

Multifamily Metro Outlook:

New York - Q4 2023

Overview:

- The New York metro area economy is still in recovery. While the number of jobs finally reached the pre-pandemic level in 2023, the metro's economy is still struggling to see significant improvement, especially when compared to other large U.S. metros. Education and Health Services remains the largest segment of the employment base at slightly more than 23%, with Professional and Business Services coming in second at just over 16%. Although higher interest rates continue to depress financial activity, employment in the metro's large banking sector should stabilize this year and healthcare and tourism will continue to support the economy.
- New York City proper is the nation's largest apartment market, with [approximately 2.3 million rental units](#), of which 44% are rent stabilized and 3% rent controlled. This is a renter's market, with more than 69% of all housing units within the city's five boroughs consisting of apartment units. Average rent growth turned slightly negative during Q4 2023, but the average vacancy rate held steady at just 2.8%.

Market Strengths:

- Despite the significant slowing in job growth this year, estimated by Moody's Analytics to be just 2.5% in 2023 compared to 6.3% in 2022, per capita income here is high, at more than \$81,000 compared to the national average of \$65,000. In addition, the metro's 24-hour cosmopolitan lifestyle, particularly in Manhattan, remains attractive to many.
- Demographics are favorable for apartment rentals over the longer-term, with the overall metro's key renting cohort of those aged 20-34 comprising 22% of the population, which is slightly above the national average of about 20%. Many residents tend to stay as renters over a longer period of time. According to a 2014 report from the NYU Furman Center, New York City rent-stabilized tenants tend to stay in their apartment on average for 12 years, compared to six years for market rate tenants.

Market Weaknesses:

- Despite these positive factors, there are still fewer people on the streets of New York than in 2019. That's because commuters have trickled back to the city. Indeed, return-to-office rates here lag other major metros based on data from Kastle Systems' Back-to-Work Barometer. In-person attendance averaged 63.8% in New York City for [the week of May 27, 2024](#), whereas Houston averaged 65.9%, Dallas 67.2%, Chicago 69.0%, and Washington DC 58.0%.
- And while crime rates in New York City are down, there is still a perception of elevated crime levels that is making many residents feel unsafe and keeping many commuters working from home. That perception has been keeping the vibrancy of New York City subdued over the short-term despite ongoing rental demand.
- Census data shows a net migration outflow from the larger New York metro area of 74,000 in 2023. However, New York City is disputing the results of the 2023 population estimates from the Census Bureau, indicating it undercounted an estimated 50,000 asylum seekers that were bussed to the city according to a recent [Associated Press article](#).

New Development:

- According to the Dodge Construction Network – Real Estate Analyzer data, there are more than 94,000 apartments currently underway in the New York metro and that is on top of the nearly 42,000 new units delivered in 2023 alone. However, that comprises only about 3.8% of the metro's inventory, which is not that excessive, and the number is down slightly from the 101,000 rental units underway as of Q2 2023. Indeed, it can be argued that the metro needs even more supply, especially as demonstrated in its currently low average vacancy rate.
- Fortunately, a new tax incentive was passed recently which replaced the old 421-a program which expired in 2022. Known as 485-x it is a 10-year program to incentivize new affordable housing in New York City, including affordable rental housing and homeownership opportunities. The 485-x program has set-asides for units affordable to renters making less than the area median income, which is deeper affordability than set-asides for units affordable up to 1.3 times the area median income under the expired 421-a program.

Housing Outlook:

- The metro is expected to see positive rent growth over the coming short-term forecast. We anticipate rent growth to be between 2.5% and 3.5% in both 2024 and 2025. While job growth is slowing, the amount of new supply expected to complete and deliver over that time frame also appears to be slowing. In fact, the number of multifamily permits issued for new construction declined to 22,600 in 2023 from the annual 37,000 average over the previous five years. As a result, rent growth will likely remain steady and vacancies are expected to rise only slightly.

