

NYC MULTIFAMILY INVESTMENT SALES ENJOYS BEST YEAR SINCE 2016 ACCORDING TO ARIEL PROPERTY ADVISORS 2022 REPORT

Multifamily sales substantially grows over last 12 months with 506 deals and over \$13 billion in transactions for buildings with 10 or more units

Multifamily sales experienced substantial growth in 2022 after several sluggish years, according to the recently released [Ariel Property Advisors 2022 Multifamily Year in Review](#).

With \$13.2 billion in dollar volume for buildings featuring 10 or more residential units, and 506 transactions in total, the report reveals that 2022 was the best year for multifamily sales since 2016.

“The entire multifamily sector performed well in 2022,” notes Shimon Shkury, Founder and President of Ariel Property Advisors. “The passage of the Housing Stability and Protection Act in 2019 followed by the unforeseen challenges of the pandemic significantly impacted multifamily sales over the last couple of years. In fact, the sector saw a major resurgence in 2022 with \$16 billion in total dollar volume consideration for *all* multifamily properties (small buildings, buildings with 6-9 units and 10+ units), which is on par with 2016 market multifamily activity.”

Key findings of the report include:

- Of the \$38.4 million in total investment activity across all asset classes in New York City last year, multifamily sales with at least 10 residential units accounted for approximately 34% of all dollar volume traded, the highest percentage share on record.
- Approximately 76% of the dollar volume for multifamily transactions were for free market buildings or those with a 421a tax exemption. This segment has seen increased activity as free-market multifamily assets can be considered an inflation hedge since annual rents can be raised in response to rising expenses.
- New York City’s rents in free market buildings rose steadily last year due to the city’s housing shortage, which is expected to continue due to the lack of government incentives to build rentals after the expiration of the 421a and J51 tax exemptions.

Trend Watchlist: the report also highlights trends to continue to watch including:

- Mortgage rates and therefore the cost of debt will be a major focal point within the multifamily market going forward just as it was in 2022. Multifamily dollar volume in the second half of 2022 decreased by 12% and transaction volume decreased by 23% when compared to the first half primarily due to the cost of debt which rose by 100% in just one year.
- Some mortgages for predominantly rent-stabilized buildings taken out before the HSTPA of 2019 are nearing maturity or reset, so owners will need to make tough decisions on whether to cash in refinance or sell.
- State and local officials will have the opportunity to weigh options for promoting investment in multifamily buildings, such as a vacancy reset bill for rent-stabilized owners and a Housing Access Voucher Program, as well as other incentives such as a successor to the 421a and J51 tax exemption programs.

- Concern remains that the State Legislature could approve Good Cause Eviction, a law that would essentially implement universal rent control for all residential rental units in the state.

Submarket Highlights: the report also includes overviews of multifamily sales activity in specific NYC submarkets. Highlights include the following:

- Manhattan saw a robust level with \$7.21 billion in dollar volume, a 154% jump from 2021 and the second-highest level of all time. With 137 in multifamily trades, transaction volume was on par with 2016.
- Brooklyn saw \$3.78 billion in multifamily sales, the highest volume on record, breaking last year's high by \$150 million. Transaction volume also rose to its highest level since 2016 and the Downtown/Park Slope region, boosted by the Gowanus rezoning, experienced the most dollar volume.
- The Bronx enjoyed \$1.1 billion in multifamily sales across 89 transactions, the borough's best year for the multifamily market in both dollar and transaction volume since 2018. A majority of the transactions occurred in the South Bronx, which accounted for a third of the total dollar volume and over half of the transaction volume.
- Queens saw a transaction volume totaling 71 trades, which was the highest on record, as well as a dollar volume of \$700.2 million, which was the highest since 2018. Approximately two-thirds of the transaction volume and one-half of the dollar volume took place in Northwestern Queens.
- Northern Manhattan recorded 48 trades, the highest since 2018, and \$435.1 million in dollar volume, the second lowest level in the past 10 years. The disparity was a result of a majority of the trades being smaller as 59% of the trades were below \$5 million, the highest on record.

To read the full 2022 Multifamily Year in Review, please click [HERE](#).

About Ariel Property Advisors

Ariel Property Advisors is a commercial real estate services and advisory company located in New York City. The company covers all major commercial asset types throughout the NY metropolitan area while maintaining a very sharp focus on multifamily, mixed-use and development properties. Ariel's Research Division produces a variety of market reports that are referenced throughout the industry. arielpa.nyc