

SECTION TWO FOCUS ON MANHATTAN



Experts Decry New Rent Law's 'Disastrous' Impacts

By John Jordan

NEW YORK—More than 125 commercial and residential real estate professionals heard a rather sobering outlook of what the recently enacted new rent control regulations enacted by the State Legislature and signed into law by Gov. Andrew Cuomo will have on the region's real estate market.

The morning session was held on Aug. 7 at the Hutchinson Metro Center in the Bronx and was sponsored by the Hudson Gateway Association of Realtors' Commercial Investment Division and the Bronx-Manhattan North Association of Realtors. The program featured a panel of experts that agreed that the new rent control laws will have a debilitating impact on the region's real estate market. They charged that the new rent laws will squeeze some multifamily owners, particularly smaller businesses, who will cancel or at the very least put off needed capital projects that will worsen living conditions for tenants.

The panelists were: Eliot J. Cherson, senior and founding partner of Hertz, Cherson & Rosenthal, PC; Victor Sozio, executive vice president, Ariel Property Advisors and Matthew Engel, president, Langsam Property Services Corp.

HGAR Chief Executive Officer Richard Haggerty and Eliezer Rodriguez, Esq., executive officer of the Bronx-Manhattan North Association of Realtors, kicked off the program and spoke of the need for real estate professionals to understand how the changes to the state and city's rent regulations will impact multifamily property owners and tenants going forward.

HGAR CID President John Barrett, managing director, investment sales, RM Friedland, was the moderator of the program.

Cherson began his presentation



The CID panelists were from left, Eliot J. Cherson, senior and founding partner of Hertz, Cherson & Rosenthal, PC; Victor Sozio, executive vice president, Ariel Property Advisors; and Matthew Engel, president, Langsam Property Services Corp.

discussing a litany of some of the more onerous regulation changes that will impact the industry. **Editor's Note:** NYSAR recently published an article entitled "13 Things to Know Expansion of Rent Regulation and Tenant Protection." See story on page 8 in the Manhattan Supplement.

Cherson, who is a member of the Westchester County Rent Guidelines Board, said he and another board member recently told a tenant representative on the guidelines board that the rent control reform measures will not be good for both landlords and tenants. "We tried to explain that there will not be new roofs, there will not be new furnaces, there will not be new windows and doors and elevators, etc. and the apartments are not going to be renovated when a new tenant comes in," he said.

He said the tenant representative responded that she did not care and that for too long landlords had the upper hand and that "it is now our (tenants') turn."

At a recent guidelines board session,

Cherson noted that a landlord testified he had a contract to put in three new elevators in three different buildings. "When (Gov.) Cuomo signed the law, he called the contractor and said, 'Cancel' the order. He cancelled three new elevators. Who benefits from that?" he queried.

Cherson, Sozio and Engel agreed that the rent control reform bill will result in significant job losses in the building and construction sectors in New York City and affected surrounding suburbs.

The implementation of the new regulations comes at a time when multifamily sales activity has fallen sharply in the city, according to Sozio. Due to the uncertainty over what changes would be made in the rent laws, multifamily sales transactions have "been crushed" in the first six months of this year—down 47% in Manhattan, 37% in Brooklyn and 70% in Northern Manhattan as compared to the same period in 2018.

"The whole market is being reset," Sozio noted over the rent control regulation changes.

He said that at mid-year there were 170 sales transactions in New York City in 2019. The last time New York City failed to reach the 400-deal level in the multifamily sector was in 2010, Sozio noted.

"Now that the laws are actually out, we will see how the market adjusts," Sozio said. "It will take some time to adjust and I expect that transaction volume will still stay very low, especially because of how severe these changes were and how much it is going to take to adapt to them."

Engel and Sozio agreed that the rent law changes will lead to an increase in distressed properties. On a brighter note, changes in lending rates will likely lead to a flood of property owners seeking refinance deals.

Engel, who is chairman of the Community Housing Improvement Program (CHIP), said that the onerous changes in the rent laws are forcing some building owners to "milk properties as opposed to invest and better properties and neighborhoods and that is the fundamental problem that the politicians missed or just said, 'I don't care about because it doesn't promote my own personal future.'"

CHIP, the Rent Stabilization Association of NYC (RSA) and individual property owners recently filed suit to challenge the constitutionality of the New York Rent Stabilization law and actions by the City of New York under that law. Their lawsuit charges that the overly burdensome regulatory scheme violates the Due Process and Takings clauses of the United States Constitution.

The sponsors of the CID event were: Orange County Bank & Trust and Webster Bank.

HGAR's Haggerty Makes the Case for a Unified Listing System

NEW YORK—Inaccurate data is the major driver of financial and time drains for residential real estate professionals, according to Richard Haggerty, CEO of the Hudson Gateway Association of Realtors, Inc., and president of the New York MLS, LLC. That's why the time has come for a unified Multiple Listing Service in New York, he noted.

"It's interesting that the Multiple Listing Service exists in every other part of the country, every other urban area—Chicago, Miami, LA—you name it. And it's something real estate professionals take for granted," Haggerty told Good Morning New York, Real Estate host Vince Rocco Aug. 20 in Manhattan.

