

Manhattan's Strength

January 2025



Construction Starts on Par With US

Rent Growth Leads Nation

Investment Activity Recovers

MANHATTAN MULTIFAMILY



Rent Growth Healthy, Investment Recovers

The Manhattan multifamily market wrapped up 2024 on a high note, despite seasonal hurdles. Average advertised asking rents were up 0.2% on a trailing three-month basis through November, to \$5,023, mostly thanks to the working-class Renter-by-Necessity segment. Year-over-year, Manhattan rents were up 5.1%. New York City overall clocked in at 5.0%, taking the lead among Yardi Matrix's top 30 metros. Manhattan's overall occupancy in stabilized assets grew 40 basis points year-over-year, to 98.2%, as of October. The rate was significantly above the 94.7% U.S. average.

New York City employment expanded 1.7% through September, 30 basis points above the U.S. figure. In the 12 months ending in September, NYC added 106,700 jobs. Most of these were in the largest sector, education and health services, which gained 114,700 net positions. Meanwhile, professional and business services, construction and information shed 38,900 net jobs combined.

Supply growth was rather muted, with Manhattan developers completing 1,677 units in 2024 through November, representing just 0.5% of existing stock. However, the pipeline remained steady, with 11,983 units under construction and an additional 35,000 in the planning and permitting stages. Investment gained some ground, as \$1.8 billion traded in 2024 through November, \$500 million more than 2023's total volume.

Market Analysis | January 2025

Contacts

Jeff Adler

Vice President & General
Manager of Yardi Matrix
Jeff.Adler@Yardi.com
(303) 615-3676

Ron Brock, Jr.

Industry Principal, Matrix
JR.Brock@Yardi.com
(480) 663-1149 x14006

Doug Ressler

Media Contact
Doug.Ressler@Yardi.com
(480) 695-3365

Author

Tudor Scolca-Seuşan

Senior Associate Editor

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Recent Manhattan Transactions

Twenty Exchange



City: New York City
Buyer: Dermot Co.
Purchase Price: \$370 MM
Price per Unit: \$482,399

210-220 E. 22nd St.



City: New York City
Buyer: Canvas Property Group
Purchase Price: \$105 MM
Price per Unit: \$514,000

W. 135th St.



City: New York City
Buyer: Metropolitan Realty Group
Purchase Price: \$64 MM
Price per Unit: \$323,232

425 W. 57th St.

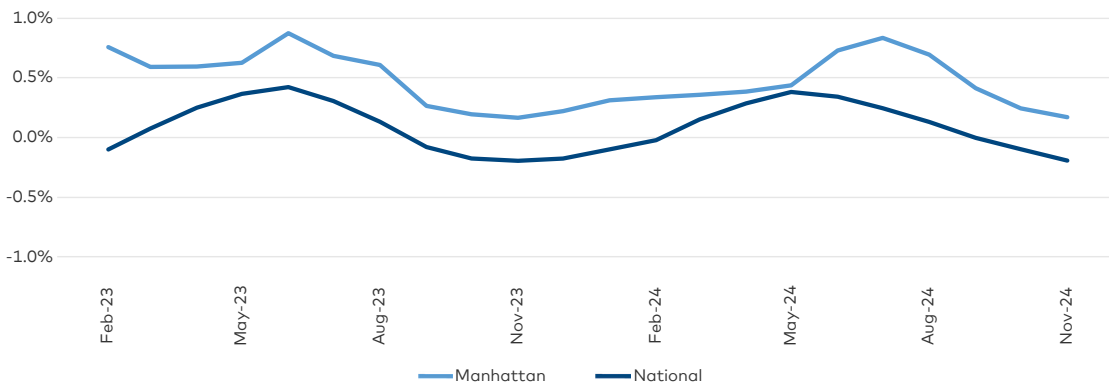


City: New York City
Buyer: Gorjian Real Estate Group
Purchase Price: \$17 MM
Price per Unit: \$330,000