Economy:

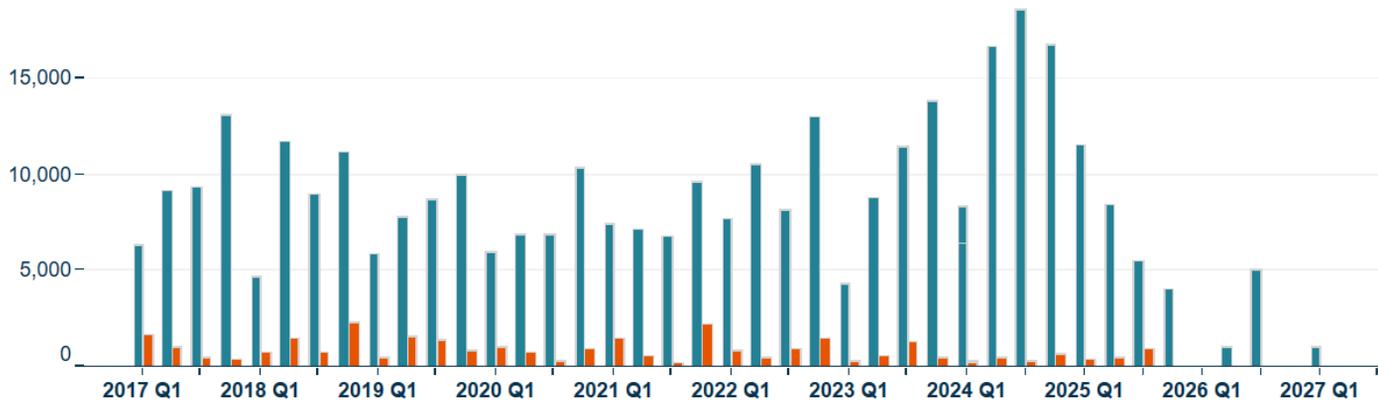
- Although this is the nation's largest metro and apartment market, job growth is expected to remain subdued through 2026, possibly dampening multifamily demand just as deliveries have peaked. The New York City office market is expected to face a decline in demand over the coming years, as leases renew, and many tenants are expected to opt for smaller footprints. The banking sector, which accounts for more than 9% of employment in the metro, is also expected to see headwinds from elevated interest rates and ongoing tight credit policies, placing further pressure on the local economy. However, this is the nation's premier city and should the Federal Reserve cut interest rates later in 2024, the metro's outlook will look much rosier.



Multifamily Apartment Pipeline

Apartments & Condos/Townhomes: Units Completed and Underway

Apartments | Condos



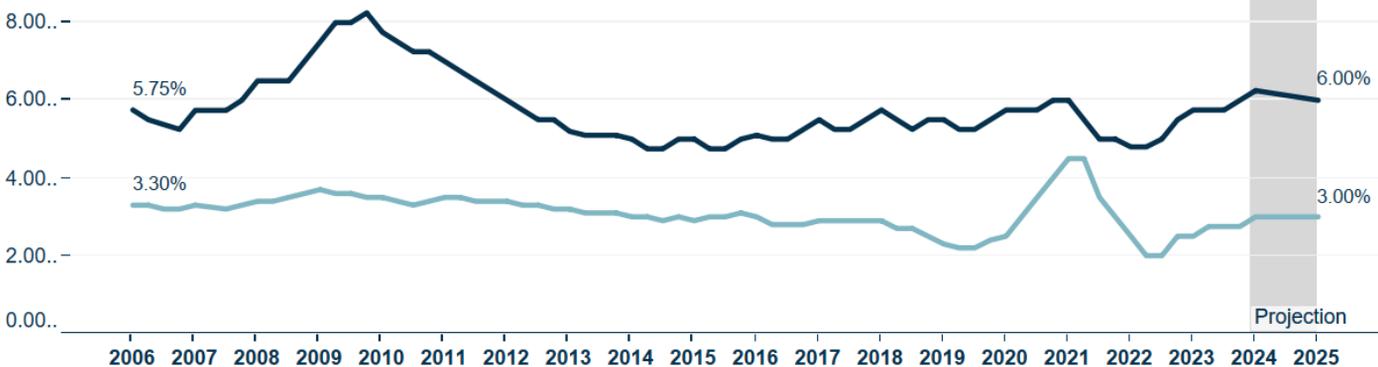
Source: Dodge Data & Analytics SupplyTrack Pipeline