"I do think we may be turning the corner in Manhattan. There's more receptiveness to the concept of an MLS for the first time," Haggerty added. "Part of that is really because we've expanded our boundaries. But, I think StreetEasy has played a role in making folks a little bit more willing to talk."

Haggerty was the featured guest on Rocco's online radio show, which broadcasts live Tuesdays at 9 a.m. from Smash Studios, 307 W. 36th St. on the VoiceAmerica Variety Channel. Also joining the round-table discussion entitled "Do Real Estate Agents need an MLS system in New York City?"—were

Sean Attebury, CORE Real Estate; Tracie Hamersley, Douglas Elliman; Jordan Shea, Douglas Elliman; and Phil Horgan, frele/Leasebreak.com.

Haggerty shared with the panel HGAR's efforts over the past 18 months to merge its Hudson Gateway Multiple Listing Service with the Multiple Listing Service of Long Island to create a regional MLS for New York. "Those (efforts) are coming to fruition," he said. "We should launch in the fourth quarter of 2019. This is going to be a powerful regional MLS, and the goal is to empower our members and take advantage of the geography of New York City, the most powerful geography in the world. It can't just be about Manhattan, or just



HGAR Chief Executive Officer Richard Haggerty told an online radio audience on Aug. 20 that the planned regional MLS will launch in the fourth quarter of this year. "This is going to be a powerful regional MLS, and the goal is to empower our members and take advantage of the geography of New York City, the most powerful geography in the world," he said.

Manhattan and Brooklyn—consumers want to have access to a broader geography of data, and that's what we're trying to achieve."

Rocco asked Haggerty to expand on why a unified MLS is vital for Manhattan. "It's very simple," Haggerty said. "It's the orderly exchange of real estate information ... in a way where it's accurate, standardized, easily accessible. Every other real estate professional in the country is used to having that. Agents in Manhattan have a challenge—they've got to work so much harder to get that information."

Rocco agreed with the need for a unified MLS, but questioned how it would be better than other databases.

"We all use a variety of probably one back-end database, RLS, etc. ... the accuracy of the data is probably not good, he said." The input of data is a human thing and so if I mess something up when I put it in, I don't care what system I'm putting in into, it's still going to be messed up. Right?"

Haggerty agreed: "If you put garbage in, you're going to get garbage out. The challenge is a lot of different systems plug into RLS and those different systems do not always have the same definitions to their fields ... or even the same fields. The quality of data is marginal at best."

It's not a quick fix, Haggerty said, and it will require a "collaborative effort."

"Brokers have to make sure they're putting in the correct information, because it doesn't just stop with them," Haggerty said. "That information goes to so many other different sources, including back-end systems in brokers' offices, to create statistical reports. And if you're getting garbage in, garbage out, the quality of those statistical reports is going to be compromised. We all have to be part of the solution."

Haggerty will be sharing more about the goal of New York's unified Multiple Listing Service at upcoming events in the fall.

International Buyers Still Flock to Manhattan, Despite Nationwide Drop in RE Investments

By Mary T. Prenon

With more than 1.6 million people, over 60,000 buildings, and a real estate net worth of some \$1.74 trillion, it's no wonder that Manhattan continues to hold the reputation as the financial capital of the world.

For decades, the 22.7-square mile island has attracted people from all over the globe, yearning to experience life in one of the most exhilarating cities on the planet. From its towering skyscrapers in midtown, to SoHo's chic lofts, trendy living spaces in Greenwich Village and iconic residences of the upper east and west sides, Manhattan real estate has always been a beacon to local as well as international investors.

In fact, in a 2019 survey by the Association of Foreign Investors in Real Estate (AFIRE), New York was ranked as the most stable and secure real estate opportunity by 30% of investors. New York also ranked first among cities where respondents indicated they would like to increase their exposure.

The survey included participation from 200 members from the U.S., Canada, Europe, Norway, Japan, China and other nations and focused mainly on commercial real estate. It concentrated on investments in very large buildings including industrial, retail, office and healthcare. Compared to some 30 cities around the world, New York City ranked the highest due to the large quantity and quality of commercial real estate.

"This market is always more liquid than in other parts of the world and investors always seem to be very active here," said Jim Costello, an economist with Real Capital Analytics, who worked



A view of Central Park from a residential property in Manhattan.

with AFIRE in preparing the survey. "Commercial property also has a big impact on the residential side because the jobs and the people are there, and that means more tenants or home buyers."

Emilce Cacace, Broker/Owner of Portico Realty Group in Manhattan and Westchester, is constantly working with international buyers looking for property in Manhattan. Cacace's clients include

residents of Argentina, Panama, Guatemala and even Dubai in the United Arab Emirates.

Originally from Argentina, Cacace deals with both residential and commercial clients, some who have been to New York many times, and others, first-time visitors. "For those who are new to Manhattan, we become like city tour guides," she quipped.

