



## **Economic overview of Manhattan and its effect on multifamily housing**

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New York's economy continues to march along, albeit with a few occasional shuffling steps. Job growth during 2011 was only about three quarters that of 2010. Currently, growth is being driven by lower-paid sectors such as retail trade, education, health services, and the leisure and hospitality industries. However, these sectors, which are tightly linked to the overall health of the national and local economies, could slow because of looming concerns over the financial markets and expected budget cuts. During this tentative recovery, look to the continually diversifying professional and business services sector to ramp up hiring as law, architecture, engineering and technology firms expand their presence. The strength of these groups is exemplified by the robust nature of the Hudson Square office market, where landlords have increased office rents 26% over the last 14 months.

The financial sector, traditionally a driving force behind New York's economy, is seeing weakening demand. Nearly half of the 15,000 new jobs created from February 2010 to April 2011 disappeared in the subsequent four months, and foreign banks have announced more cuts, some of which will take place in their Manhattan satellite offices. All in all, the NYS comptroller estimates that as many as 10,000 Wall Street jobs will be lost by the end of 2012.

The doom and gloom on Wall Street is a double edged sword for owners of multifamily. Uncertainty in the job market will make those in the financial services industry more likely to rent than buy. However, fewer and smaller paychecks on Wall Street decrease the amount of money being pumped into the economy making for fewer tax dollars going towards the city's growing deficit (securities and commodities brokers make up 5% of the city's employment base, but take home more than 20% of its wages). In effect this could continue to make multifamily a target for tax increases.

From a real estate perspective, this economic uncertainty and growth in lower-paying sectors is enabling landlords to regain the upper hand. The influx of renters has made concessions a thing of the past, and is increasing asking rents. Rents are expected to regain their pre-recession peak in 2012, and growth is expected to continue through 2015; however, this will be on a diminishing scale as new product comes online and the housing market recovers.

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