Multifamily Vacancy & Rent Estimates

Vacancy Rates

NYC | National

Q4 2023 Vacancy Rate:
2.75%



Asking Rent Growth

NYC | National

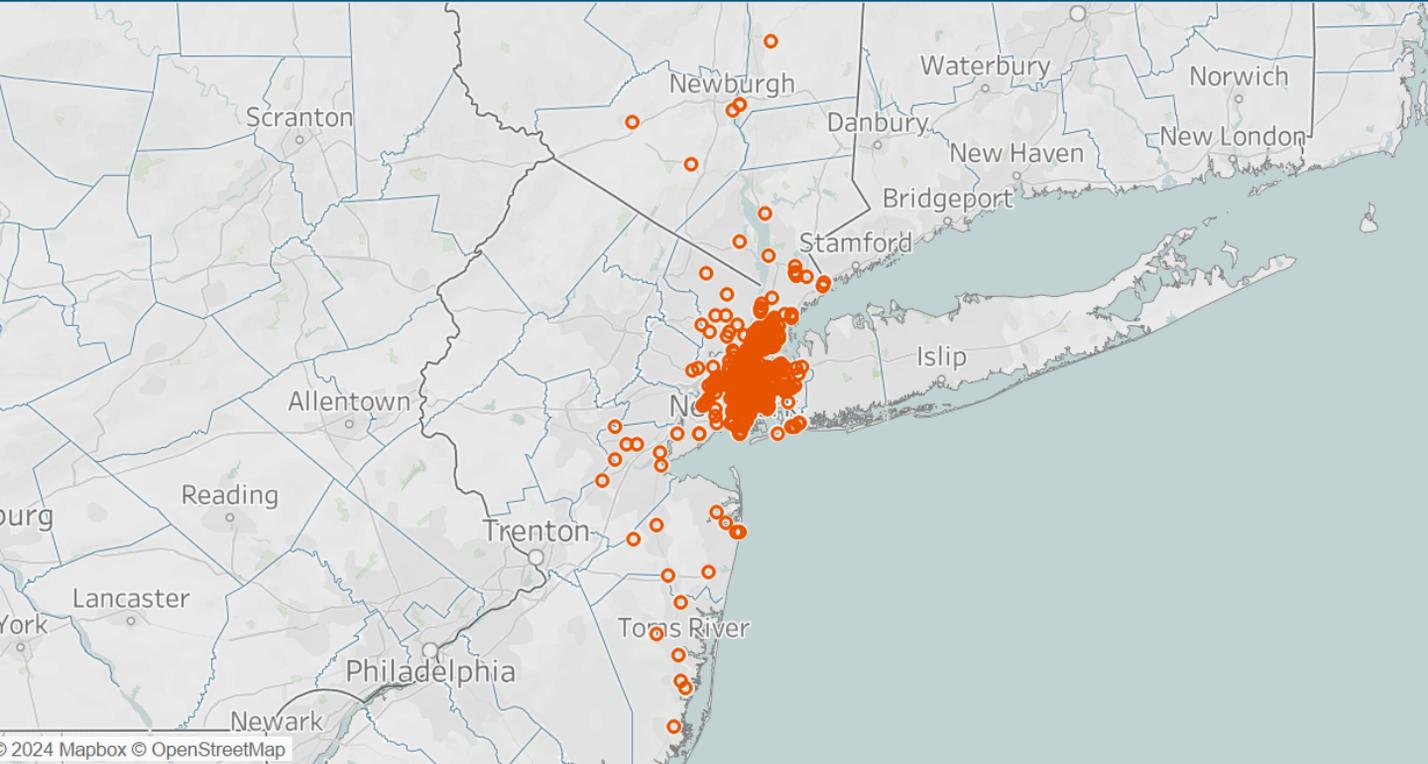
Q4 2023 Asking Rent:
\$3,140



Source: Fannie Mae Multifamily Economics and Research



Multifamily Construction: Bidding & Underway



MultiHousingSubmarketName	Apartments	Units
Bergen County	10	2,021
Bronx	136	9,490
Brooklyn	317	30,441
Central Middlesex County	3	434
Financial District	7	3,415
Harlem	19	3,701
Hoboken/North Hudson County	11	2,023
Jersey City	37	9,885
Lower East Side	11	970
Lower West Side	11	1,014
Midtown East	5	404
Midtown West	12	2,427
Monmouth County	8	1,245
New York Northern Suburbs	8	1,145
Northeast Middlesex County	4	952
Northwest Middlesex County	1	14
Ocean County	6	1,348
Queens	134	17,114
South Westchester County	22	5,171
Staten Island	5	108
Upper East Side	8	1,147
Upper West Side	6	352
Grand Total	781	94,821

Source: Dodge Data & Analytics SupplyTrack Pipeline



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Multifamily Economics and Market Research Team

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Sources Used

- Moody's Economy.com
- Moody's CRE/REIS
- CoStar
- Real Capital Analytics
- RealPage
- Greenstreet
- Dodge Data and Analytics SupplyTrack Pipeline
- CBRE-Econometric Advisors
- Yardi

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