Most though have done their homework online and have an idea of the properties they'd like to see. "Dealing with international clients does take more time and attention," she revealed. "They usually make a few trips before making any decisions, and a lot of times you have to drop everything to devote time to them while they are here. It's also important that you show them properties that meet 90% of their criteria."

Some of her clients are seeking to purchase a co-op or condo for their own use, or for investment purposes, while others are looking for rental properties. International business owners are often shopping for commercial or office space. Cacace relies heavily on referrals. "I belong to business networks and I also know a lot of people in the embassies," she said.

Diplomats, she added, often look for townhomes, anywhere from the flatiron district to the upper West Side. Columbia University and Lincoln Square areas are also quite popular.

A consistent requirement of her international clients is that they are able to walk to work, restaurants and stores. "Some of them like to be in the tourist areas, while others want to be far away from that," she added. "Sometimes, it also depends on where their friends or family are living."

Cacace has a strong and loyal network of past clients and colleagues. In 2017, she was a guest speaker at the Latin American Congress for Real Estate Professionals, which brought more than 500 people from around the world to Argentina. Last year, she attended the FIABCI World Real Estate Congress in Dubai, meeting real estate professionals and developers from all over the globe.

Cacace's professional network includes individuals from many countries including France, Spain, Brazil, Panama, Uruguay, Puerto Rico and the Caribbean. She also works with them to find homes overseas for New Yorkers, and quite often her clients will ask her to go with them. "I like to help them through the process when I can and sometimes they need assistance with the language. It's very exciting but it's also a lot of work and very time consuming," she said.

Kazuko Boylan, a Realtor with Furu-moto Realty in Tarrytown and Manhattan, deals mostly with Japanese clients looking for a second home or an investment property in Manhattan. "Some of them are here already for a job and after renting, they want to buy something," she explained. "Others are new to New York and are just excited about owning real estate here."

Some of the most popular areas for her clients are Central Park and the upper West Side. "Many love the Plaza Hotel condominium residences, and they like being so close to shopping, restaurants and museums," she added.

A typical request of many of her clients is a building with a concierge.

Boylan also works with local clients who are interested in purchasing properties in Japan. Originally from Osaka, she has lived in the U.S. for 30 years but often travels back to visit family. "I work with a lot of Chinese clients who want to visit Japan on their way back to China from the U.S.," she said. "They like to spend time in Tokyo or Osaka before returning home to China."

While Tokyo has always had a reputation for high real estate prices, Boylan said that Manhattan residential real estate is now about three times the cost of Tokyo properties.

Boylan has also worked with Japanese business owners looking for commercial properties in Manhattan, including everything from hotels to restaurants and multi-family buildings.

Like Cacace, she also relies on a strong networking group for referrals and maintains membership in the Asian Americans Real Estate Association (AAREA).

Gay Cororaton, Director of Housing and Commercial Research for the National Association of Realtors, reported that New York always ranks in their top 10 list of location preferences for international buyers. "New York is a gateway city, plus it offers great universities, jobs and the technology growth is also a big factor," she said.

What's surprising though is a recently released NAR study that showed an overall drop in foreign investment in the U.S. over the past year. The study indicates that a decline in global growth and low housing inventory may have contributed to this decline.

The NAR "Profile of International Transactions in U.S. Residential Real Estate" found that foreign buyers purchased \$77.9 billion worth of U.S. existing homes over the past year, representing a 36% decline from the level reached in the previous 12 months (\$121 billion).

"There is definitely a housing short-



New York ranks among the top locations for foreign investment worldwide.

age across the U.S., with the most pronounced areas in the West," added Cororaton. "Increasing interest rates may have also contributed to the drop in foreign home purchases."

Of the \$77.9 billion in foreign investments, the top five countries included China with \$13.4 billion, followed by Canada at \$8 billion, India at \$6.9 billion, the United Kingdom at \$3.8 billion and Mexico at \$2.3 billion. Foreign buyers were able to purchase 183,100 properties (266,800 in the previous period) at an average price of \$426,100.

While New York and Manhattan continue to be among the most popular destinations for international buyers, Florida took the top spot with 20% of foreign buyers coming to the Sunshine State. California followed Florida, with 12% of

Continued on next page



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Competitive Pricing in Lower Manhattan Drives Strong Leasing Activity in the First Half of 2019

NEW YORK—Lower Manhattan's desirable location and competitive pricing drove commercial leasing to 3.8 million square feet in the first half of 2019, marking the best mid-year total since 2000, according to the Alliance for Downtown

New York Times to Move Some Staff to Long Island City



Court Square Place, Long Island City

NEW YORK—*The New York Times* Co., which has been expanding its workforce recently, will be relocating approximately 350 workers from its headquarters building at 620 Eighth Ave. in Manhattan to Court Square Place in Long Island City, Queens.

The media organization signed a lease for 57,846 square feet of space at 24-01 44th Road. Court Square Place is owned by the United Nations Federal Credit Union.

The space was previously occupied by the United Nations.

The New York Times Co. will occupy the entire ninth, 10th, and 11th floors at Court Square Place for a 15-year term. The deal brings Court Square Place to 100% occupancy.

