Multifamily Metro Outlook:

New York – Q3 2024

Overview:

- With the Federal Reserve expected to continue to cut interest rates in 2025, the financial sector, which makes up 9% of the metro's job base and many of its high-paying jobs, should start to see improvement. According to Oxford Economics, this sector should grow by 0.3% on average from 2025-2029. In addition, Moody's Analytics reports a surge in venture capital funding in 2024 ,which should support startups in the well-paying tech sector and support well-stablished companies like Amazon, Google, and Meta.
- 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. While the average vacancy rate ticked up by 0.1% to 3.1% in Q3 2024, reflecting the ongoing supply being delivered, this remains far below the nationwide average of 6.0%. In addition, the average asking rent rose by 2.5% in the first three quarters of 2024, well above the estimated national average of 1.5%.

Market Strengths:

- Despite the significant slowing in job growth this year, estimated by Moody's Analytics to be just 1.4% in 2024 compared to 2.4% in 2023 and 6.4% in 2022, per-capita income here is high, at more than $90,000 compared to the national average of $70,000. 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 due to the high cost of home ownership. 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. Based on data from Kastle Systems' Back-to-Work Barometer, in-person attendance averaged just 54% in New York City for the week of January 15 as workers continued to return from the holidays. Although this exceeds the top 10 metro average of 50%, it remains below Houston's 65% average.
- 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.
- Even in the best of times, many residents choose to leave this expensive metro for a lower cost of living. While New York likely saw net migration of 66,000 residents in 2024, it could possibly see a decrease in future immigration levels. In fact, Oxford Economics projects population growth of just 0.3% on average annually from 2026-2029.

New Development:

- According to the Dodge Construction Network's Real Estate Analyzer data, there are more than 84,000 apartments underway as of Q3 2024, on top of the nearly 42,000 new units delivered in 2023 alone. However, that comprises only about 3.4% of the metro's inventory, which is not that excessive, and units underway are down from the 101,000 units underway as of Q2 2023. Indeed, it is clear that the metro needs even more supply, especially more affordable units, as demonstrated in its currently low average vacancy rate.
- A new tax incentive was passed in 2024 that replaced the old 421-a program. Known as 485-x, the program creates set-asides for units affordable to renters making less than the area median income (AMI). Rental affordability requirements vary based on the size and location of the property, and there are also wage requirements. However, one city-wide option is that developments consisting of at least 100 rental units will receive a 35-year tax abatement as long as 25% of units are affordable at an average of 80% AMI. While there are other options, all new units must remain at the designated affordability level and remain rent-stabilized in perpetuity.
- In addition, in 2024, New York City passed the City of Yes Housing Opportunity Proposal with sweeping changes to zoning to create affordable housing in every neighborhood. Among other changes, the proposal provides automatic increased density for new affordable units, makes it easier for vacant office buildings to convert to housing, and reduces parking requirements for buildings with affordable units. The city will invest $5 billion in infrastructure and housing and aims to create 82,000 new units across all five boroughs over the next 15 years. However, some carve-outs designed to protect single-family areas and parking requirements were included in December modifications, which may have decreased the amount of affordable housing that will be produced by as much as 25%.

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 2025 and 2026. While job growth is slowing, the amount of new supply expected to complete and deliver over that timeframe also appears to be slowing. In fact, due to the expiration of 421-a, 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 positive and vacancies are expected to rise only slightly.

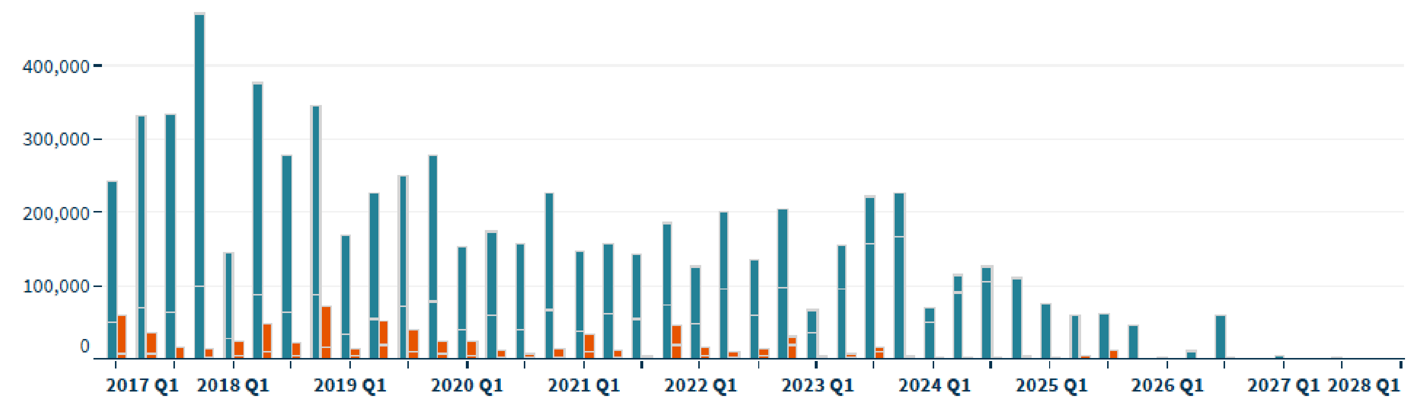
Economic Outlook:

- Although this is the nation's largest metro and apartment market, job growth is expected to remain subdued in 2025 and 2026, possibly dampening market-rate multifamily demand despite ongoing elevated deliveries. 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. In addition, Oxford Economics has indicated New York faces both challenges and opportunities ahead as expected immigration declines will hurt its labor supply, but possible deregulation may help its finance sector.

Multifamily Apartment Pipeline

Apartments & Condos/Townhomes: Units Completed and Underway

Apartments | *Condos*



Source: Dodge Data & Analytics SupplyTrack Pipeline

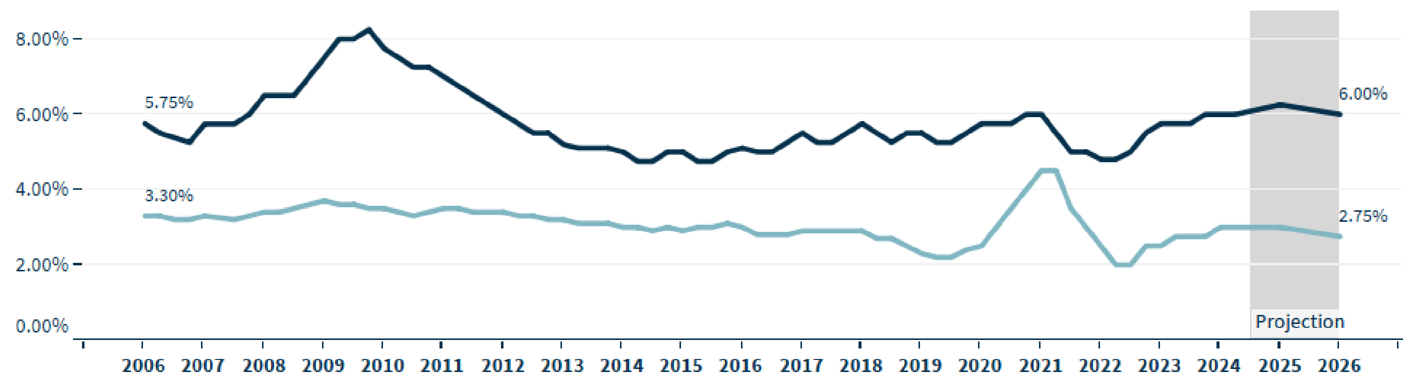
Multifamily Vacancy & Rent Estimates

Vacancy Rates

NYC | *National*

Q3 2024 Vacancy Rate:

3.10%

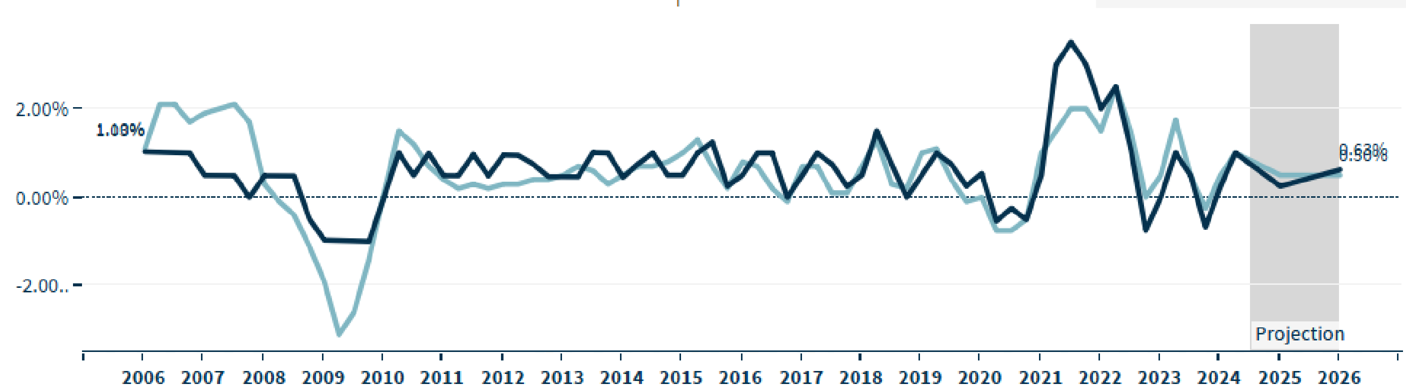


Asking Rent Growth

NYC | *National*

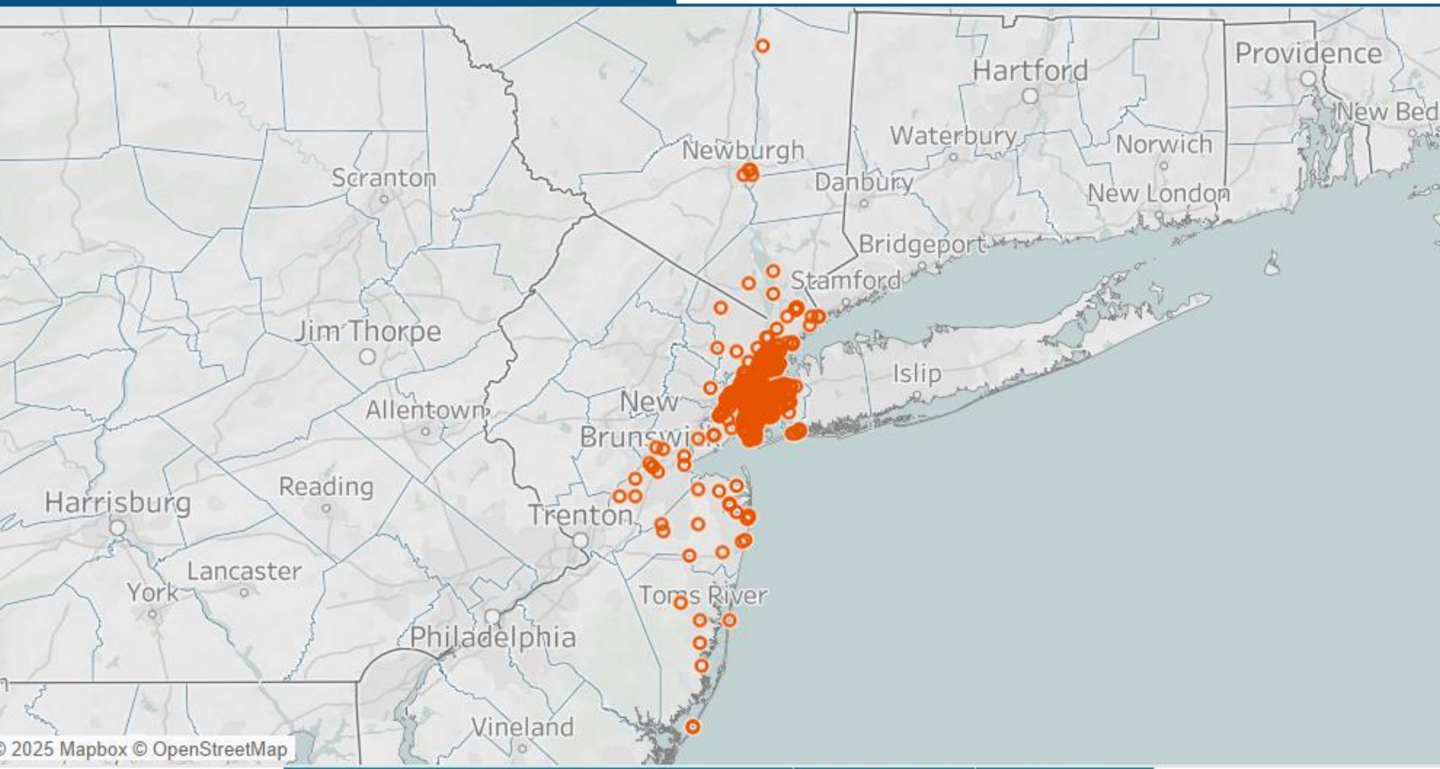
Q3 2024 Asking Rent:

$3,220



Source: Fannie Mae Multifamily Economics and Research

Multifamily Construction: Bidding & Underway



MultiHousingSubmarketName	Apartments	Units
Bergen County	5	861
Bronx	72	7,052
Brooklyn	239	26,595
Central Middlesex County	6	1,230
Financial District	6	2,857
Harlem	22	3,693
Hoboken/North Hudson County	13	2,069
Jersey City	41	10,070
Lower East Side	8	587
Lower West Side	8	148
Midtown East	9	896
Midtown West	18	2,513
Monmouth County	16	2,516
New York Northern Suburbs	7	746
Northeast Middlesex County	4	952
Ocean County	7	1,153
Queens	87	15,187
South Middlesex County	2	384
South Westchester County	18	3,491
Staten Island	4	145
Upper East Side	5	1,147
Upper West Side	1	45
Grand Total	**598**	**84,337**

Source: Dodge Data & Analytics SupplyTrack Pipeline

Multifamily: ESR Team

Multifamily Metro Outlook: Baltimore Q3 2024

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