RENT TRENDS

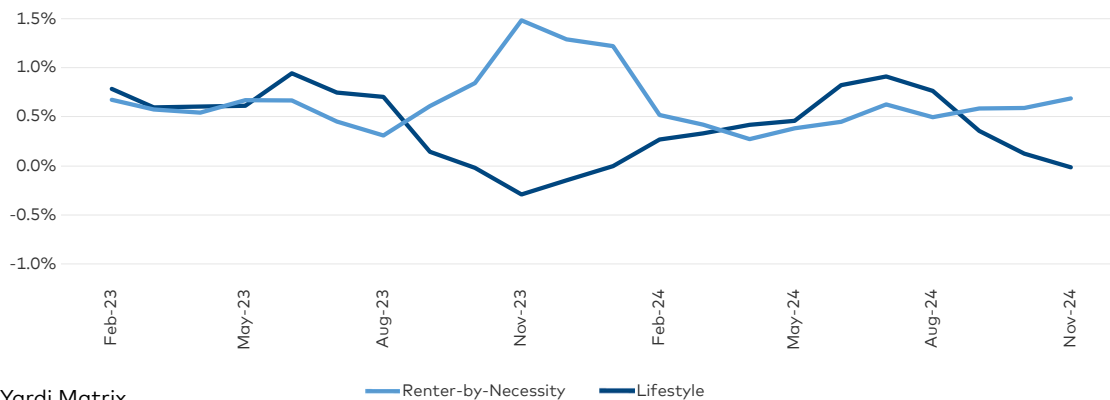
- ▶ Manhattan advertised asking rents were up 0.2% on a trailing three-month (T3) basis through November, to \$5,023. The rate decelerated from the 0.8% high point of July, but remained above the U.S. figure, which clocked in at -0.2% as of November 2024. Manhattan rents were up 5.1% year-over-year through November, as New York City continued to lead all major metros tracked by Yardi Matrix. New York City rents were up 5.0% year-over-year, while the national average rose just 0.9%, to \$1,744.
- ▶ Advertised asking rents in the working-class Renter-by-Necessity segment were up 0.7% on a T3 basis through November, to \$4,056. Meanwhile, upscale Lifestyle rates were flat, at \$5,504. Lifestyle rates outperformed RBN in the summer months, but the winter slowdown impacted the upscale segment more.
- ▶ Overall occupancy in stabilized Manhattan assets grew a healthy 40 basis points year-over-year, to 98.2%, as of October. That was significantly above the U.S. figure, which stood at 94.7%. Although Lifestyle supply growth was stronger, occupancy in the segment was up 50 basis points, to 98.5%. Meanwhile, the RBN figure grew 30 basis points, to 97.8%.
- ▶ Of Manhattan's 37 submarkets, 33 posted positive rent movement year-over-year through November. Growth for average advertised asking rates was led by Murray Hill (8.9% to \$5,089), Central Midtown (7.9% to \$4,687), Carnegie Hill (7.1% to \$5,201), Gramercy Park (6.8% to \$4,062) and East Harlem (6.5% to \$3,349).

Manhattan vs. National Rent Growth (Trailing 3 Months)



Source: Yardi Matrix

Manhattan Rent Growth by Asset Class (Trailing 3 Months)



Source: Yardi Matrix

ECONOMIC SNAPSHOT

- ▶ Metro New York City unemployment stood at 4.4% as of October 2024, according to preliminary data from the Bureau of Labor Statistics. That was down 30 basis points year-over-year and also 30 basis points above the U.S. figure. The state's figure also clocked in at 4.4% in October, unchanged for three months.
- ▶ New York City employment growth stood at 1.7% as of September, 30 basis points above the U.S. figure. Despite economic headwinds, the metro's rate was 40 basis points higher than at the start of the year. Meanwhile, the national rate was steady, sliding just 10 basis points since January 2024.
- ▶ NYC added 106,700 net jobs in the 12-month period ending in September. Education and health services added the most jobs, with 114,700 positions. It was followed by leisure and hospitality (14,700 jobs) and government (11,700 jobs). Professional and business services (-17,200), construction (-12,000) and information (-9,700) all lost jobs.
- ▶ Bjarke Ingels Group is designing The Freedom Plaza project, set to take shape on the largest undeveloped site in Manhattan, between 38th and 41st streets. Landowner Soloviev Group and Mohegan want to develop the 6.7-acre area into affordable and luxury apartments, hotels, retail, restaurants, a casino and a museum.

New York Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
65	Education and Health Services	1798.8	24.2%
70	Leisure and Hospitality	705.8	9.5%
90	Government	920.6	12.4%
80	Other Services	294.5	4.0%
55	Financial Activities	670.2	9.0%
30	Manufacturing	193.2	2.6%
40	Trade, Transportation and Utilities	1144.2	15.4%
50	Information	253.8	3.4%
15	Mining, Logging and Construction	257	3.5%
60	Professional and Business Services	1188.6	16.0%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- ▶ Metro New York lost 103,217 residents in 2022, mirroring the trend observed in most major coastal cities. This marked a 0.5% contraction.
- ▶ The long-term trend, however, remains positive, as the metro gained nearly 1 million people over the past decade.

