

MULTIFAMILY

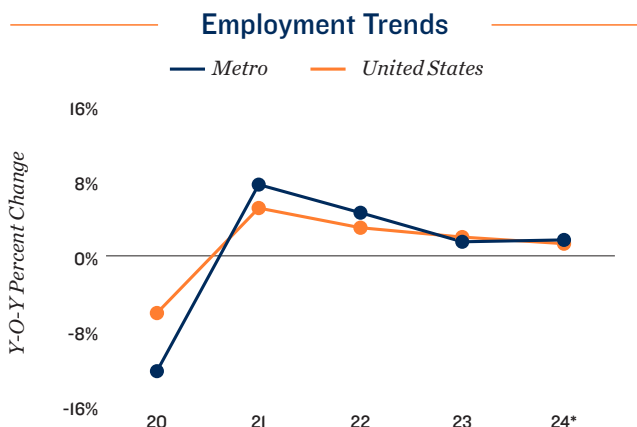
New York City Metro Area

4Q/24

Vacancy Returns to Historical Low, Aiding Outlook as Financial Market Conditions Loosen

New York multifamily market solidly back on track. This past July marked the three-year anniversary of New York City's post-COVID-19 reopening and found multifamily vacancy at a historical low 1.8 percent. The lack of availability has facilitated consistent, if modest, rent growth, with the metro's average effective rate up 8 percent in that same three-year span. The return of many quality of life factors to the city, as well as a broad labor market recovery, has reinforced the decades-long renter demand growth trend. This dynamic was true across the market. All five boroughs recorded second quarter vacancy rates below their 2010-2019 averages by at least 50 basis points. The margin was widest at 170 basis points in Staten Island, however, where stock is older and rents are lower.

High-end development focus preserves tight Class B/C vacancy. Reflecting the trend in Staten Island, both Class B and C vacancy rates across the market were under 2 percent at midyear. Little competition from new supply, as well as typically older properties, enable effective rents that are between 40 percent and 70 percent the level of the Class A average. Ongoing development has kept top-tier vacancy higher at 4.6 percent in June, leading to comparatively modest rent growth. The adoption of the 485-x tax incentives may bring more supply to the lower-cost segment of rentals through affordable unit allotments within larger developments. Determining the greater impact of these incentives will take time, however.



* Forecast
Sources: BLS; CoStar Group, Inc.; RealPage, Inc.

Multifamily 2024 Outlook



80,000

JOB

will be created

EMPLOYMENT:

The creation of over 50,000 jobs through the first eight months of the year places the market's employment base on track to expand by 1.7 percent this year. In 2023, New York's pace of job growth was 1.5 percent.



22,500

UNITS

will be completed

CONSTRUCTION:

While construction activity picks up slightly from last year, deliveries will trail the 2017 peak, contrary to the national trend. Development in the market for 2024 is focused in Brooklyn, Queens and the Bronx.



10

BASIS POINT

decrease in vacancy

VACANCY:

Net absorption in 2024 will exceed the 2014-2019 annual average, keeping ahead of new supply. The marketwide vacancy rate will dip down to 1.8 percent by year-end as a result — the lowest December mark since 2000.



2.5%

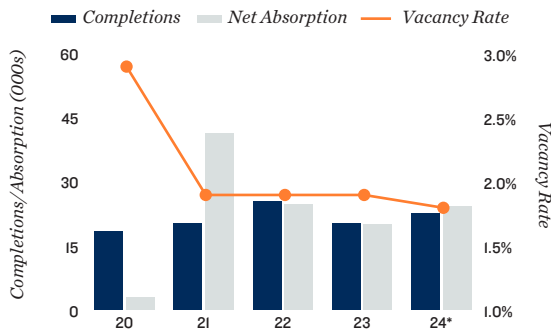
INCREASE

in effective rent

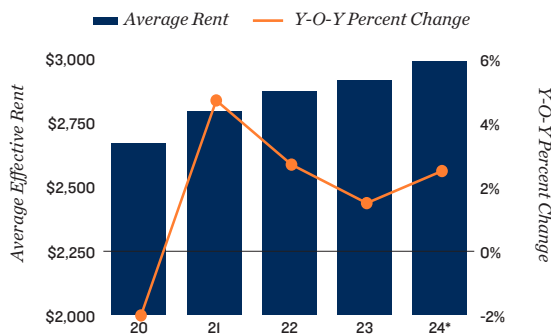
RENT:

Multi-decade low vacancy is encouraging modest growth in effective rents, with the average monthly payment inching up to \$2,987 this year. Momentum is highest within Class B apartments.

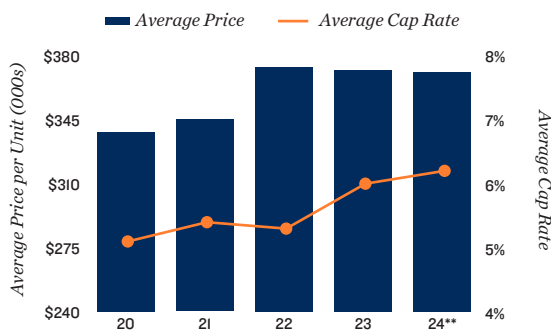
Supply and Demand



Rent Trends



Sales Trends



* Forecast ** Through 2Q

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

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2Q 2024 — 12-Month Period

CONSTRUCTION

21,670 units completed

- While metrowide inventory grew by a modest 1.0 percent year over year in the second quarter, stock in the Williamsburg-Greenpoint-Navy Yard area expanded by a market-leading 4.9 percent, welcoming over 3,000 rentals.
- Between April and June, Brooklyn and the Bronx each outpaced Manhattan in completions by more than 1,700 units.

VACANCY

10 basis point decrease in vacancy Y-O-Y

- The market's vacancy rate dipped to 1.8 percent in June — a fraction of the national vacancy rate, which is at 5.8 percent.
- Submarket vacancy ranged from 0.6 percent in Staten Island to 3.7 percent in Williamsburg-Greenpoint-Navy Yard. In the latter, a supply-induced, year-over-year 110-basis-point jump occurred — the metro's largest.

RENT

1.9% increase in the average effective rent Y-O-Y

- The metro's average effective rent reached \$2,985 per month in June, as growth has accelerated slightly from the nadir of 1.4 percent in 2023.
- Rent increases are outpacing inflation in the popular residential areas of Park Slope and Lower Manhattan as well as in confined Roosevelt Island, where total multifamily inventory is just 5,300 units.

Investment Highlights

- The 12 months ended in June saw a roughly 35 percent decrease in trading activity, hindered by high borrowing costs. The 50-basis-point rate cut by the Federal Reserve in September and a roughly 4 percent 10-Year Treasury may improve sales activity, given strong underlying investor demand.
- A shift in preference among investors appears underway. Buyers local to the market are concentrating on the less vacant boroughs where lower entry costs are available. Specifically, local investors outnumbered out-of-market buyers three-to-one in the Bronx. Here, pre-1980-built, sub-50 unit buildings are being targeted the most, with pricing frequently under \$110,000 per unit. New York City-based private investors were also active in Brooklyn and Queens over the past year. In contrast, out-of-market, investors continue to find appeal in Manhattan despite a substantial added entry cost premium ranging up to \$600,000 per unit.
- The metro recorded a 70-basis-point jump in its average cap rate over the past year to 6.2 percent, yet mean pricing only declined slightly to \$370,400 per unit. Transactions in Kings and Queens county provided buyers with an average cap rate in the mid-6 percent band, with assets in the Bronx often trading above the 7 percent band.