

## Multifamily by Submarket

Rents rising in Manhattan; prices up in the Bronx; same in Brooklyn, where sales jump; cap rates increase in Queens

Two weeks ago, this column addressed the state of the New York City multifamily market, and most of the statistics discussed pertained to the entire city-wide market. I received many e-mails and a few calls asking for the data to be broken down on a submarket-by-submarket basis, so here it is.

It is particularly illustrative to look at the way the market has performed during the past nine quarters. From 2009 through the first quarter of 2011, the trends are very apparent.

It is clear, although no trends are without exception, that cap rates expanded in 2010 from 2009 levels as value hit its low point toward the end of last year. The 1Q11 results show that cap rate compression has returned to the multifamily marketplace and that an upward swing in value is occurring in nearly all sub-

markets.

Let's see how each has performed.

### Manhattan

The dollar volume of sales in the walk-up sector in the Manhattan submarket was nearly \$90 million in 1Q11, putting the submarket on pace to be well ahead of the approximately \$250 million totals in 2009 and 2010.

There were 22 buildings sold in the first quarter, containing 276 units total. Both of these numbers, if annualized, would be well ahead of the pace of the prior two years.

More important, we have seen cap rates and gross rent mul-

tiples stay approximately where they were in 2010, but the average price per unit has increased to well over \$400,000 and the average price per square foot has risen to \$592 from last year's \$525, a 13-percent increase. With caps and GRMs remaining relatively flat and price per square foot rising the way it did, it tells us that rent levels are rising.

Moving to the elevator sector, in 1Q11 the total dollar volume of sales was approximately \$105 million, running at about half the pace of last year's \$832 million. In this submarket, there were only five buildings sold in 1Q11, containing a total of 230 units. Notably, the cap rate dropped from 2010's 4.84 percent to 4.22 percent and the GRM average increased from 12.74 to 14.40.

The average price per unit increased from last year's \$419,000, to over \$542,000. Additionally, the average price per square foot increased by 18 percent, from \$438 last year to \$518 in 1Q11.



Robert Knakal

### WALK-UP - MULTIFAMILY 2009

Market	Total \$	# Buildings	# Units	CAP Rate	GRM	Average Price Per Unit	Average \$/SF
Manhattan	\$252,563,208	76	1,088	5.19%	12.48	\$373,878	\$530
N. Manhattan	\$83,160,552	38	918	7.04%	8.22	\$110,279	\$163
Bronx	\$99,376,847	52	1,414	7.87%	6.74	\$72,617	\$88
Queens	\$66,455,375	57	413	6.32%	10.66	\$150,658	\$195
Brooklyn	\$151,035,737	123	1,205	7.64%	12.31	\$130,555	\$160
<b>Total</b>	<b>\$652,591,719</b>	<b>346</b>	<b>5,038</b>				

### WALK-UP - MULTIFAMILY 2010

Market	Total \$	# Buildings	# Units	CAP Rate	GRM	Average Price Per Unit	Average \$/SF
Manhattan	\$249,731,439	66	896	5.78%	11.87	\$336,010	\$525
N. Manhattan	\$129,216,275	65	1,348	7.48%	7.51	\$104,071	\$164
Bronx	\$105,060,384	67	1,589	8.04%	6.62	\$72,634	\$87
Queens	\$97,885,671	67	676	7.55%	9.41	\$145,250	\$203
Brooklyn	\$205,849,468	152	1,629	7.10%	10.12	\$133,998	\$172
<b>Total</b>	<b>\$787,743,237</b>	<b>417</b>	<b>6,138</b>				

### WALK-UP - MULTIFAMILY 1Q11

Market	Total \$	# Buildings	# Units	CAP Rate	GRM	Average Price Per Unit	Average \$/SF
Manhattan	\$89,664,000	22	276	5.81%	11.70	\$410,922	\$592
N. Manhattan	\$11,220,730	8	114	6.62%	7.18	\$110,556	\$196
Bronx	\$22,043,039	10	306	9.60%	5.53	\$78,756	\$93
Queens	\$52,742,500	18	409	6.30%	9.33	\$134,702	\$189
Brooklyn	\$83,841,093	43	743	6.62%	8.18	\$126,982	\$156
<b>Total</b>	<b>\$259,511,362</b>	<b>101</b>	<b>1,848</b>				

### ELEVATOR - MULTIFAMILY 2009

Market	Total \$	# Buildings	# Units	CAP Rate	GRM	Average Price Per Unit	Average \$/SF
Manhattan	\$239,675,000	12	650	4.71%	13.30	\$368,731	\$438
N. Manhattan	\$74,208,000	21	859	5.53%	8.47	\$90,733	\$97
Bronx	\$139,407,500	31	1,881	8.10%	6.58	\$70,643	\$69
Queens	\$54,792,500	5	506	6.04%	9.14	\$108,286	\$133
Brooklyn	\$91,926,400	18	905	6.41%	8.66	\$124,576	\$121
<b>Total</b>	<b>\$600,009,400</b>	<b>87</b>	<b>4,801</b>				

### ELEVATOR - MULTIFAMILY 2010

Market	Total \$	# Buildings	# Units	CAP Rate	GRM	Average Price Per Unit	Average \$/SF
Manhattan	\$832,449,181	20	1,987	4.84%	12.74	\$418,948	\$438
N. Manhattan	\$319,276,019	35	3,505	6.27%	8.75	\$91,092	\$120
Bronx	\$211,314,432	41	2,832	7.93%	6.92	\$71,042	\$67
Queens	\$77,067,000	13	620	6.03%	9.80	\$124,302	\$181
Brooklyn	\$101,727,500	17	702	7.09%	8.19	\$145,154	\$192
<b>Total</b>	<b>\$1,541,834,132</b>	<b>126</b>	<b>9,646</b>				

