

Real Estate Industry Report

December 2023

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Executive Summary

The [January Beige Book](#), the economic activities report for December 2023, will be available on 1/17/2024.

According to [The City of New York: Popular Annual Financial Report FY 2023](#) and NYC Comptroller’s office, NYC’s economy is resilient and has surpassed recovery expectations.

NYC remains on solid footing, but also remains focused on long-term risks, which will require establishing a sustainable long-term savings program to address outyear budget gaps and generating additional revenue streams to pay for strategic investments. NYC’s economy continued to rebound from the pandemic during Fiscal Year 2023, even as office attendance remained well below its pre-pandemic level. After rising sharply over the course of Fiscal Year 2022, the median citywide rent resumed a more modest pace of increase in Fiscal Year 2023, as the inventory of available units trended up gradually. Still, the median rent reached a record high of \$3,750 in June 2023.

Market Trends

The United States

- **[Finance]** Global M&A, private equity, and venture financing [deal volume dropped 23.6% YoY](#).
- **[Multifamily]** Here are MHN's [12 multifamily predictions for 2024](#) (page 10 through link).
- Here is Harvard University's [study](#) on the U.S. [senior housing crisis](#).
- **[Commercial]** \$6 trillion CRE loans will be due in the next few years, which [could spiral into a broader reduction in nearby property values](#), leaving banks particularly vulnerable, according to FSOC's 2023 [report](#). The Fed [continues to be cautious](#) about the office market.
- SL Green says [an office full recovery is four years away](#). [CBRE anticipates](#) a soft economic landing in 2024 and CRE investment activity to pick up in H2 2024.
- [CRE value dropped 10% in 2023](#) but may soon hit bottom.
- According to Yardi, the [self-storage industry continues to be impacted by a slowdown in housing demand](#).
- **[Energy]** 50% of the microgrids in the U.S. began operation in the last five years. See [JLL's research and case studies on microgrids](#).
- Data centers considered [using small nuclear reactors for energy](#) but are experiencing setbacks.

New York City

- **[Demographics]** The NYS Comptroller's recent [report](#) on NYC's population found that NYC is getting [smaller, older, and wealthier](#). The US Census shows [NYS' population declined 0.52% in 2023](#), the fastest in the U.S.

- **[Finance]** The NYC Comptroller's office published the 2023 [Annual State of the City's Economy and Finances](#) report, which stated that even though NYC has recovered moderately, there will be a gap of \$7.77 billion for FY25.
- MTA approved a [\\$19.3 billion operating budget for 2024](#) while [facing a \\$47 billion financial liability](#). Ridership is anticipated to reach only 80% of pre-pandemic levels by 2027.
- **[Commercial]** REBNY's analysis found that the [Manhattan office visitation rate reached 70% of pre-pandemic levels in October](#).
- 32.4% of NYC's investors in 2023 are [international buyers](#).
- **[Industrial & Hospitality]** According to Marcus & Millichap,
 - **Self-storage:** New York will be one of the few metros to note asking rents increasing on an annual basis in 2023, with the mean rate closing out the year at \$2.66 per square foot. The Bronx and Brooklyn will lead rent gains this year, with advances of 1.5 and 1.1 percent observed in these boroughs, respectively.
 - **Hospitality:** Leisure visits solid, stage set for business travel recovery. New York's hospitality fundamentals are trending upward at a commendable pace as of mid-2023, with annual occupancy well on track to breach the 80 percent threshold by the end of the year.
 - **Industrial:** Multi-story warehouses prompt a notable supply transformation. New York is slated for a landmark year of development in 2023 as three multi-level logistics facilities in the outer boroughs contribute to the largest amount of square footage added since at least 1996.

