased by 45% and building volume decreased by 57%. Compared quarter-over-quarter, the numbers show declines of 38% for dollar volume and 42% for both transaction volume and building volume. There were two sales for the quarter that exceeded \$75 million, while Q3 2018 published five sales above the same benchmark.

Manhattan displayed the highest dollar volume compared to the other submarkets at \$657.79 million among 19 transactions and 21 buildings. These figures represent year-over-year declines of 47%, 30% and 49%, respectively. On a quarter-over-quarter basis, dollar volume actually increased by 4%, while transaction volume decreased by 41% and building volume decreased by 43%. The 4% increase in dollar volume was the only increase in any submarket across both quarter-over-quarter comparisons and year-over-year comparisons. The two above mentioned institutional sales are both located in Manhattan. The more expensive transaction, 221 East 71st Street, sold for \$159.5 million by Spitzer Enterprises to The Dermot Company in July. This 28-story mixed-use elevator building, located on the Upper East Side, contains 147 rental units beginning on the seventh floor. The first six floors are dedicated to space occupied by Marymount Manhattan College. In addition, 60 East 12th Street was sold in August for \$107.5 million. Slate Property Group purchased the 137-unit, mixed-use elevator building in the East Village from Heller Realty.

Northern Manhattan presented the smallest gross consideration and is tied for the least transactional submarket with Queens for the third quarter. Representing a 77% drop year-over-year, \$25.5 million in dollar volume was seen in Northern Manhattan. Transaction volume dropped by 83% year-over-year to 2 transactions and building volume dropped by 71% year-over-year to 5 properties. Quarterly, dollar volume dipped by 87% and transaction volume and building volume both dipped by 82%. The largest transaction in Northern Manhattan for the third quarter of 2019 was the sale of the two-property portfolio at 575 West 155th Street and 530 West 178th Street in Washington Heights. Mutual Housing Association of NY paid Broadway Housing

Communities \$6.85 million for a total of 83 units combined at both properties.

The Bronx followed suit with the rest of the submarkets by presenting declines for all three metrics. The Bronx experienced \$128.46 million in gross consideration amid 16 transactions and 32 buildings. These records display year-over-year decreases of 61%, 45% and 46% for dollar volume, transaction volume and building volume, respectively. In terms of quarter-over-quarter comparisons, dollar volume decreased by 59%, transaction volume decreased by 30% and building volume remained consistent. The largest sale, located in the Highbridge neighborhood of the Bronx, was at 950 and 957 Woodycrest Avenue. D&J Management sold the 128,907 combined square foot buildings to ICER Real Estate Services for \$21 million, or \$163 per square foot.

Brooklyn demonstrated the largest transaction volume of any of the submarkets with 22 transactions. Dollar volume was \$258.21 million and building volume was 27 properties for the third quarter. On a year-over-year basis, the metrics diminished by 49% for dollar volume, 33% for transaction volume and 64% for building volume. When measured against quarter-over-quarter figures, declines of 44%, 15% and 23% were calculated for dollar volume, transaction volume and building volume, respectively. Brooklyn's largest transaction was the sale of the residential condo portion of 85 Flatbush Avenue Ext in Downtown Brooklyn. The property is split into three legal condos: one for the hotel, one for the residential apartments and one for the commercial restaurant space. Cornell Realty Management took control of the residential condo portion, 64 apartment units located on the seventh through twelfth floors, from The Chetrit Group for \$46 million.

Queens, as mentioned previously, tied Northern Manhattan as the least transactional submarket for the third quarter at 2 transactions, an 80% drop year-over-year and an 85% drop quarter-over-quarter. Dollar volume in Queens was \$30.35 million, a 53% drop year-over-year and an 83% drop quarter-over-quarter. Further, building volume declined 75% year-over-year and 85% quarter-over-quarter to 3 properties. The largest transaction in Queens occurred at 47-46 40th Street for \$12.5 million from The Vass Stevens Group to 587-593 First Holding LLC. This 54-unit elevator building sale in Sunnyside translates to \$248 per square foot.