Manhattan vs. National Population

	2019	2020	2021	2022
National	324,697,795	326,569,308	329,725,481	331,097,593
NYC Metro	19,294,236	19,261,570	20,011,812	19,908,595

Source: U.S. Census

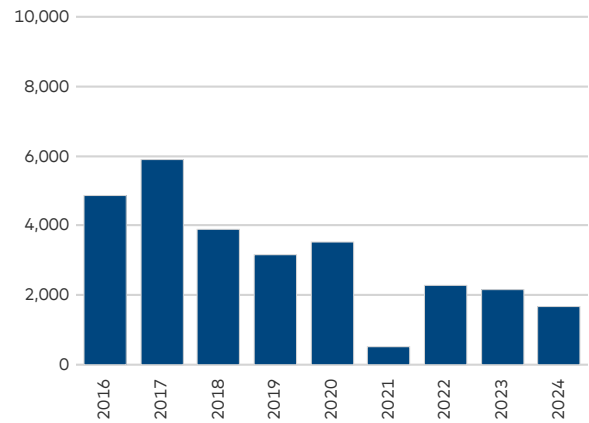
SUPPLY

- Manhattan developers brought 1,677 units online in 2024 through November. This was 0.5% of existing stock, while the national figure clocked in at more than five times that. Completions were also significantly lower than in pre-pandemic years. Development in the borough has been consistently below the U.S. pace over the last eight years, but it has been particularly slow in the last three years.
- The borough had 11,983 units under construction in November, along with an additional 35,000 units in the planning and permitting stages. Nearly 80% of all units under construction were in Lifestyle projects, relatively in line with the market's history and national trends. Units in fully affordable developments comprised roughly 17% of the pipeline. Manhattan's under-construction pipeline mirrored Queens (11,671 units), but fell below Brooklyn's 28,007 units.
- Developers broke ground on 4,188 units across 16 properties in 2024 through November. This was just below the 4,338 apartments across 13 developments that started construction during the same period last year.
- Of Manhattan's 37 submarkets, 22 had at least one project of more than 50 units under construction.

The Financial District led activity, with 2,945 units underway, followed by Inwood (1,639 units) and Hell's Kitchen (1,221 units).

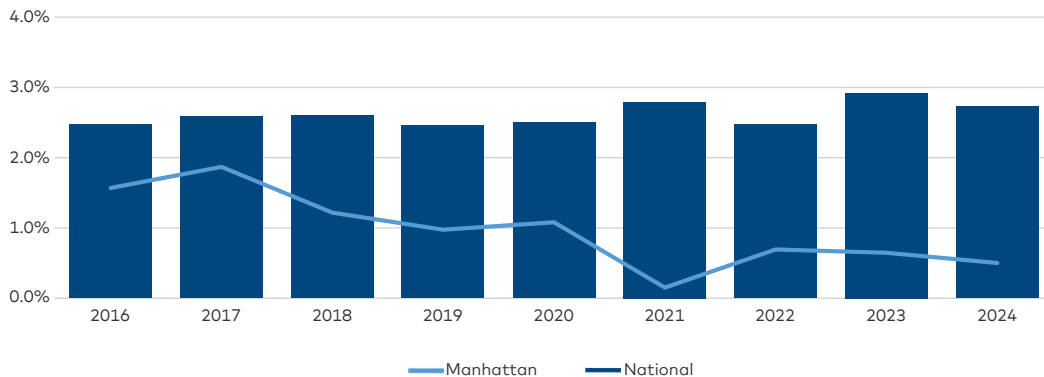
- The largest project completed in 2024 through November was an office-to-residential conversion. Vanbarton Group transformed 525,000 square feet of office space into 588 units at Pearl House in the Financial District.