Robert Mitchell of Byrnam Wood represented The New York Times Co. in the transaction. UNFCU was represented by Greg Smith and Lauren Calandriello of JRT Realty Group.

"The strength of the Long Island City office market remains stellar, and The New York Times' arrival is a prime example the area's broadening appeal to diverse companies," said Smith,

square feet in the first half of 2019, marking the best mid-year total since 2000, according to the Alliance for Downtown

president of JRT Realty Group. "Court Square Place has been at the forefront of Long Island City's growth, and attracting a global brand of The New York Times' stature continues that trend."

Court Square Place, a LEED Gold Certified Existing Building, is situated in the heart of Long Island City's business district. Easily accessible to Manhattan and Brooklyn, the area has attracted award-winning restaurants, galleries, and retail shopping to serve thousands of residents, workers, and visitors. Court Square Place is directly adjacent to the Court Square and Queensboro Plaza stations, providing access to the 7/G/E/M/N/W/R subways.

"We are honored to welcome The New York Times Company to Court Square Place and proud at the continued success at the property," said Michael LaFrance, AVP Facilities and Real Estate of UNFCU. "The arrival of one of the world's most influential news organizations and media brands demonstrates the tremendous upside of investment in Long Island City. This transaction is certainly a sign of the times."

International Buyers Still Flock to Manhattan

Continued from previous page

international purchases. The third most popular destination among these buyers was Texas, at 10%.

The median purchase price for foreign buyers was \$280,600, slightly higher than the \$259,600 average for all U.S. existing homes sold. Eight percent of international buyers paid \$1 million or more for their property, compared to just 3% of all U.S. existing homebuyers.

The NAR survey also showed that international buyers are more likely to purchase their homes in cash than all existing homebuyers. Forty-one percent of the reported transactions were all-cash sales.

For real estate professionals considering doing business with international buyers, both Cacace and Boylan reiterated the importance of networking and referrals.

HGAR, along with four other regional Realtor Associations, will be presenting the Global Real Estate Summit on Nov. 4 at the Marriott Marquis on Broadway in Manhattan. The full-day event will feature the region's top brokers, investors, developers, legal and technology experts addressing the issues impacting the global real estate market. For more information, visit HGAR.com.

New York's Q2 2019 Lower Manhattan Real Estate Market Report released on Aug. 7.

Commercial leasing in the second quarter alone was 35% above the five-year quarterly average with 1.8 million square feet of office deals inked. Renewal activity was at its highest since Q1 2017—a strong sign for the market as tenants are willing to recommit to Lower Manhattan on a long-term basis—and more than three-quarters of relocations were from TAMI (Technology, Advertising, Media and Information) companies.

Lower Manhattan also continues to maintain a substantial pricing advantage over other Manhattan submarkets, with Class A office space asking rents nearly \$31-per-square-foot below Midtown South's average and \$15 below Midtown's average.

"Lower Manhattan continues to prove itself as a highly desirable location for companies of all sizes and disciplines," said Downtown Alliance President Jessica Lappin. "Companies who have long-called this neighbor-



Downtown Alliance President Jessica Lappin

hood home are choosing to stay and new companies are discovering that Lower Manhattan offers incredible access to talent, unparalleled public transportation and desirable spaces, all at a steal."

The district's retail market continued to thrive with 24 new restaurants and shops opening in the second quarter. Lower Manhattan's cultural offerings are also on the rise following the 2018 arrival of Pier 17, the "best

new concert venue" according to the concert industry's leading trade publication *Pollstar*, and has become a destination for public art exhibits from Yoko Ono to Stickymonger.

In the near future, Lower Manhattan will welcome several new arts and entertainment venues including: Lower Manhattan Cultural Council's Arts Center at Governors Island (Sept. 2019), Silver Art Projects' 3 World Trade Center residency (Sept. 2019), Sleep No More (Fall 2019) and the Ronald O. Perelman Center for Performing Arts at the World Trade Center (late 2021), the report stated.

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Report: NYC Apartment Vacancy, Rents Improve; New Rent Regs Change Investment Landscape

NEW YORK—Commercial real estate brokerage firm Marcus & Millichap recently released its latest report on the New York City multifamily market, which predicts strong demand will keep apartment vacancy in Manhattan below 2%.

The report stated that New York City apartments continue to benefit from some of the strongest demand dynamics in the country. Job growth above the national pace is supporting the formation of new households, with substantial homeownership costs emphasizing multifamily living. The result is a cycle-low vacancy rate under 2%, below that of any other major U.S. metro.

Marcus & Millichap in its report stated, “Minimal availability, in turn, bolsters rent growth, with the fastest pace of appreciation among contemporary Class A units. New York’s unique position as a corner-stone of global economic activity will continue to keep the fundamental trends positive even as the supply pipeline expands from last year.”

Annual completions for 2019 will be the second highest of the past two decades, next to the delivery of nearly 40,000 units in 2017, the brokerage firm reported. Compared with the size of the metro’s current inventory, however, the magnitude of supply growth is an insubstantial 1.3%.

