

# Multifamily Metro Outlook:

## New York - Q3 2022

### Overview:

- The New York metro's economy remains in a recovery phase, where it has been since early 2021. Job growth has been improving but total employment remains below pre-pandemic levels. New York City is the nation's largest apartment market, with approximately 2.2 million rental units, of which 44% are rent stabilized and just 16,400 units are rent controlled. About 1.3 million of New York City's rental units are in properties with six or more units, with 515,400 units in properties consisting of two to five units, and 275,000 in condominium or cooperative buildings.
- Multifamily fundamentals have swung rapidly in both directions over the past two years, having seen negative rent growth through much of 2020 and then a vast increase in demand, and rents and occupancies with it, during 2021 and early 2022. Since that time, however, market dynamics are influx, with rent growth stagnating in mid-summer and beginning to taper downwards in early fall.
- Job growth here is positive, increasing by nearly 3% in 2021 and an expected 5.1% in 2022, but even with those increases, the metro is still not back to pre-pandemic levels. Further out into the forecast, job growth is looking much more dour, with slow to stagnant growth expected through 2027. With financial services accounting for 9% of the metro's employment, rising interest rates and weaker housing demand does not bode well for future job or wage increases.
- According to a [report](#) from Brookings, Census Bureau data shows that an estimated 327,000 people left the metro between 2020 and 2021, however, although net migration remains negative but is lessening. Nevertheless, after five quarters of positive net absorption, RealPage is estimating that the metro is now experiencing negative net migration of more than -2,000 units between 3Q2022 and early October 2022.

### Market Strengths:

- Despite the challenges, the New York metro remains the financial capital of the world. Per capita income is high, and its 24-hour cosmopolitan lifestyle remains attractive to a wide swath of people. Most importantly, demographics are favorable for apartment rentals over the longer-term, with the overall metro's key renting cohorts, namely Gen Zers and Millennials, currently at 52%, slightly above the national average of about 50%. With this number of young people, many large corporate and high-tech employers have a presence here, specifically to take advantage of an educated but slightly less expensive workforce.
- Multifamily investment in the metro, especially in Manhattan, rebounded this year. Investors noticed the brisk pickup in demand over the past 12 months, and multifamily property sales surged 198% year-over-year as of 3Q2022, totaling \$6.6 billion, placing Manhattan in seventh place from 24<sup>th</sup> place a year ago, according to Real Capital Analytics. The NYC Boroughs also improved, up to 18<sup>th</sup> place from 20<sup>th</sup> in 2021 and sales up 26% year-over-year, totaling \$3.5 billion.

### Market Weaknesses:

- Despite above average income levels, the metro is very expensive and higher costs continue to be a drag on overall quality of life, with the cost of living at 121% above the national average, and business costs at 153% above the national average. Remote work has offered an attractive alternative to living in the metro.
- And while some of the metro's larger employers are insisting on workers returning to the office, recent [Kastle](#) entry card swipes data shows New York office activity has improved, but just to 46.6%, far below other metros, including Austin at 60.5% and Dallas at nearly 55%.

### Development:

- As of November 2022, there are more than 94,700 rental units underway in the New York metro and that is on top of the nearly 32,000 that delivered in 2021 alone. Although the metro always needs more affordable supply, much of what is underway is class A market rate units, which have seen a tremendous increase in rent growth over the past 18 months.
- Concession levels have been ticking down and are at 12.6% as of September 2022, or about 45 days of free rent, compared to 14% a year ago, or about 52 days of free rent, but they are not too widespread. Although the number of units offering concessions is lower than a year ago, it has been inching up recently, to 8.0% as of September compared to 7.8% as of June 2022, according to data from RealPage.

### Outlook:

- Rent growth is estimated to have been positive at 2.5% as of 3Q2022 and 9% year-to-date compared to an estimated 7.0% in 3Q2021 and 15.5% for all of 2021. The vacancy rate is estimated to have ticked up to 3.75% from 3.5% in 2Q2022 and back to the same level as in 3Q2021. However, it appears that the metro was not immune from the sudden decline in demand experienced in September across the country, with rent growth plummeting 146 basis points from August according to RealPage. We will monitor the metro's rental demand, but with a recession looming in early 2023, we expect downward pressure on rent growth, likely at about 2%, and that's including the expected 3.25% rent increases imposed on rent stabilized units.
- Although this is the nation's largest metro and apartment market, and job growth is expected to remain positive in 2023, it is expected to slowdown quite a bit, to 2% from 5.1% in 2022. And it is very possible that it will be less than that, depending upon the depth of a recession. As a result, it is likely that the metro will not be spared from the national trend of slowing multifamily demand, due to persistent inflation and a contraction in job growth. Therefore, we believe that the metro's multifamily sector will be impacted by softening demand over the next 12 to 24 months, leading to slightly higher vacancy levels and stagnant to possibly negative rent growth occurring in non-stabilized units. We expect to see an increase in the usage of owner-paid broker fees along with more generous concessions in 2023.