The New York City multifamily market in 2019 is unlike any previous year as rent regulation has taken a significant toll on its activity. In addition, during the third quarter, the Federal Reserve cut its short-term interest rate twice, marking the first cut since 2008. The Fed's benchmark interest rate is currently between 1.75% and 2.00%. Further, officials also left the door open for potential additional rate cuts this year.

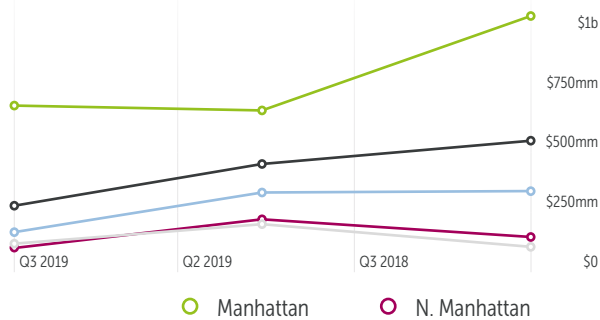
MULTIFAMILY MARKET PERFORMANCE

BY SUB-MARKET

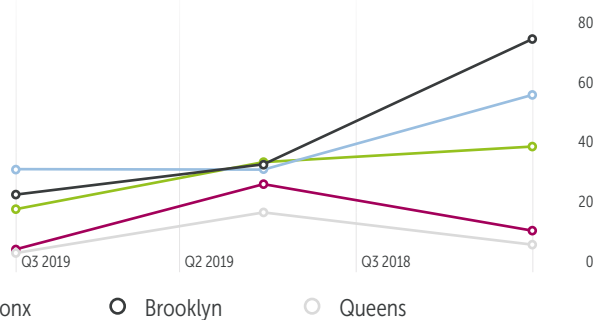
	Metrics	Q3 2019	% Change vs. Q2 2019	Q2 2019	% Change vs. Q3 2018	Q3 2018
MANHATTAN	Transaction Vol	19	-41%	32	-30%	27
	Building Vol	21	-43%	37	-49%	41
	Dollar Vol	\$657,794,545	4%	\$632,365,000	-47%	\$1,236,807,320
	Total Units	1,270	53%	828	-31%	1,842
N. MANHATTAN	Transaction Vol	2	-82%	11	-83%	12
	Building Vol	5	-82%	28	-71%	17
	Dollar Vol	\$25,533,636	-87%	\$198,670,000	-77%	\$108,840,000
	Total Units	148	-77%	637	-60%	368
BRONX	Transaction Vol	16	-30%	23	-45%	29
	Building Vol	32	-3%	33	-46%	59
	Dollar Vol	\$128,464,684	-59%	\$310,002,500	-61%	\$330,168,440
	Total Units	826	-51%	1,695	-55%	1,819
BROOKLYN	Transaction Vol	22	-15%	26	-33%	33
	Building Vol	27	-23%	35	-64%	76
	Dollar Vol	\$258,205,063	-44%	\$461,219,690	-49%	\$506,071,000
	Total Units	935	-10%	1,042	-47%	1,771
QUEENS	Transaction Vol	2	-85%	13	-80%	10
	Building Vol	3	-85%	20	-75%	12
	Dollar Vol	\$30,355,659	-83%	\$183,912,250	-53%	\$64,100,000
	Total Units	131	-84%	794	-51%	268
NEW YORK CITY	Transaction Vol	61	-42%	105	-45%	111
	Building Vol	88	-42%	153	-57%	205
	Dollar Vol	\$1,100,353,587	-38%	\$1,786,169,440	-51%	\$2,245,986,760
	Total Units	3,310	-34%	4,996	-45%	6,068

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Dollar Volume Comparison Graph



Transaction Volume Comparison Graph



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 2019 - Sep 2019 Trailing Numbers