“While more than 6,000 new apartments will open in Manhattan this year, development is focused on the periphery of the core with more units underway in Brooklyn and Queens. In Brooklyn, the construction pipeline is largest in Bushwick, Williamsburg and Flatbush, while in Queens developers are most active in the northwestern part of the borough,” the report noted. “An increased number of finalizations will also occur in Westchester County,

particularly around New Rochelle and Yonkers.”

Investment Trends

Marcus & Millichap in its report stated the recent changes to regulations of rent stabilized apartments enacted by state government, “have dramatically altered the multifamily landscape in New York. Buildings with a plurality of these units now face lower rent growth prospects, impacting cash flows and valuations. The investment market is currently undergoing a transition period, with the long-term impact of the legislation still unknown.”

Trading activity for rent-stabilized buildings has slowed as both buyers and sellers work to understand the full implications of recent legislation, the report noted.

Marcus & Millichap predicts that sales prices are likely to fall to reflect less rent growth potential, with a corresponding increase in cap rates. Properties with a mixed-use component may draw more demand. Market-rate assets will likely see greater investor interest, possibly compressing first-year yields by a minor degree, the brokerage added.

Citywide, transaction velocity fell approximately 6% over the past year, although dollar volume rose to more than \$14.8 billion as trading activity increased in Manhattan. More than \$8.4 billion worth of activity took place in Manhattan, with Queens and Brooklyn receiving \$2.2 billion and \$2.4 billion, respectively.

The heightened sales velocity in Manhattan was led by more transactions in Harlem and the Upper East Side. Trading activity also rose in Bushwick, aided by initial returns in the low-5% zone. Institutional investors targeted

Brooklyn more frequently, increasing the number of Class A deals.

The following are prevailing industry trends culled from the Marcus & Millichap report.

EMPLOYMENT

2.0% increase in total employment Y-O-Y

- The education and health services and professional and business services sectors created the vast majority of new jobs, adding 63,000 and 13,000 positions, respectively.

- Over the past year, New York City employers created 90,600 jobs, a moderate slowdown from the previous yearlong period when 91,300 positions were added.

CONSTRUCTION

4,800 units completed Y-O-Y

- Over the past year ending in June, 4,800 units were delivered, increasing the pace of development from the previous yearlong period when 4,100 apartments were completed. Lower Manhattan received over a third of the new supply.

- Completions will be led this year by Two and Three Waterline Square, where 900 apartments are set to come online as part of a five-acre development.

VACANCY

60 basis point decrease in vacancy Y-O-Y

- Net absorption reached nearly

8,500 units over the past year, trimming vacancy 60 basis points to 1.8%. Last year, vacancy fell 40 basis points.

- All Manhattan submarkets registered declines in vacancy, except for Harlem where rental demand did not keep up with new supply. Midtown recorded the biggest decrease, falling 220 basis points to 1.9% in June.

RENT

3.9% increase in the average effective rent Y-O-Y

- The average effective rent climbed to \$3,729 per month in the first quarter, accelerating from the same period last year when the average rent climbed 2.3%.

- Rent growth in Midtown South far outpaced the borough average, advancing 5.3% to \$4,363 per month as new high-end rentals boosted prices.

SALES TRENDS

- Deal flow ticks higher amid Class C property demand; Harlem, Upper East Side draw interest.

- Transaction velocity rose above 5%, fueled by rising demand for Class C assets with cap rates marginally above the borough average. Prices reached above \$680,000 per door.

- The average cap rate remains in the low 4% range, extending slightly higher in Harlem, where the greatest number of trades closed. Buyers seeking stronger capital appreciation deployed capital on the Upper East Side.

Outlook: The fallout from recent rent regulation will be the primary market concern for the foreseeable future.



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Multifamily 2019 Forecast

Metro	Vacancy	Y-O-Y Basis Point Change	Average Effective Rent	Y-O-Y Change
Bronx	0.9%	0	\$1,478	1.4%
Brooklyn	2.0%	10	\$2,331	2.6%
Manhattan	1.8%	-10	\$3,725	3.0%
Queens	1.5%	-20	\$2,251	3.4%
Staten Island	1.0%	-10	\$1,580	2.6%
Westchester County	3.7%	-20	\$2,030	2.3%

Source: Marcus & Millichap

SUBMARKET TRENDS

Lowest Vacancy Rates 2Q19

Submarket	Vacancy Rate	Y-O-Y Basis Point Change	Average Effective Rent	Y-O-Y % Change
Lower Manhattan	1.5%	-30	\$4,346	3.3%
Harlem	1.7%	0	\$2,264	2.8%
Midtown	1.9%	-220	\$4,410	4.0%
Upper Manhattan	2.2%	-40	\$4,282	3.6%
Midtown South	2.3%	-50	\$4,363	5.3%
Manhattan	1.8%	-60	\$3,729	3.9%

Source: Marcus & Millichap

Courtyard by Marriott Hudson Yards Secures \$199M Refi Deal



The 399-key Courtyard by Marriott Hudson Yards

NEW YORK—An affiliate of Mack Real Estate Credit Strategies reported on Aug. 16 it provided a \$199-million loan to refinance the Courtyard by Marriott Hudson Yards hotel, recently built by companies affiliated with hotelier David Marx.