In the News

- **[Federal]** The Biden administration announced an [\\$8.2 billion investment for 10 high-speed rail projects](#).
 - The [COP28 climate summit](#) dropped language to “phase out” fossil fuels but reached an agreement allowing each country to pursue climate goals in their own ways.
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- **[New York State]** Gov. Hochul delivered the [2024 State of the State](#).
 - NYS DEC and NYSERDA [released a new study](#) for NYS’ Cap-and-Invest program.
 - Gov. Hochul announced [\\$50 million to preserve up to 500 Single Room Occupancy \(SRO\) apartments](#) across the State and [\\$433 million to create and preserve housing in NYS](#), including \$283 million in NYC.
 - Gov. Hochul’s [421-a replacement program for the Gowanus neighborhood](#) received 19 applications, yielding up to 5,500 units.
 - 52 proposed renewable energy projects totaling 4.4 gigawatts [terminated their contracts](#) with NYS.
 - Tri-State Transportation Campaign’s infrastructure expert said [creating a new Penn Station for less than \\$17 billion is possible](#) as long as MTA, NJT, and Amtrak are all on board.
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- **[New York City]** NYC DOB [finalized LL97’s second major rule package](#). LL97 went into effect on 1/1/2024.
 - Mayor Adams created the [“Housing at Risk Task Force”](#) to help projects qualify for 421-a before the 2026 deadline and the [“Green Fast Track”](#) to speed up environmental reviews for small- and medium-sized residential projects.
 - HPD [launched the Mixed Income Market Initiative](#), which aims to fill part of the new [housing construction gap](#) due to the missing 421-a.
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- [Nostrand Houses residents in Brooklyn chose the “Preservation Trust” model](#) to address \$600 million repair needs.
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- **[Notable Projects]** ESD [issued an RFP](#) to develop The Long Island Center for Cell and Gene Therapy.
 - NYCEDC released an [RFP](#) for the long-term lease and development of an entertainment site at 155 Richmond Terrace, Staten Island, due 4/8/2024.
 - Gov. Hochul unveiled plans to [build 2,800 homes in the Creedmoor Psychiatric Center](#) in Queens. An RFP will be announced.
 - SL Green wants to [convert 750 Third Ave into affordable housing](#), with plans to lobby City and State officials for a new property-tax abatement.
 - [Willets Point Phase I](#) and [The Peninsula Phase II](#) broke ground.
 - The Slate Property Group and RiseBoro Community Partnership completed [the JFK Hilton Hotel](#) acquisition to convert it into permanently affordable housing.
 - SGA [proposed](#) a new 37-story life sciences tower in Hudson Yards.
 - ASAP Holdings plans to [build 437 apartments on the LaGuardia Marriott hotel parking lot](#).
 - Tishman Speyer plans to build a new waterfront apartment tower in Jersey City at [50 and 55 Hudson](#).
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- **[New Studies]** CHPC released [A Survey of Unmet Housing Need in Lower-Density Districts](#) report.
 - The New York Housing Conference found that, [on average, each affordable housing household tenant currently owns \\$7,260 in back rent](#), slightly less than the \$9,565 in March 2023.

Corporate News

Business Strategies

- GI Partners and former executives from the Healthcare Trust of America formed a new venture, [UDLR Healthcare](#), focusing on investments in medical outpatient buildings.
- [Atlantic Equity Partners](#) launched a new fund to acquire and redevelop hotels.
- [Thor Equities Group](#) appointed a new executive vice president to expand its data center division.
- [Blackstone and Digital Realty](#) partnered up to develop 10 data centers globally.
- [Weill Cornell Medicine](#) continues expanding by acquiring five floors at 1334 York Ave.

Finance

- Moody's [downgraded Boston Properties](#) and [Vornado's](#) ratings.
- Global Ratings downgraded [Brookfield Property Partners'](#) credit rating.
- SL Green sold [625 Madison Ave](#) for \$632 million to Related Cos.
- Prada bought [724 Fifth Ave](#) for \$425 million from its landlord.
- Arkhouse Management and Brigade Capital Management are [offering \\$5.8 billion to take over Macy's West 34th St flagship store](#).
- The Blackstone-led venture team [was awarded 2,600 Signature Bank's CRE loans](#). [Santander Bank NA](#) and [a partnership led by the Related Fund Management](#) took stakes in rent-stabilized apartments-backed loans. [Brookfield might launch a formal protest against the decision](#).
- Sam Chang [sold another three hotels in Midtown](#): the Fifth Avenue Hyatt, the Marriott

Le Meridien, and the DoubleTree by Hilton.