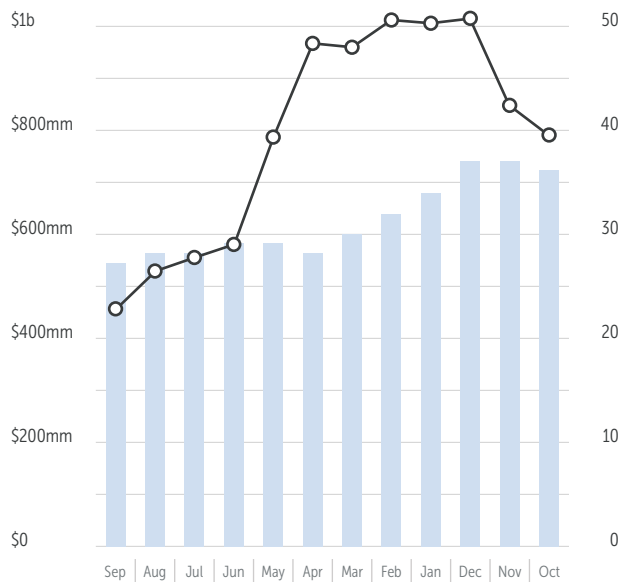
Apr 2018 - Sep 2018 Trailing Numbers

Location	\$ / Unit	\$ / SF	Cap Rate	GRM	\$ / Unit	\$ / SF	Cap Rate	GRM
Manhattan	\$660,889	\$993	4.20%	16.39	\$731,786	\$914	3.62%	18.66
N. Manhattan	\$306,207	\$360	4.67%	13.63	\$334,006	\$385	4.04%	15.52
Bronx	\$162,903	\$189	5.24%	11.43	\$187,990	\$219	4.92%	11.83
Brooklyn	\$387,965	\$425	4.28%	13.84	\$304,720	\$371	4.51%	15.51
Queens	\$218,319	\$282	5.38%	12.33	\$294,458	\$345	4.25%	15.34

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The Trailing 6-Month Moving Average

Transaction Volume ● | Dollar Volume ○



	6 Months Ended	Average Dollar Vol.	Average Transaction Vol.
2019	Sep	\$456,604,866	27
2019	Aug	\$520,516,413	28
2019	Jul	\$566,319,970	28
2019	Jun	\$579,179,214	29
2019	May	\$790,061,337	29
2019	Apr	\$974,902,090	28
2019	Mar	\$966,574,244	30
2019	Feb	\$1,050,246,780	32
2019	Jan	\$1,038,050,254	34
2018	Dec	\$1,059,421,064	37
2018	Nov	\$851,466,997	37
2018	Oct	\$795,937,646	36

FEATURED Q3 2019 TRANSACTIONS | REAL ESTATE TIMELINE

Upper East Side
221 East 71st Street



Property Type: **Multifamily**
Sale Amount: **\$159,500,000**
\$/SF: **\$1,227**
Sale Date: **7/9/2019**

Downtown Brooklyn
85 Flatbush Avenue
Extension #RU



Property Type: **Multifamily**
Sale Amount: **\$46,000,000**
\$/SF: **\$765**
Sale Date: **9/19/2019**

Highbridge
950 & 957 Woodycrest
Avenue



Property Type: **Multifamily**
Sale Amount: **\$21,000,000**
\$/SF: **\$163**
Sale Date: **7/12/2019**

Sunnyside
47-46 40th Street



Property Type: **Multifamily**
Sale Amount: **\$12,500,000**
\$/SF: **\$248**
Sale Date: **9/24/2019**

Washington Heights
575 West 155th Street &
530 West 178th Street



Property Type: **Multifamily**
Sale Amount: **\$6,850,000**
\$/SF: **\$288**
Sale Date: **9/6/2019**

Multifamily Real Estate Timeline

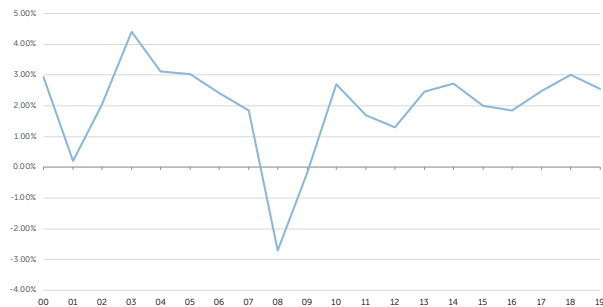
Transaction Volume ● | Dollar Volume ○



MACRO-ECONOMIC OVERVIEW & MARKET FUNDAMENTALS

% Change in Real Gross Domestic Product:

