



Rubin Isak - A look at the Queens multifamily sales market for the 1st half 2011 (12-units and above)

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In 2009, the turnover rate for multifamily sales was an extremely low 0.74%. The multifamily market came back last year in 2010 with 35 transactions consisting of 45 apartment buildings and 1,748 units, for a total dollar volume of \$211.005 million. This was a turnover rate of roughly 2.1%; a sharp turnaround from 2009 levels.

In the 1st half of 2011, there have been 20 transactions consisting of 22 buildings, containing a total of 1,092 units. The total dollar volume of sales transactions is \$189.85 million. We break this down into two sectors: Walk-up and elevator buildings.

For walk-up apartment building sales, in the 12-unit+ submarket, there have been 11 transactions consisting of 11 buildings, 234 units and 154,002 per s/f for a total dollar volume of \$26.522 million. The average price per unit was only \$110,527 (this is due to sales in Ozone Park and Jamaica that brought the average down) and average price per s/f was \$176.01 per s/f. The average capitalization rate for walk-ups so far this year has been 6.62% and an average gross rent multiple of 9.14X.

For elevator apartment buildings, there have been nine transactions, consisting of 11 buildings containing a total of 862 units and 801,595 s/f. The total dollar volume in sales was \$163.328 million. The average price per unit was a solid \$164,581 per unit and an average price per s/f of \$178.86 per s/f. The average capitalization rate was 5.68% and an average gross rent multiple of 10.36X.

This represents a turnover rate of 1.02% for the 1st half of 2011. We are on track to finish 2011 at over a 2.1% turnover rate; at or better than 2010 levels.

Investors are starting to feel more confident with placing money in residential apartment buildings in prime areas of Queens. This is due to the fact that investors will pay a premium to own in mature markets, such as Forest Hills, Rego Park, Sunnyside, Woodside, Astoria, LIC, Jackson Heights, Kew Gardens and Flushing, to name a few, especially if the property is an elevator building. These areas are solid markets with near zero vacancy rates. They are also willing to purchase in less desirable areas, if priced correctly.

Just to highlight how aggressive investors are in the Queens prime multifamily market: Two of the largest multifamily sales in Queens this year were the sale of the newly built "Astoria NJW" on 21st St. and Astoria Blvd. in Astoria. This 14-story building contains 115 units and sold for \$42.5 million in March 2011 to the Teachers Insurance & Annuity Association of America. That is equivalent to \$369,593 per unit; the most paid per unit in Queens this year. The 2nd transaction was the sale of "The Monte Excelsior" in the Bellerose section of Queens (Queens/Nassau County border) at 245-10 Grand Central Pwy. South in May 2011. The property is comprised of three six-story buildings containing a total of 240 units. The complex achieved a sales price of \$57.75 million or

\$240,625 per unit and sold to a private investor. These two sales are examples of how funds and private investors alike will aggressively pursue luxury rental buildings in Queens and pay the high premiums to own such prized assets.

In rent regulation news, the RGB voted in favor of a range from 3% to 5.75% increases in rent for 1-year leases and 6%-9% increases in 2-year leases. The final vote was scheduled for June 27, 2011. Currently the increases for leases from October 1, 2010 through September 30, 2011 are a 2.25% increase for 1-year leases and 4.5% increases for 2-year leases.

At the time of writing this article, the New York City rent laws were closer to being extended for four more years, with stricter deregulation guidelines. The free market rent threshold looks like it will be raised to a legal rent of \$2,500/month from \$2,000/month and the annual tenant income level for "luxury decontrol" will be raised to \$200,000 from \$175,000. Keep an eye out for the final bill.

A reminder for property owners: Effective July 1, 2011 the water and sewer rates will be increased by 7.5% and the final day to file your 2011 rent registration forms with the DHCR is July 31, 2011.

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