- WeWork's bankruptcy drama continues:
 - WeWork negotiated a reduced rent and shortened lease term for [1440 Broadway](#).
 - US Bankruptcy Judge [approved WeWork to reject 67 leases](#), and WeWork's biggest landlords [asked the judge to reject WeWork's motion for debtor-in-possession financing](#).

Bankruptcy + Foreclosures & Defaults

- [Bond Collective](#) filed the bankruptcy petition.
- Savanna transferred the ownership of [1825 Park Ave](#) in Harlem to its lender, TPG.
- Aview Equities' [57 Caton Pl](#), Brooklyn, a partially finished apartment building, is facing foreclosure.
- [51 W 52nd St](#) faces foreclosure.
- [The Royalton Park Avenue Hotel](#) could default.
- Isaac Kassirer's [\\$110 million Bronx affordable housing portfolio](#) defaulted.
- The lender initiated foreclosure on Issac Hager's [200 Kent Ave](#).
- [200 W 67th St](#) defaulted on its mortgage and is currently put up for sale.
- The Chatwal Hotel at [130 W 44th St](#)'s auction is scheduled in January 2024.

Residential

Apartments

December 2023	Manhattan	Brooklyn	Northwest Queens
Rental Price PSF	\$85.37	\$52.30	\$49.49
%Δ MoM	-0.8%	2.3%	-3.4%
%Δ YoY	3.9%	-3.5%	6.2%
Average Rental Price	\$4,952	\$3,754	\$3,601
%Δ MoM	-3.8%	-0.8%	5.8%
%Δ YoY	-5.6%	-1.6%	9.6%
Listing Inventory	7,621	3,400	493
%Δ MoM	-9.5%	-18.3%	-14.0%
%Δ YoY	33.0%	8.2%	12.0%
Vacancy Rate	3.42%	-	-
%Δ MoM	0.49%	-	-
%Δ YoY	0.73%	-	-

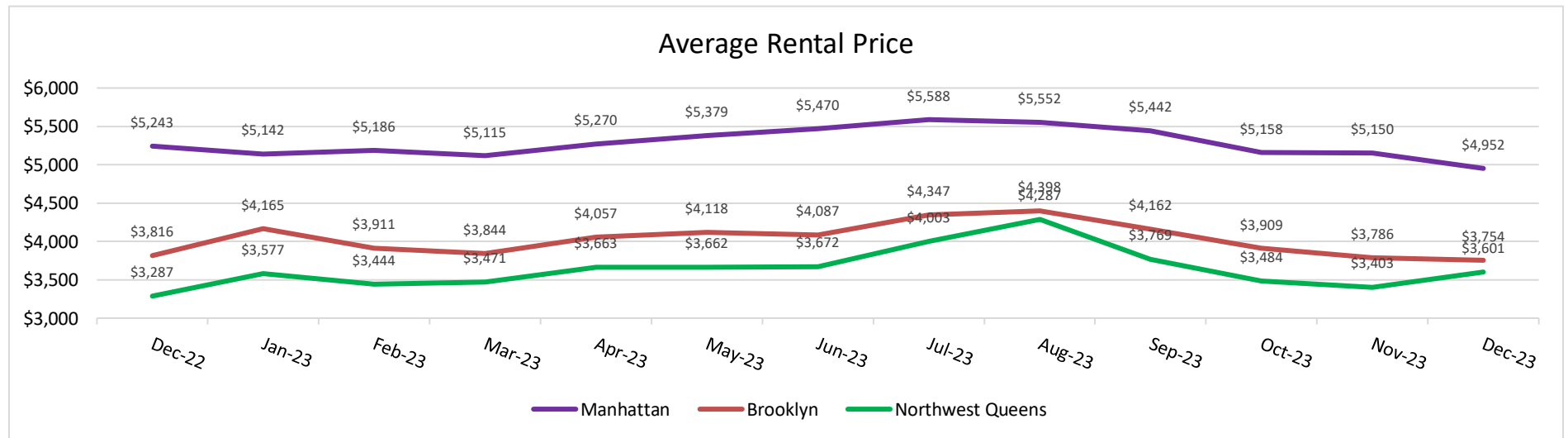
Source: Douglas Elliman, December 2023 Manhattan, Brooklyn & Northwest Queens Rentals

Condominiums & Co-Ops

According to [The Elliman Report: December 2023 New York New Signed Contracts](#),

Co-op and condo newly signed contracts expanded as mortgage rates fell sharply over the past month.