The loan proceeds will be used to take out a construction loan and other previous financing ahead of the hotel's planned opening scheduled for this month.

The Courtyard by Marriott Hudson Yards is a newly constructed 399-key hotel in the growing Hudson Yards neighborhood of Manhattan. The property stands 29 stories high and offers a restaurant, meeting space, a fitness center, and ground floor retail space, which will be occupied by a Chase bank branch.

The hotel is well-positioned to benefit from the wave of development in Hudson Yards. Related Companies is currently developing approximately 8.5 million square feet office space, 1 million square feet of retail and 2 million square feet of residential at Hudson Yards.

Additional development around Hud-

son Yards includes Brookfield's Manhattan West (7 million square feet) and Tishman Speyer's The Spiral building (2.8 million square feet). Nearby is the Javits Center, which recently underwent a \$463-million renovation and expansion and added 100,000 square feet, and plans are underway to expand the facility by a further 1 million square feet.

In addition to these location-based advantages, the Courtyard by Marriott Hudson Yards will have a direct connection to the 34th Street-Hudson Yards subway station, the primary public transportation hub for the area.

Mack Real Estate Credit Strategies, L.P., the financing arm of the Mack Real Estate Group of New York City, was established to be a one-stop shop for borrowers with transitional assets, in particular to provide capital for deals that traditional banks are less likely to finance due to increased regulation, or complexity and execution risk that are better suited to an integrated real estate firm. MRECS focuses on properties in need of flexible capital and sponsors seeking an experienced, sophisticated real estate lending partner.

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CID Panel Discussion: 'The New Rent Laws, What Happens Now,' Aug. 7, 2019



From left, Eliezer Rodriguez, Esq., BMNAR CEO; and Richard Haggerty, HGAR CEO



From left, Ron Garafalo, HGAR President; and Philip Weiden, HGAR Government Affairs Director



From left, Maria Lovieno Swieciki and Marisa Vecchiarelo



From left, Anthony Domathoti and Albert Kahen



From left, George Avgerakis and Garry Klein



Anthony Mormile of Orange Bank & Trust, an event sponsor

PHOTOS BY JOHN VECCHIARELO



From left, Gary Connolly, HGAR MLS Director; Ron Garafalo, HGAR President; and Ann Garti, HGAR COO



Nick Marra of Webster Bank, an event sponsor



A crowd of more than 125 people attended the joint HGAR-BMNAR CID seminar in the Bronx



From left, Eliot Cherson, Victor Sozio and Matthew Engel, panelists

L+M, Invesco JV Acquires Five Former Mitchell-Lama Developments in New York City in \$1.2 Billion Deal

NEW YORK CITY—L+M Development Partners and Invesco Real Estate announced on July 31 they were entering into a contract to purchase and preserve five former Mitchell-Lama developments in Manhattan from Urban American and Brookfield Asset Management for \$1.2 billion.

The regulatory agreements, covering all 2,800 units and enacted in partnership with the New York City Department of Housing Preservation & Development and New York State Homes & Community Renewal (HCR), will secure long-term tenant protections, allowing L+M and Invesco to return more than 1,800 units in Manhattan to long-term regulation.

The joint venture partners note the deal is a rare victory in the preservation of former city and state Mitchell-Lama developments at this scale and was funded through the L+M Workforce Housing Fund, which completed fundraising in 2019. The fund was established to make social impact investments in affordable and workforce housing assets primarily in the New York City metropolitan area. L+M raised roughly \$500 million through the fund and intends to invest the capital over the next several years.

The former Mitchell-Lama developments were built between 1975 and 1980 and include River Crossing, the Heritage, the Miles and the Parker in East and Central Harlem, and Roosevelt Landings on Roosevelt Island. The 2.2-million-square-foot portfolio exited the Mitchell-Lama program in 2005. To return the units to affordability, L+M and Invesco intend to work with HPD to

enact a regulatory agreement to protect residents living in the East and Central Harlem properties and work with HCR to do the same for Roosevelt Landing, which is governed under state authority.

"We really view this as a significant win for existing residents in this portfolio and for the City of New York, particularly when it comes to bringing former Mitchell-Lama units back into regulation," said L+M Development Partners Managing Director Eben Ellertson. "L+M's approach has always centered around creating affordable housing and keeping residents in their homes, and our Workforce Housing Fund represents a continuation of that work. This deal sends a strong message about how government and committed private sector partners can make a real impact in addressing the need for high-quality workforce housing in New York City. Thanks to our partners at the city, state and Invesco for seeing it through."

"This landmark transaction will reclaim a large portfolio of once-afford-

able housing and provide thousands of New Yorkers the security of knowing that they can afford to stay in their communities for years to come," said HPD Commissioner Louise Carroll. "I thank our development partners for joining us in taking significant strides toward

to support projects that preserve and create safe, affordable housing opportunities for New Yorkers."