Manhattan Completions (as of November 2024)



Source: Yardi Matrix

Manhattan vs. National Completions as a Percentage of Total Stock (as of November 2024)

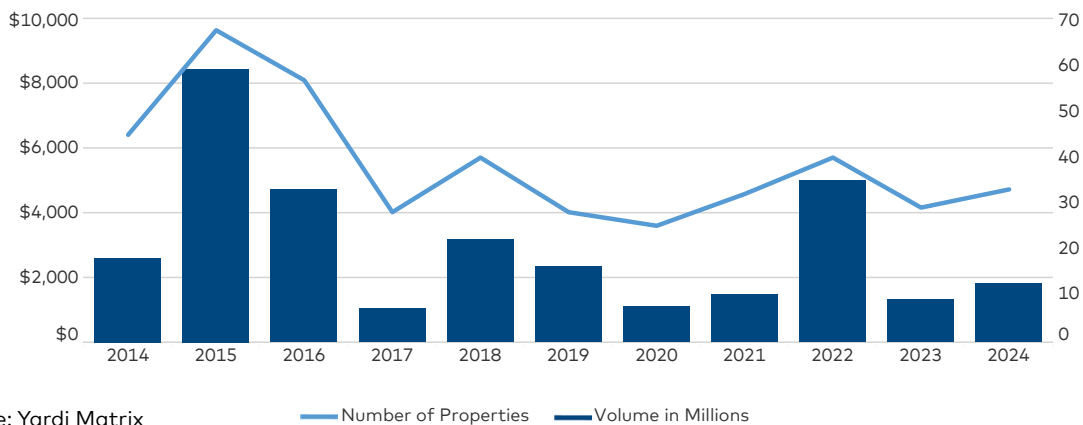


Source: Yardi Matrix

TRANSACTIONS

- ▶ Investors traded \$1.8 billion in single-asset Manhattan transactions in 2024 through November. This was already \$500 million more than 2023's total, as momentum picked back up despite high capital costs. Still, the figure fell short of the \$3.1 billion yearly average for the past decade.
- ▶ A total of 33 Manhattan rental properties changed hands in 2024 through November, with the bulk of them being RBN assets. This partially explains the \$323,584 per-unit price, which marked a 26.4% decline from 2023. Meanwhile, the U.S. average saw a 2.7% uptick, to \$192,050.
- ▶ Dermot Co. paid \$370 million for Twenty Exchange, a 767-unit high-rise in the Financial District—the largest sale of the year and the only one in this submarket. The purchase included 92,499 square feet of retail occupying the building's first two floors. DTH Capital sold the asset for roughly \$482,398 per unit.

Manhattan Sales Volume and Number of Properties Sold (as of November 2024)



Source: Yardi Matrix

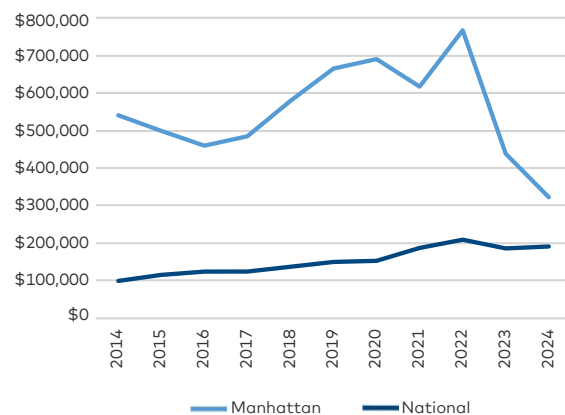
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
Financial District	370
Lincoln Square	265
Lenox Hill	191
East Village	169
Harlem	128
Carnegie Hill	125
NoMad	120

Source: Yardi Matrix

¹ From December 2023 to November 2024

Manhattan vs. National Sales Price per Unit



Source: Yardi Matrix



Where Opportunities Shine in NYC: Shimon Shkury Weighs In

By Olivia Bunescu

Known for its resilience and dynamic nature, New York City's multifamily market continues to be shaped by high demand, supply shortages, record-setting free-market rents and regulatory pressures. So where can investors and brokers find opportunity? Simon Shkury, president & founder of Ariel Property Advisors shared his best guess for 2025. Here's why he remains positive about NYC investment.

Besides interest rate cuts, what else do you anticipate will drive investment activity in 2025?

The substantial amount of mortgage maturities taking place will remain a key driver of investment sales for the foreseeable future. Approximately \$900 billion will mature in 2024 nationwide, which in many cases has meant cash-in refinance recapitalizations or forced selling for investors. There is \$4.7 trillion in outstanding debt across the country that will be maturing in the next few years, so we will continue to see that pressure affecting multifamily transaction activity. There's also an abundance of capital which will also drive the market.

What are the key regulatory challenges multifamily investors face in New York City?