New listing inventory for all property rose at its highest rate since March 2022, prompting more sales. Newly signed contracts for condos and co-ops above the \$1 million threshold expanded annually.



Commercial

Office

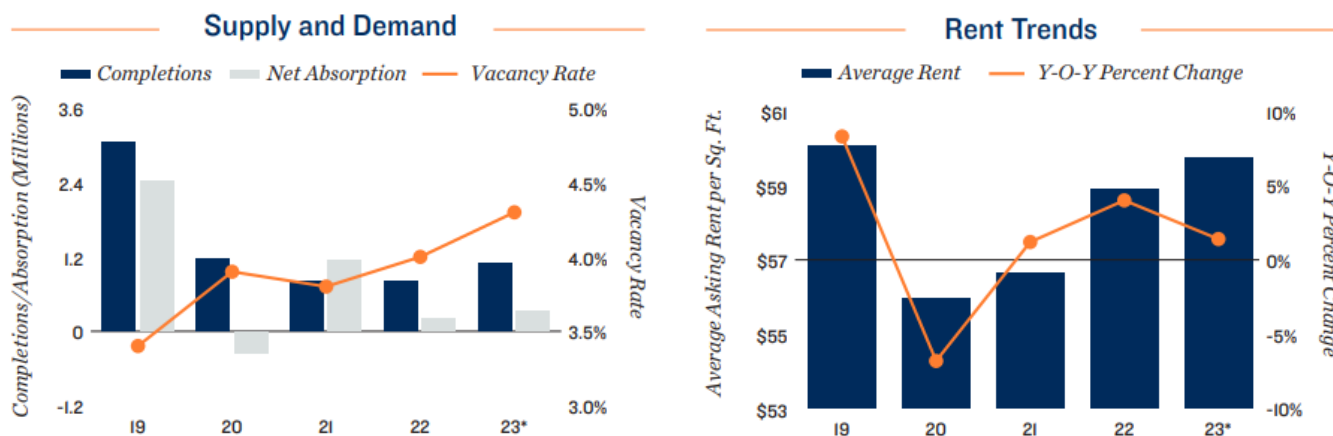
Q4 2023 NYC Office	Leasing Activity (SF-Monthly)	Availability Rate	Average Asking Rent (\$/SF/Yr)	
Midtown	2,362,254	15.5%	\$	79.22
%Δ QoQ	-23.0%	-0.5%		-0.7%
%Δ YoY	-49.5%	-0.4%		0.4%
Midtown South	1,937,008	16.9%	\$	81.62
%Δ QoQ	1.8%	-1.7%		-0.5%
%Δ YoY	-12.3%	-1.8%		0.3%
Downtown	638,132	20.1%	\$	59.73
%Δ QoQ	-58.3%	-1.2%		3.9%
%Δ YoY	-52.7%	-0.8%		3.8%
Manhattan	4,937,394	16.9%	\$	75.41
%Δ QoQ	-24.1%	-1.0%		0.2%
%Δ YoY	-40.0%	-1.0%		0.8%
Brooklyn	182,990	21.1%	\$	50.43
%Δ QoQ	-70.0%	-1.1%		-3.6%
%Δ YoY	35.5%	-1.7%		-2.6%

Source: Colliers, NYC Q4 2023 Office Market Reports

Retail

According to Marcus & Millichap's [4Q/23 New York Retail Market Report](#),

Manhattan office corridors adjust to lower foot traffic. Hybrid schedules remain the predominant mode of operation for office employers, impacting adjacent retail activity. Conditions are more positive in Brooklyn and Queens, where occupied stock entering mid-2023 exceeded the pre-pandemic equivalent.



Construction

- Moddex, an Australian construction manufacturer, found that [off-site manufacturing presents new opportunities for growth in the post-pandemic era](#).
- According to Dodge Construction Network, the [total construction starting in 2023 is 4% less than in 2022](#). The impact on construction starts will persist despite the Federal Reserve planning to cut rates in 2024.

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