"In 2007, we set out on a path to reverse decades of mismanagement and make these communities a safer and better place to live," said Josh Eisenberg, a principal of Urban American. "Over the last 12 years we spent more than \$100 million on new common areas, full window and terrace replacements, new mechanical systems, modernized elevators, and the largest residential energy efficiency project in the city's history. With the critical assistance of HPD and the support and cooperation we received from our residents, Urban American renovated the apartments of more than 1,000 subsidized families without any increased cost to them. We are thrilled to see L+M and Invesco continue our legacy of improvements and further upgrade these communities while maintaining affordability for hardworking families in New York City."

Cushman & Wakefield advised the sellers on the transaction. Adam Spies and Doug Harmon led the Cushman & Wakefield team, which also included Josh King, Adam Doneger, Michael Collins and Marcella Fasulo.

"This is a unique, highly sought-after portfolio, situated across two submarkets poised for continued above-market growth," said Adam Spies, Chairman, Capital Markets at Cushman & Wakefield. "L+M and Invesco deserve significant credit for their proposal, and we congratulate all parties on the transaction."



Roosevelt Landings on Roosevelt Island
Photo Credit: CTC Creative

preserving the affordability of New York City neighborhoods and I look forward to our continued collaboration on this project."

"At a time when quality and affordable rental housing is in short supply, Roosevelt Landings will bring more than 1,000 apartments back into long-term regulation," said New York State Homes and Community Renewal Commissioner RuthAnne Visnaukas. "As part of Governor Cuomo's \$20 billion five-year 100,000-unit housing plan, we will con-

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13 Things to Know: Expansion of Rent Regulation and Tenant Protection

By Harris Beach
Attorneys at Law, PLLC

Editor's Note: The New York State Association of Realtors released the following column for Realtors authored by Harris Beach Attorneys at Law, PLLC in respect to recent rent regulation and tenant protection legislation that was signed into law by Gov. Andrew Cuomo.

BACKGROUND:

On June 14, 2019, the Governor enacted sweeping legislation expanding certain rent provisions statewide and altering the relationship between landlords and tenants in residential real estate.

NEED TO KNOW: EXPANSION OF RENT REGULATION:

The Emergency Tenant Protection Act of 1974 ("Act") was expanded as part of this sweeping legislation. This Act established the system of rent stabilization and regulated rent as seen in New York City, and could be expanded to any village, town, or city if the local legislative body passes a resolution upon adequate public notice declaring an "emergency" after a finding that vacancy rates for any or all classes of housing are 5% or less.

TENANT PROTECTIONS:

The legislation also strengthened the substantive rights of residential tenants against landlords while bolstering tenants' procedural rights in the face of an eviction. Notable provisions include:

NEW TENANT PROTECTIONS

1. Landlords Must Mitigate Damages: A landlord is obligated to mitigate its damages in the event a tenant breaks a lease. For instance, a landlord must now attempt to re-lease the premises.

2. Security Deposits Limited to 1 Month: In non-rent stabilized units, a deposit or advance shall not exceed the amount of one month's rent.

3. Application Fees are Prohibited: A landlord cannot seek any payment for the processing, review, or acceptance of a rental application.

4. Background Fees are Capped: Reimbursement for background and credit checks are limited to the lesser of the actual cost or \$20.

5. Late Payment Fees are Also

Capped: A late fee must be the lesser of \$50 or 5% of monthly rent.

6. Self-Help is Criminalized: It is now a Class A misdemeanor for a landlord to evict or attempt to evict a tenant who has occupied a dwelling unit for 30+ consecutive days without a warrant of eviction or order of a court. Civil penalties can range from \$1,000 to \$10,000 for each violation.

7. Strengthened Protections Against Retaliatory Evictions: A landlord cannot serve a notice to quit or commence an eviction proceeding against a tenant who made a good faith complaint to the landlord or landlord's agent about the warranty of habitability, duty to repair, or other law.

8. Notice: A landlord must now provide tenants with notice ranging from 30 days to 90 days if the landlord in-

tends to increase rent by 5% or more or does not intend to renew the tenancy.

EVICTIONS

1. Damages in Eviction Proceedings are Limited: Additional rent, fees, charges, penalties, and costs are no longer recoverable from a tenant in an eviction proceeding.

2. Grounds for Eviction can be Rendered Moot if Tenant Makes Full Payment Prior to Hearing.

3. Stays for Warrants: A tenant can halt issuance of a warrant of eviction for a period of up to one year, increased from six months.

4. Timing of Eviction Proceedings: Time periods for eviction proceedings were modified and often increased to the tenant's benefit. For example, a landlord must give 14 days written notice (up from three) demanding rent or possession prior to commencing a proceeding; tenant now has the right to adjourn trial for 14 days as of right; officer executing warrant must deliver 14 days written notice prior to evicting a tenant(s).

5. New Defense to Eviction Proceedings: A landlord or its agent must provide written notice to a tenant of late rental payments not received within five days of the due date. Failure to deliver written notice can be raised as a defense in a later eviction proceeding.

This publication was prepared by Harris Beach PLLC for the benefit of the New York State Association of Realtors, Inc. If you have any questions concerning the above please contact Mike Kelly or S. Anthony Gatto at 518-463-0300.