## Five Year Metro Area Growth Forecast

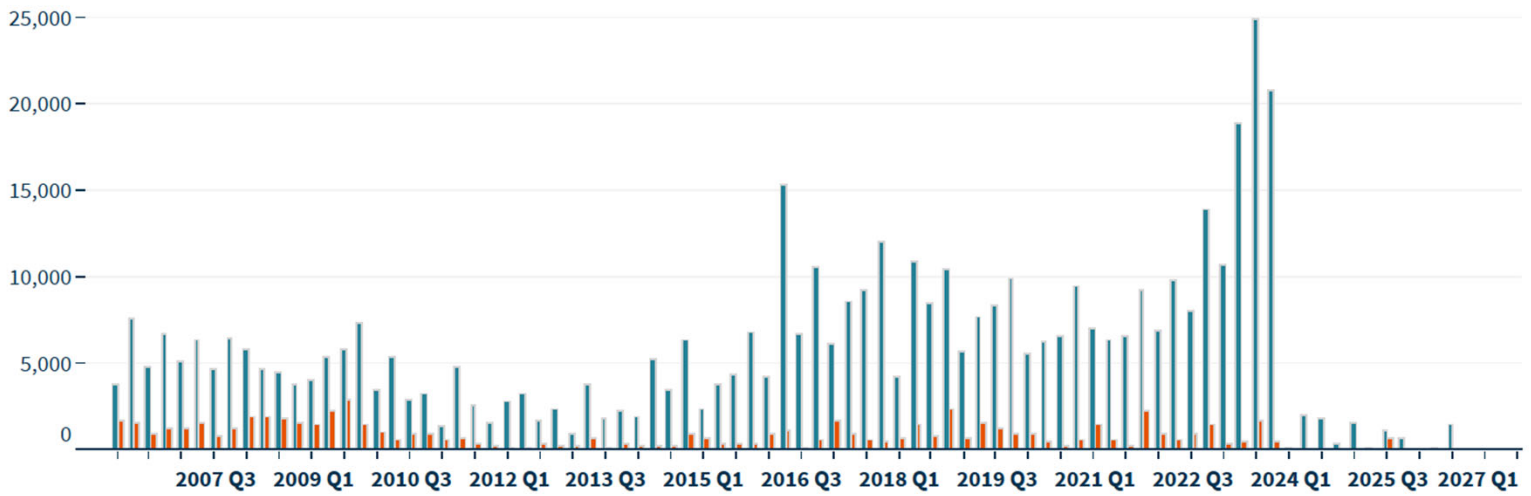
	Q4 2021	Q4 2026	New York (5-Year Annual Average Change)	National (5-Year Annual Average Change)
Population (000s)	19,847	19,945	0.10%	0.47%
Households (000s)	7,511	7,592	0.22%	0.90%
Renting Cohort (Ages 20-34) (000s)	4,130	3,933	-0.97%	-0.30%
Total Employment (000s)	9,288	9,873	1.23%	1.08%
Median Household Income	\$79,669	\$93,869	3.33%	3.30%
Median SF Home Price	\$585,059	\$691,513	3.40%	1.93%
Net Migration	-46,486	-51,626		