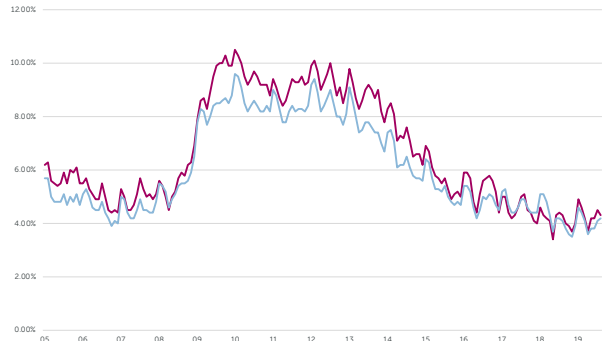
Change in GDP as of 2Q 2019: 2.00%



Unemployment:

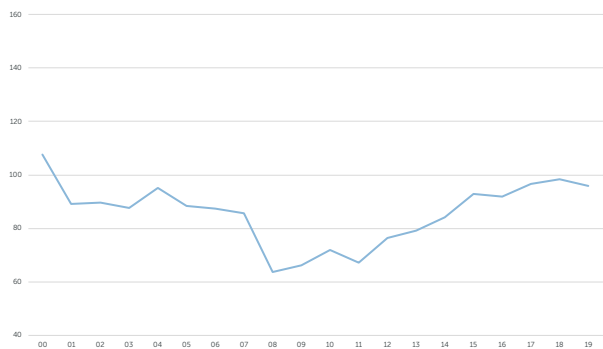
NYS: 4.20% | NYC: 4.30% as of August 2019

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



Consumer Sentiment Index:

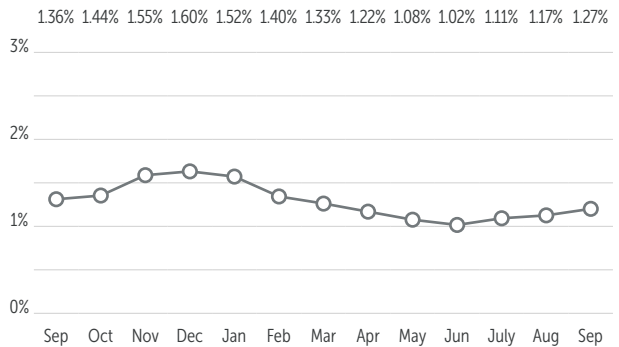
CSI as of August 2019 is 95.875



Rental Market / Vacancy:

Manhattan Vacancy as of September 2019: 1.27%

Source Citi Habitats

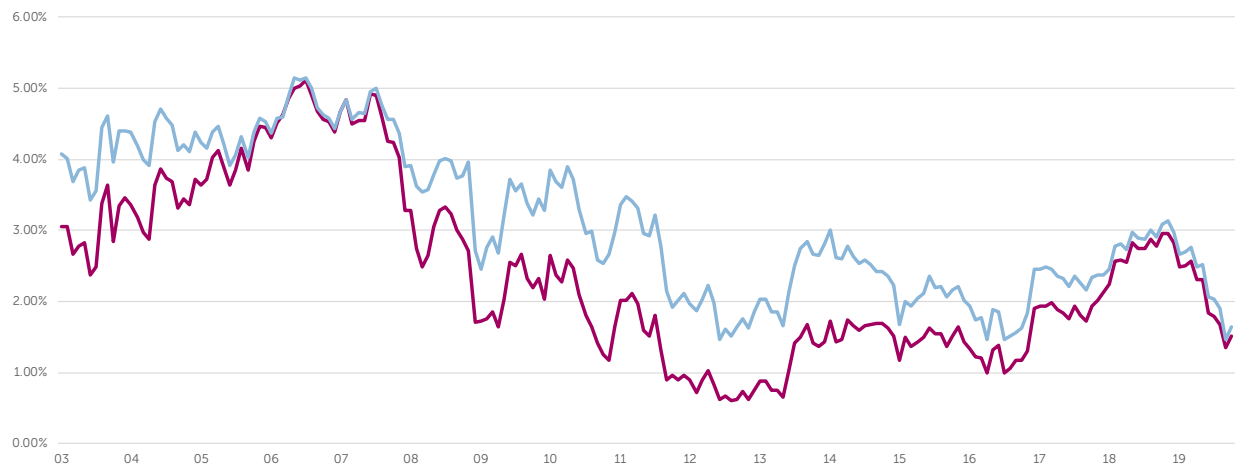


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Financing:

10-Year: 1.65% | 5-Year: 1.51% | as of October 2019

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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Matthew Lev
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Sean O'Brien
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Matthew L. Gillis - Upper East Side
Howard Raber, Esq. - Midtown East

Northern Manhattan:

Orry Michael - West
Marko Agbaba - East
James Nestor - North

Brooklyn:

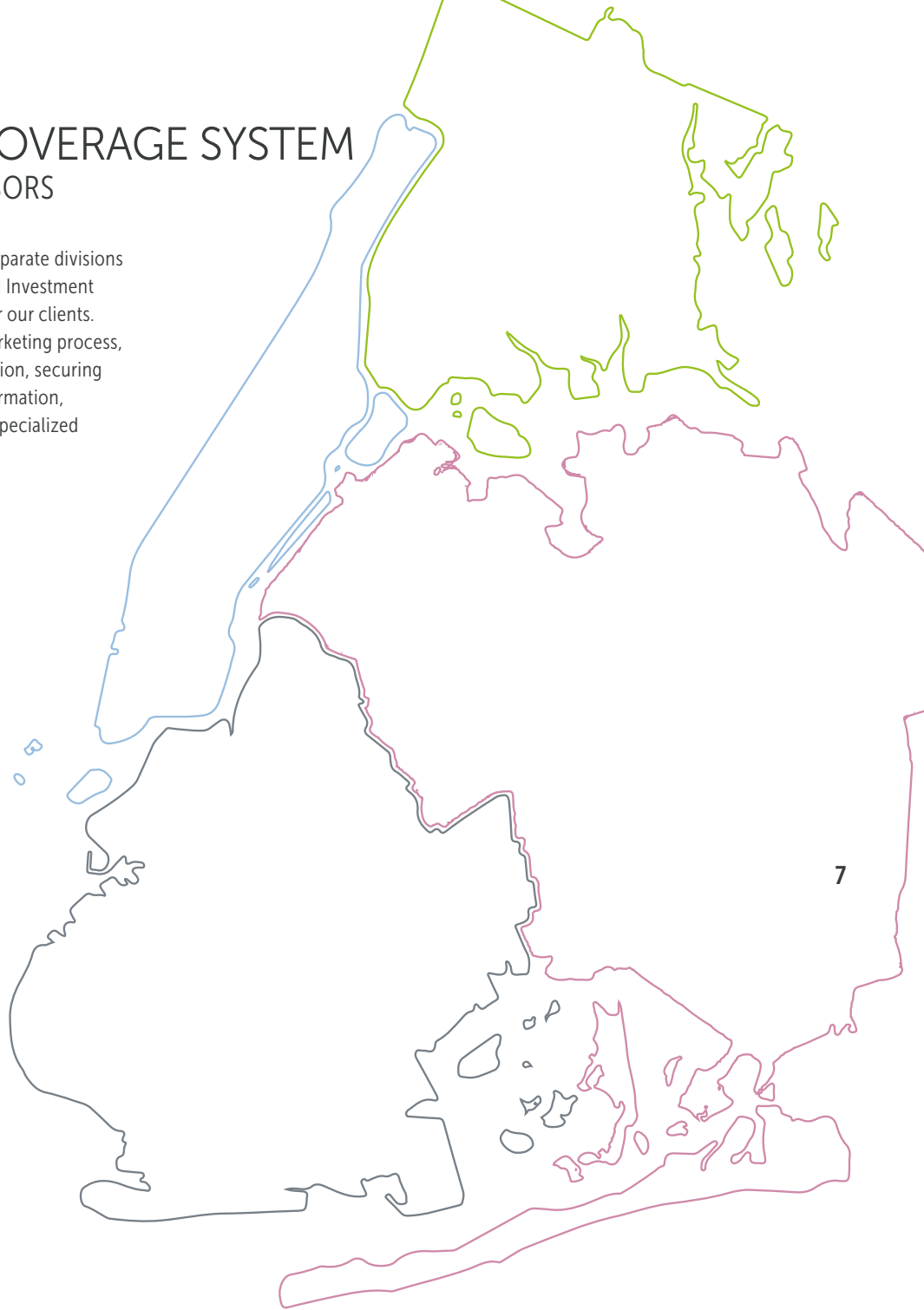
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Bronx:

Daniel Mahfar - Central
Jason M. Gold - Southwest

Queens:

Derek Kornbluth - Ridgewood
Alexander Taic - South



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.

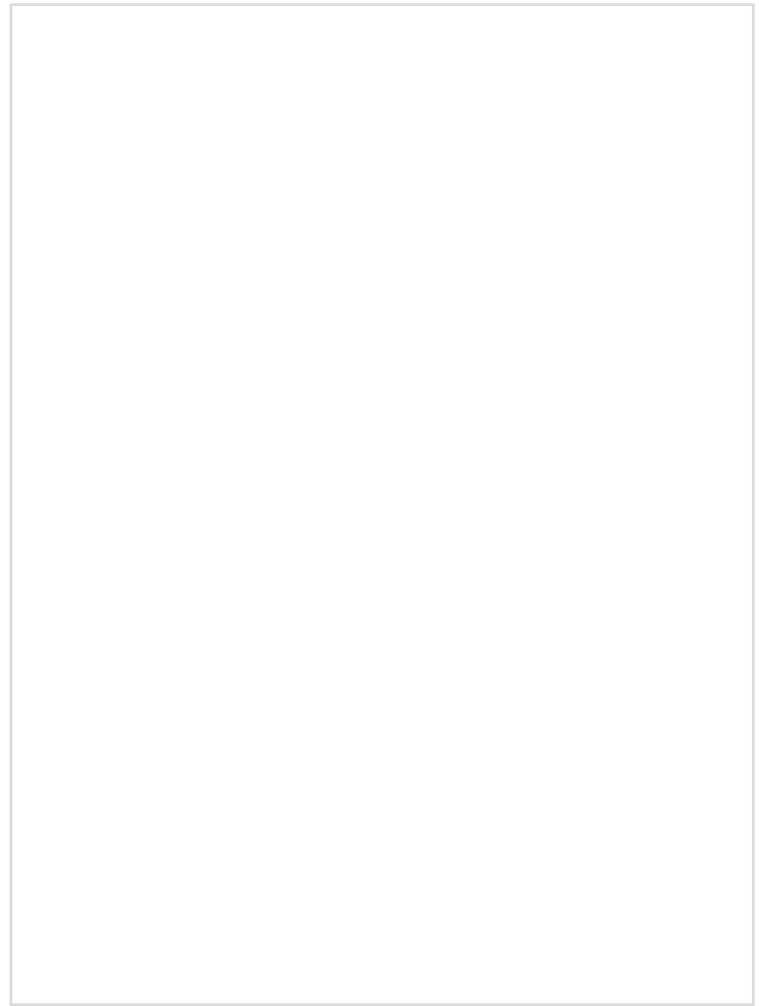
TYPES OF TRANSACTIONS CONSIDERED

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:
Paul McCormick, SVP - Investment Sales & Capital Services
212-544-9500 ext.45 | pmccormick@arielpa.com