### ELEVATOR - MULTIFAMILY 1Q11

Market	Total \$	# Buildings	# Units	CAP Rate	GRM	Average Price Per Unit	Average \$/SF
Manhattan	\$105,460,000	5	230	4.22%	14.40	\$542,641	\$518
N. Manhattan	\$2,800,000	1	31	6.86%	7.53	\$90,322	\$127
Bronx	\$38,694,370	5	472	7.07%	8.07	\$84,339	\$91
Queens	\$106,653,249	7	623	5.17%	11.27	\$164,064	\$171
Brooklyn	\$77,827,702	8	494	5.03%	9.21	\$248,347	\$168
<b>Total</b>	<b>\$331,435,321</b>	<b>26</b>	<b>1,850</b>				

### Northern Manhattan

In 1Q11, in the walk-up sector, there were only \$11.2 million in total sales. This pace, if annualized, is about one-third of last year's total of about \$130 million. Also in the walk-up sector, there were eight buildings sold in 1Q11, with a total of 114 units.

The average capitalization rate dropped from an average of 7.48 percent in 2010, to 6.62 percent this year. The average price per unit increased from approximately \$104,000 to over \$110,000 and the average price per square foot also increased last year, by 20 percent, from \$164 to \$196.

In the elevator sector, there was only one property sold, at a price of \$2.8 million. The property contained 31 units. It is difficult to ascribe statistical significance to this one transaction as, clearly, the pace is significantly below the \$319 million of total activity last year in this sector.

### The Bronx

In the walk-up sector in the Bronx, there were \$22 million of sales in 1Q11. There were 10 buildings sold, containing a total of 306 units. The cap rate here was one of the few to increase in 1Q11 over 2010, as the average rate increased to 9.6 percent from 8.04 percent last year. Interestingly, the price per unit increased from \$73,000 to \$79,000, and the price per square foot increased from \$87 to an average of \$93. Given the increase in cap rates in this sector, one can only conclude that buildings with higher average rents, or a significant percentage of free-market apartments, were selling in 1Q11 vs. 2010 activity.

In the elevator sector, there were approximately \$39 million of sales. This total, if annualized, would be well below the \$211 million of sales in this sector in 2010. There were five properties sold, with a total of 472 units. The cap rate here dropped from 7.93 percent to 7.07 percent. The GRM increased from 6.92 to 8.07. There was also similar positive movement in the average price per unit, which increased from \$71,000 to \$84,000, and the average price per square foot increased from \$67 to \$91 this year.

It is interesting to see how the walk-up sector and elevator sector are moving in different directions within this submarket. The movement could be attributed to having only one quarter of data, which can skew the numbers.

### Queens

In the first quarter of the year, there were approximately \$53 million of sales in the walk-up sector. At this pace, the sector would more than double the 2010 total. Eighteen buildings traded, containing a total of 409 units. The cap rate here dropped from 2010's average of 7.75 percent to 6.3 percent. Interestingly, the GRM stayed about the same, moving to 9.33 this



year from 9.41. The price per square foot and the price per unit both dropped slightly. While this movement is counterintuitive, it is likely that many of the properties that sold in Queens in the first quarter had very low average rents.

In the elevator sector, we saw \$107 million of sales in 1Q11. This total, even without annualizing it, has already exceeded the 2010 total of \$77 million. Seven buildings sold containing a total of 623 units. The average cap rate dropped from 6.03 to 5.17 this year, and the GRM increased significantly, rising from 9.8 in 2010 to 11.2 in 1Q11. The average price per unit also increased substantially, rising from \$124,000 in 2010 to \$164,000 this year.

## Brooklyn

In the first quarter of this year, there were approximately \$84 million in walk-up building sales in the Brooklyn submarket. There were 43 properties sold, with a total of 743 units. All three of these totals, if annualized, will far surpass 2010 levels. The cap rate here dropped from 7.1 percent last year to 6.2 percent this year, with the average GRM, surprisingly, dropping from over 10 to 8.18. The average price per square foot dropped slightly, from \$172 to \$156 in 1Q11.

*The biggest concern for the multifamily sector is the status of rent regulation and how the market may be impacted by the form rent-regulation renewal takes this summer in Albany.*

In the elevator sector, there were \$78 million of sales in 1Q11, which, if annualized, will be significantly in excess of last year's \$102 million. Eight elevator properties sold, containing a total of 494 units. The average cap rate here dropped from 7.09 percent in 2010 to 5.03 percent in 1Q11. The average GRM increased from 8.19 to 9.21. There was a significant increase in the price per unit, which climbed from \$145,000 to \$248,000.

While one quarter of data is not something we want to read too much into, it is apparent that the multifamily marketplace is trending positively. Generally, cap rates are compressing, GRMs are increasing and we are seeing increases in average price per unit and price per square foot.

It is important to note that even though we have broken down the analysis by submarket, the averages presented here are exactly that—averages—and within each submarket there are dozens of smaller markets all operating on their own. Therefore, within each submarket there can be a wide range of metrics, all of which are appropriate for that

particular neighborhood. The data presented here is to simply show the general direction the market is headed and should not be used as a benchmark to calculate the value of any particular property.

The biggest concern for the mul-

tifamily sector is the status of rent regulation and how the market may be impacted by the form rent-regulation renewal takes this summer in Albany. There are several bills that have been passed by the State Senate that favor property owners and

there are several bills passed by the State Assembly that favor tenants. How the renewal is implemented could have significant implications for the future of rent-regulated properties.

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