The main regulatory challenge continues to be the Housing Stability and Tenant Protection Act, which removed incentives to renovate vacant units in rent-stabilized buildings, and invest in capital improvements in these. Despite



difficulties, sophisticated buyers with a long-term horizon are buying rent-stabilized assets. They see opportunity in price declines and believe that the dramatic changes to the rent-stabilized market brought about by the HSTPA regulations are unsustainable.

Tell us more about the recently approved City of Yes initiative and its potential impact.

The City of Yes for Housing Opportunity is a potentially monumental reform for New York City that will facilitate more housing. City of Yes proposes to relegalize housing above businesses on commercial streets in low-density areas and relegalize modest, three- to five-

story apartment buildings where they fit best—on large lots on wide streets or corners within a half mile of public transit. It also intends to end parking mandates for new housing, allow accessory dwelling units like backyard cottages, garage conversions, and basement apartments, and make it easier for residential, faith-based or other campuses with underused space to add housing on their sites. It will also make it easier to convert vacant offices and other non-residential buildings to housing.

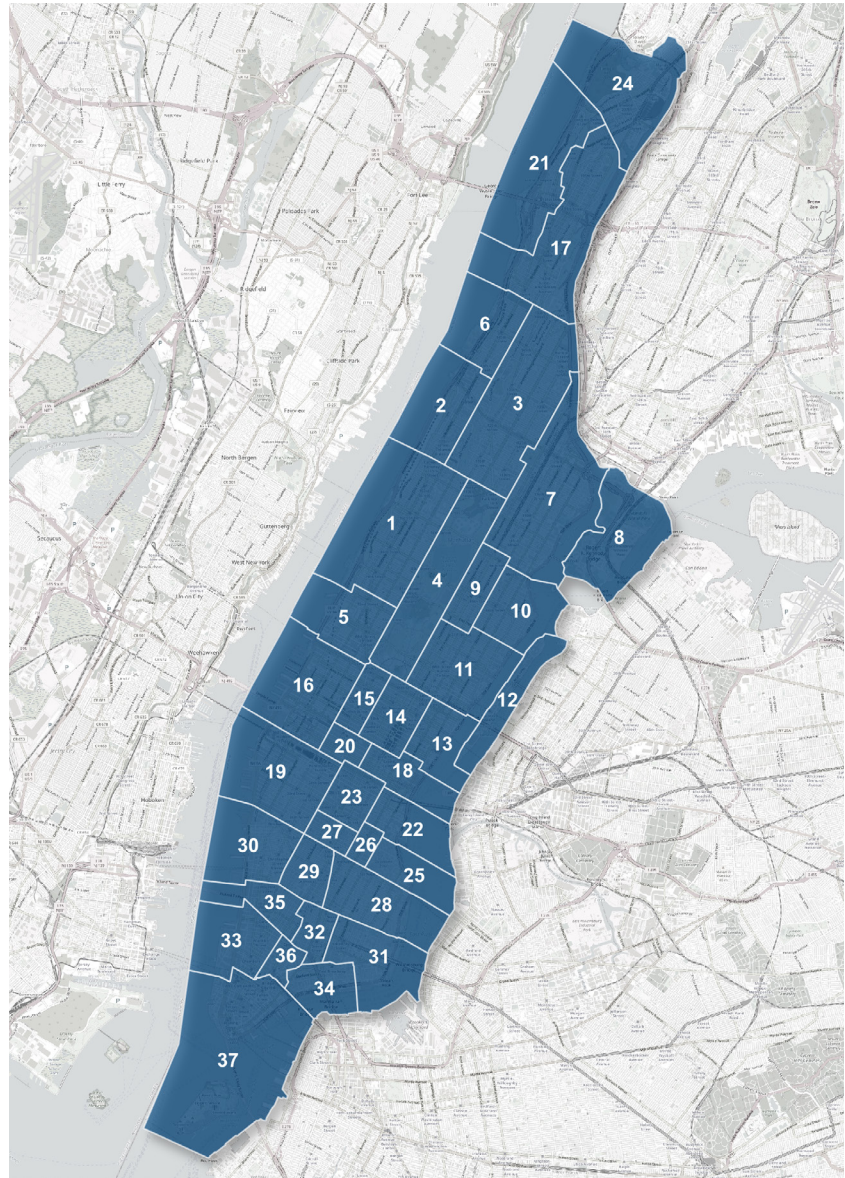
What are the most important factors for building a sustainable, resilient portfolio?

The bottom line is New York's multifamily market remains resilient heading into next year and beyond. It's an excellent time to consider investing in the sector: The demand for housing continues to outstrip supply, free market rents remain high and multifamily pricing is attractive.

