



## **Multifamily acquisitions in Queens: This borough continues to be one of the city's hottest markets**

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Queens as a whole has enjoyed tremendous investment activity in 2012. This activity has relied mostly on the aggressive trading of apartment buildings. Long-time owners of these property types are putting their buildings on the market and getting top dollar for them. Need reasons to invest in apartment buildings in Queens? Let's look at some data: According to the 2011 United States Census, Queens County has a total population of approximately 2.25 million, second only to Brooklyn with a population of 2.5 million. It is also the most diverse borough with almost 48% of its inhabitants being Foreign born. In 2011, for Queens, there were approximately 832,132 housing units with a homeownership rate of 44.9%, a median household income of \$56,406 and 2.83 persons per household with a poverty rate of 13.7%, second lowest only to Staten Island's 11% poverty rate and lower than Manhattan's 17.6% poverty rate.

Partly due to the reasons above, rental units in Queens do not stay on the market very long. Occupancy rates per building are approximately 98%. Some apartment buildings presently enjoy a 100% tenancy rate with waiting lists. This makes owning an apartment building in this borough very desirable for investors. Let us visit some sales data:

From January 2012 - December 2012 in the Queens, NY 12-unit+ sales subsector, there have been 59 transactions containing 85 buildings with a total of 3,905 units and 3.502 million gross s/f for an aggregate dollar volume of \$491.293 million. That is a tremendous turnover rate of 3.95%; up from 2011's turnover rate of just 1.39%. (More sales will become public in the coming days.)

39 transactions with 51 buildings and 1,348 units were in the walk-up sector, and in the elevator sector there have been 20 transactions with 34 buildings and 2,557 units.

When I talk about average capitalization rates and gross rent multiples; remember that depending on neighborhood, some cap rates this year have seen mid 4% levels and some GRM's have reached the 13x level. So averages can be deceiving. That being said:

The average cap rate for walk-ups in Queens for 2012 was 6.21%, last year that percentage was at 6.78%. The average walk-up gross rent multiple (GRM) for 2012 is 9.77x, an increase from 8.89x GRM in 2011. The average walk-up price per unit for 2012 was \$129,018 per unit, an increase from 2011's average of \$115,040 per unit and the average price per s/f for walk-ups in 2012 is \$180 per s/f, higher than last year's \$174.78 per s/f.

The average cap rate for elevator apartment buildings in Queens for 2012 was 5.81% and the average GRM was 10.26x; almost identical to 2011's averages of 5.89% cap rate and 10.10x GRM. The average price per unit for this sector in 2012 was \$147,853 per unit lower from 2011's average of \$159,824 per unit. The average price per s/f in 2012 is \$149.97/s/f, lower than 2011's average of \$174.05/s/f.

We haven't seen a sales turnover rate of this level since 2007. The main reason for this turnover

rate has been sellers taking advantage of 2012s 15% capital gains tax rate, which went up to 23.8% as of January 1, 2013.

Another explanation for the higher turnover rate was the single sale of Ocean Village, AKA, 57-15 Rockaway Beach Blvd. in Arverne, Queens; an affordable-housing property comprised of 11 Elevator apartment buildings with 1,093 units. It was purchased by L+M Development for just over \$113 million. This was the largest multifamily sale in Queens for 2012.

What currently drives investors to purchase rental apartment buildings at such astonishing figures? The main reason is that residential rents in Queens are rising while vacancy rates are decreasing. Another is that smart and savvy investors know how to manage these newly acquired assets. Some creative and profitable ideas new owners carry out are simply changing the windows of the building, installing new roofs, updating the electrical and heating systems, brick pointing and efficiently renovating vacated apartments. These upgrades can then be passed over to the tenant, who will be living in an improved building and apartment, in the form of increased rents.

Queens will continue to be an attractive area for apartment building investors. With its extremely low vacancy rate, large population, close proximity to Manhattan and stimulating new developments, such as the proposed 3.5 mile Queens High Line, (I will touch on this in a later article). Queens continues to be one of the hottest markets in New York City.

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