Is New York City still a viable investment option? - by Shallini Mehra

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With lingering high rates, rent collection difficulties in stabilized buildings, escalating operating costs, and a strict regulatory environment, certain segments of the real estate market are facing tough hurdles. The Housing Stability & Tenant Protection Act (HSTPA) of 2019 rent laws have reshaped the landscape, leading to a 20-40% devaluation and equity loss for landlords. Despite setbacks, opportunities for savvy investors exist.

Acquiring stabilized assets in New York City at a very low basis is a unique opportunity in today's market. Buyers with long-term investment horizons and seasoned operators are engaging in the market, hoping for eventual changes to the rent laws. We recently sold a blockfront of Wadsworth Ave. in Washington Heights for $86,000 per door. To make the numbers work, investors today can pay $75,000 to $90,000 per door, five to six times gross rent multiplier (GRM), and 7.5%+ cap rates.

Other segments, like smaller free-market, tax-class protected, and mixed-use properties, present promising prospects. They offer flexibility for landlords to upgrade older units and add amenities. Currently, we're marketing for sale a 20-unit, free-market, renovated building in Hell's Kitchen. The rental broker, Shiv Babani of Vector New York, leased the building in a record six weeks, noting, "these types of buildings fill a gap between the unrenovated walk-up and the luxury building, commanding high rents and ongoing wait lists."

New York City's real estate market remains strong, driven by its status as the most populous city in the United States and a continued robust housing demand with a rental vacancy rate of under 2%. We remain optimistic that policymakers can work collaboratively with real estate stakeholders to find equitable solutions that benefit both investors and communities and open pathways for housing improvements and growth.

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