(Read the full interview at www.multihousingnews.com.)

MANHATTAN SUBMARKETS

Area No.	Submarket
1	Upper West Side
2	Morningside Heights
3	Harlem
4	Central Park
5	Lincoln Square
6	Hamilton Heights
7	East Harlem
8	Randall and Ward Islands
9	Carnegie Hill
10	Yorkville
11	Lenox Hill
12	Roosevelt Island
13	Midtown East
14	Central Midtown
15	Theater District
16	Hell's Kitchen
17	Washington Heights
18	Murray Hill
19	Chelsea
20	Garment District
21	Hudson Heights
22	Kips Bay
23	NoMad
24	Inwood
25	Stuyvesant Town
26	Gramercy Park
27	Flatiron
28	East Village
29	Greenwich Village
30	West Village
31	Lower East Side
32	Chinatown
33	Tribeca
34	Two Bridges
35	SoHo
36	Civic Center
37	Financial District



DEFINITIONS

Lifestyle households (renters by choice) have wealth sufficient to own but have chosen to rent. Discretionary households, most typically a retired couple or single professional, have chosen the flexibility associated with renting over the obligations of ownership.

Renter-by-Necessity households span a range. In descending order, household types can be:

- *A young-professional*, double-income-no-kids household with substantial income but without wealth needed to acquire a home or condominium;
- *Students*, who also span a range of income capability, extending from affluent to barely getting by;
- *Lower-middle-income ("gray-collar") households*, composed of office workers, policemen, firemen, technical workers, teachers, etc.;
- *Blue-collar households*, which barely meet rent demands each month and likely pay a disproportionate share of their income toward rent;
- *Subsidized households*, which pay a percentage of household income in rent, with the balance of rent paid through a governmental agency subsidy. Subsidized households, while typically low income, extend to middle-income households in some high-cost markets, such as New York City;
- *Military households*, subject to frequency of relocation.

These differences can weigh heavily in determining a property's ability to attract specific renter market segments. The five-star resort serves a very different market than the down-and-outer motel. Apartments are distinguished similarly, but distinctions are often not clearly definitive without investigation. The Yardi® Matrix Context rating eliminates that requirement, designating property market positions as:

Market Position	Improvements Ratings
Discretionary	A+ / A
High Mid-Range	A- / B+
Low Mid-Range	B / B-
Workforce	C+ / C / C- / D

The value in application of the Yardi® Matrix Context rating is that standardized data provides consistency; information is more meaningful because there is less uncertainty. The user can move faster and more efficiently, with more accurate end results.

The Yardi® Matrix Context rating is not intended as a final word concerning a property's status—either improvements or location. Rather, the result provides reasonable consistency for comparing one property with another through reference to a consistently applied standard.

To learn more about Yardi® Matrix and subscribing, please visit www.yardimatrix.com or call Ron Brock, Jr., at 480-663-1149 x14006.



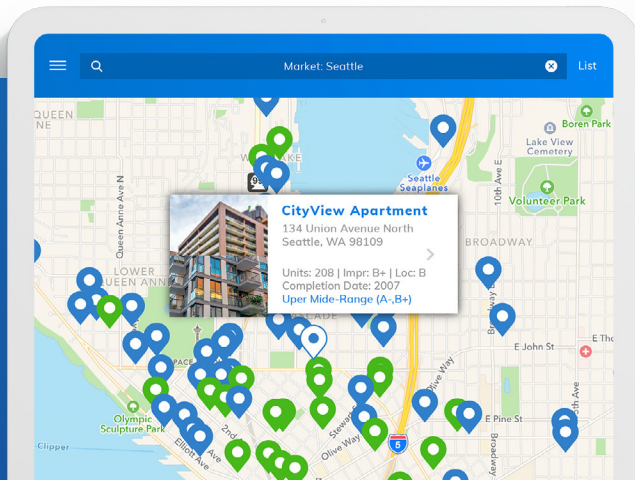
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with the industry's
leading data provider



MULTIFAMILY KEY FEATURES

- Pierce the LLC every time with true ownership and contact details
- Leverage improvement and location ratings, unit mix, occupancy and manager info
- Gain complete new supply pipeline information from concept to completion
- Find acquisition prospects based on in-place loans, maturity dates, lenders and originators
- Access aggregated and anonymized residential revenue and expense comps



Yardi Matrix Multifamily
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over **92%** of the U.S. population.



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