



## Ariel Property Advisors releases NYC Multifamily Report

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NEW YORK, NYThe New York City multifamily market performed well in the third quarter, with all three volume metrics recording gains on a year-over-year basis. Dollar volume surged to over \$2 billion for a fourth consecutive quarter as large and institutional-caliber deals continued to make a comeback.

From July through September, New York City saw 115 multifamily transactions comprised of 186 buildings totaling \$2.23 billion in gross consideration. On an annual basis, this represents a 40% jump in dollar volume, a 12% rise in transaction volume and a 22% surge in building volume. Compared to the second quarter, dollar volume fell 7%, while transaction and building volume rose 6% and 9%, respectively.

The sharp climb in dollar volume can largely be attributed to the 100% year-over-year increase in institutional-level transactions that exceeded \$100 million, which altogether totaled \$609.10 million in aggregate value. Dollar volume was decisively driven by Manhattan, with the borough's \$1.12 billion in sales accounting for nearly half of New York City's tally.

"This year can be characterized by the return of larger, institutional transactions as they were nearly non-existent in 2017," said Shimon Shkury, President and Founder of Ariel Property Advisors. "We see downward pressure in pricing and believe that higher transaction volume will add to this pressure in 2019."

Brooklyn saw the most sales in the third quarter, comprising 30% of New York City's transaction volume. The Bronx was not far behind, snaring a 28% share. Queens saw the most significant year-over-year gains for all three volume metrics. Meanwhile, pricing indicators based on a trailing 6-month average, held relatively steady across all sub-markets.

From a macroeconomic perspective, the Federal Reserve increased its benchmark short-term interest rate for a third time this year in September, with one more rate hike expected in December. The labor market is by far the economy's biggest bright spot and inflation remains tame, which should keep the Fed on track to continue raising rates in the year ahead.

### Submarket Overview

Manhattan:

Manhattan fared exceptionally well in 3Q, with dollar volume nearly equal to all the other sub-markets combined. For the quarter, Manhattan saw \$1.12 billion in gross consideration, representing a quarter-over-quarter and annual gain of 154% and 69%, respectively. Large deals reigned in the borough, with 77% of the dollar volume and 38% of the transaction volume attributable to properties that sold for over \$20 million.

During the quarter, 41 buildings traded in 26 transactions. While transaction volume remained unchanged year-over-year, building volume increased by 32%. The largest transaction in the submarket was the sale of Equity Residential's 101 West End Avenue to a joint venture of the Dermot Company and PGGM, the second largest pension fund in the Netherlands, for \$416.10 million. For Manhattan pricing metrics, see page 6 of APA's report.

#### Northern Manhattan:

Northern Manhattan struggled during the quarter as it was the only sub-market to record across-the-board declines in all three volume metrics on both a quarterly and annual basis. During 3Q, 11

transactions involving 17 buildings were recorded for an aggregate value of \$119.66 million, representing declines of 21%, 11%, and 31% versus the previous quarter. On a year-over-year basis, transaction, building, and dollar volume fell 45%, 35%, and 61%, respectively. The largest transaction in the submarket was the sale of 3440 Broadway for \$18.45 million. For Northern Manhattan pricing metrics, see page 6 of APA's report.

#### The Bronx:

The Bronx enjoyed a banner 3Q given it was the only sub-market to notch quarterly and annual gains for every volume metric. In total, the borough saw 32 transactions involving 58 buildings for a total consideration of \$334.38 million. On a year-over-year basis, these figures represent increases of 60%, 41%, and 68% in transaction, building, and dollar volume, respectively. The largest transaction was The Lightstone Group's purchase of the Pelham Parkway Portfolio for \$53 million, which equates to \$226.67 per square foot. For The Bronx pricing metrics, see page 6 of APA's report.

#### Brooklyn:

Brooklyn dominated sales activity in the third quarter as it was the most transactional sub-market. In total, the borough saw 35 sales that included 56 buildings for a total consideration of \$561.32 million. Versus the third quarter of 2017, these figures represent increases of 9%, 22%, and 51% in transaction, building, and dollar volume, respectively. On a quarter-over-quarter basis, transaction volume rose 3%, while building and dollar volume fell 19% and 59%, respectively. The largest transaction transpired in the Sea Gate neighborhood of the borough, in which 3528 Mermaid Avenue, a 264-unit mixed-use elevated building, was sold for \$50 million or \$217.52 per square

foot. For Brooklyn pricing metrics, see page 6 of APA's report.

Queens:

Queens saw lackluster activity in 3Q, registering the lowest dollar volume of any sub-market and matching Northern Manhattan as the least transactional. During 3Q, 11 transactions including 14 buildings totaled \$93.33 million in gross consideration, representing declines of 39%, 44%, and 67% versus the previous quarter. However, on a year-over-year basis, transaction, building, and dollar volume rose 120%, 75%, and 95%, respectively. The largest transaction during the third quarter was the sale of 29 Beach 32nd Street, a 107-unit elevatored building in Far Rockaway, for \$19.10 million, which translates to \$171.91 per square foot. For Queens pricing metrics, see page 6 of APA's report.

Link: <http://arielpa.com/report/report-MFQIR-Q3-2018>

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