Construction Begins on Union Square Tech Training Center

NEW YORK—A host of dignitaries and city officials including Deputy Mayor Vicki Been, Council Member Carlina Rivera, Manhattan Borough President Gale Brewer, the New York City Economic Development Corp., community stakeholders and RAL Development Services broke ground on Aug. 5 on the new 21-story building that will house the Union Square Tech Training Center.

The center will include a digital skills training space where New Yorkers can gain the experience and knowledge needed to thrive in a modern, digital economy and provide affordable offices and resources for start-ups and established companies to grow and hire within the building.

Technology spans every industry from fashion to media to finance, and tech companies and careers now account for nearly 300,000 jobs in New York City. The Tech Training Center is designed to help diversify New York City's tech sector and create more accessible pathways to good-paying jobs for communities around Union Square and across the entire city. NYCEDC anticipates that the Tech Training Center will create more than 550 permanent jobs and over 600 construction jobs, city officials stated.

Located at 124 East 14th St., the Tech Training Center will create a multi-level ecosystem to grow the next generation of companies, industries and tech workers. Civic Hall, a non-profit collaborative community center that advances the use of technology for the public good, will operate the Civic Hall @ Union Square Center, a digital skills training center where they will work with industry-leading training organizations, including Per Scholas, FEDCAP, CUNY, Mouse and General Assembly, to provide technology classes that teach in-demand skills that employers are seeking. These training opportunities will develop a talent

pipeline between New Yorkers, especially groups currently unrepresented in the tech sector, and the city's burgeoning tech ecosystem.

In addition to the Tech Training Center, the new 240,000 square-foot building will offer collaborative workspaces; modern, market-rate space for established, industry-leading corporations; and "step-up" offices with flexible and affordable leasing terms and options that are better suited to start-ups and growing companies. By co-locating workforce training organizations with start-ups and larger-scale tech companies, the building is designed to encourage collaboration and innovation.

The center will also include a floor available to community organizations and a food hall/retail space that will feature small businesses and first-time entrepreneurs. RAL Development Services and Suffolk Construction have committed to a 35% M/WBE participation goal in construction jobs for the Union Square Tech Training Center, and the project is expected to be completed by 2020.

The site is owned by New York City and RAL Development has agreed to pay the city \$2.3 million on a 99-year-ground lease to build the estimated \$250-million project, according to a report in *The Real Deal*.

"The new Tech Training Center will be a hub for local residents to gain new skills, network, and plug into the city's thriving tech scene," said Vicki Been, Deputy Mayor for Housing and Economic

Development. "We are proud to support this new institution and its goal of helping to create the most dynamic and diverse tech ecosystem in the country.

Thanks to our partners who made this project possible; we look forward to seeing all the good that will come from their vision, commitment to a fairer New York, and hard work."

"The Union Square Tech Training Center provides new opportunities for New Yorkers to enter one of the city's fastest-growing and most exciting sectors, and we're pleased to celebrate this important milestone," said NYCEDC President and CEO James Patchett. "Tech is an important part of the city's future and the Tech Training Center at Union Square means that New Yorkers from all backgrounds can be a part of it. We'd like to thank Councilwoman Rivera, Borough President Brewer, and our community and project partners who have helped made this center possible."

"Tech is the future, and every New Yorker, regardless of economic background, should be empowered to take part in this exciting industry," said Manhattan Borough President Gale A. Brewer. "I'm thrilled to break ground on the Union Square Tech Training Center, which will help train the future tech-mavens of our City."

"We are thrilled to gather and celebrate with all the community stakeholders along with local officials on the groundbreaking of a remarkable, transformative public-private project," said Spencer Levine, president of RAL Development. "The Tech Training Center has been the result of a joint effort between the city's administration, Community Board 3, Councilwoman Carlina Rivera, RAL, and EDC, and we are very proud of what this project will achieve for New Yorkers and the local community. We are excited to see it come to life and look forward to maintaining the ongoing collaboration with the community on what we are sure will be a welcomed addition to both the Union Square area and all of New York City."

"We are grateful to continue working with RAL, a company with a long-standing commitment to union labor," said Gary LaBarbera, president of the Building & Construction Trades Council of Greater New York. "The groundbreaking of the Union Square Tech Training Center represents the beginning of a high-quality project that will provide safe and well-paying jobs for union worker New Yorkers. We look forward to collaborating with all private and public stakeholders on one of the city's most exciting projects."

In 2016, New York's tech sector set a new employment record of 128,600 jobs, and the number of tech firms in the city reached 7,600, an increase of 23% since 2010. Already a high-paying industry, total wages paid to workers in the sector doubled since 2010 to reach a record \$18.9 billion in 2016. The Tech Training Center is a key component of Mayor de Blasio's New York Works plan to create 100,000 jobs over the next 10 years. The plan focuses on creating accessible jobs in tech, industrial, creative, life sciences and healthcare sectors.



Rendering of the Union Square Tech Training Center. Photo Credit: Davis Brody Bond