



By the numbers: Values skyrocket in Queens multifamily acquisitions

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Queens as a whole has enjoyed terrific multifamily sales activity in 2013. In the first three quarters of 2013, in the 12unit+ subsector, there have been 42 transactions, containing 64 buildings with 2,635 units for a total gross consideration of \$475,631,556. That is a strong turnover rate of 2.97%, on pace to meet last year's 4% turnover rate. This year is also on track to surpass last year's total gross consideration of \$500,165,589 (This data will change as new sales are reported this year.)

What we are actually seeing is values are rising to levels we have not seen before in this borough. In this article I will illustrate this fact by also looking at the multifamily market as two different sectors; the walk-up sector and the elevator sector.

So far this year, the average price per unit in the walk-up sector is at \$141,221/unit. Last year that average number was \$128,633/unit; a 9% increase this year. The average price per s/f has also risen to \$203/s/f from last year's \$179/s/f.

In the elevator sector the average price per unit last year was \$147,231/unit. So far this year that number has increased to \$200,529/unit; a 27% increase from last year. The average price per s/f has also risen this year in this sector from \$152/s/f to a current average of \$209/s/f.

Some notable multifamily transactions in Queens this year include the sale of 41-17 Crescent St. in Long Island City for \$81.4 million. The "Crescent Club" is a 130-unit condo building being kept as a rental property. The sales price equates to over \$625,000/unit or \$658/s/f; again a number not seen before in the borough.

Another noteworthy transaction was the sale of "Saxon Hall" at 62-60 99th St. in Rego Park. This 417-unit, 16-story property first traded for \$74 million in 2008 to Vantage which has now sold it this year for \$85.25 million which equates to \$204,000/unit.

As for the walk-up market, there has been an interesting portfolio transaction in Sunnyside this year. A five-building package containing four-story walk-ups with a total of 107 units traded for a 4.9% capitalization rate or 12X the gross rent, at \$20.45 million. This equates to over \$191,000/unit, a number that we have also never seen before. The same portfolio traded at the last perceived "height of the market" in 2007 for \$13.45 million.

What is also interesting about the above data is when a property is offered for sale, walk-up or elevator; a feeding frenzy will ensue, even at these historically higher prices. I believe I can sum up why there is such strong hunger to buy these assets with one word: Scarcity. In Queens, the hold time for ownership is well over 40 years, longer than any other borough. Investors know this and will pay a premium for a chance to own multifamily here.

Other reasons for aggressive investor demand for apartment buildings in Queens?

1. Coupled with near 99%-100% occupancy rates, residential rents are at all-time highs in Queens. As reported in a recent Wall Street Journal report, rents increased 5.6% in only one-quarter, the

largest increase than any other borough. They report that the average rent in Queens is \$1,662/month. If you are a residential landlord in this borough, take a quick glance at your rent roll, I am sure you see huge upside potential based on that report.

2. Interest rates. 10-year term multifamily loans are still between approximately 2.75% and 4%. These are still historically low rates that make it possible for buyers to transact at such high numbers. I doubt this low interest rate market is sustainable, but for the time being it is the reality.

3. Stock market. Even though the stock market has seen all-time highs in recent months, the perception is that it is too volatile compared to owning prime real estate, such as multifamily in New York City and the outer boroughs.

4. Savings accounts. What savings? This one is simple. Investors are not interested in receiving near zero percent on their money by keeping it in savings accounts.

There is a lot that will be occurring this year that will shape our multifamily market. The main one is the New York City mayoral election. The new mayor will dictate property tax changes and housing policy that will have an effect on the apartment building market. Stay tuned.

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