Source: Moody's

## SupplyTrack Pipeline

### Apartments & Condos/Townhomes: Units Completed and Underway

Apartments | Condos



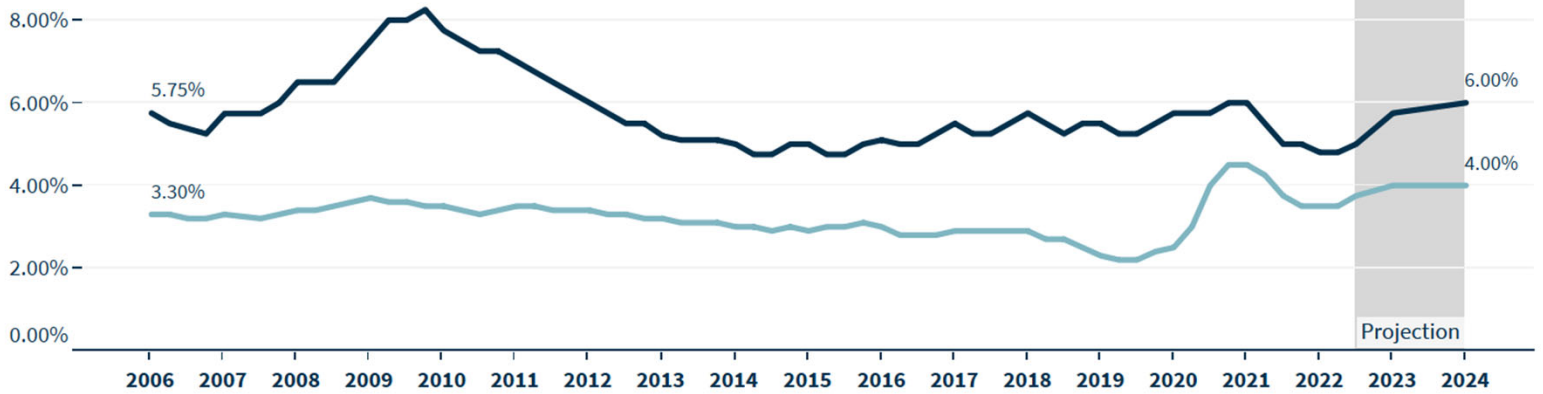
## Vacancy & Rent Composite Estimates

### Vacancy Rates

NYC | National

Q3 2022 Vacancy Rate:

3.75%

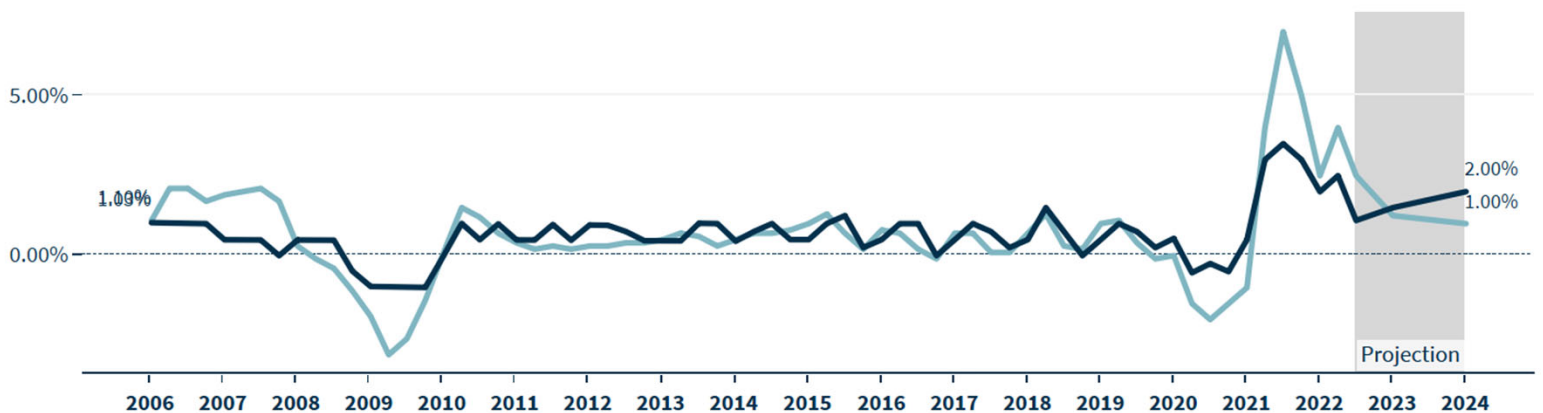


### Asking Rent Growth

NYC | National

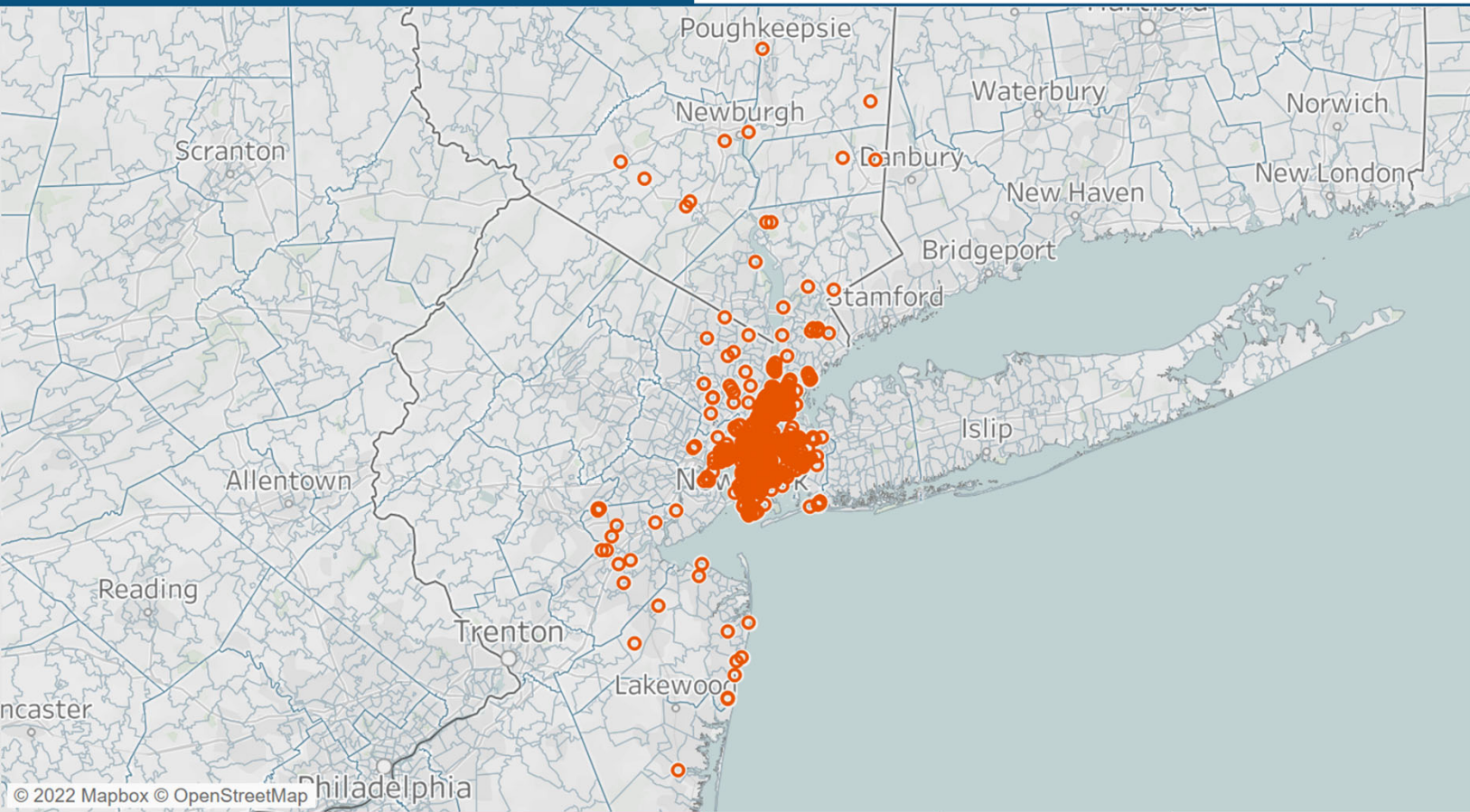
Q3 2022 Asking Rent:

\$3,440



Source: Multifamily Economics and Research

## Construction: Bidding & Underway



<i><b>TWR Submarket Name</b></i>	<i><b>Apartments</b></i>	<i><b>Building Units</b></i>
Bergen County	18	2,350
Bronx	196	12,145
Brooklyn	371	30,112
Central Middlesex County	5	895
Financial District	2	519
Harlem	37	4,805
Hoboken/North Hudson County	10	1,412
Jersey City	41	7,067
Lower East Side	11	2,755
Lower West Side	8	322
Midtown East	5	598
Midtown West	12	2,731
Monmouth County	11	879
New York Northern Suburbs	17	2,473
Northeast Middlesex County	3	743
Northwest Middlesex County	7	904
Ocean County	1	360
Queens	148	16,855
South Westchester County	24	5,576
Upper East Side	9	818
Upper West Side	5	412
<b>Grand Total</b>	<b>941</b>	<b>94,731</b>

**Multifamily: ESR Team**

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**Multifamily Economics and Market Research Team**

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**Sources Used**

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

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