Northern Manhattan 2026 Mid-Year Commercial Real Estate Trends

by Ariel Property Advisors

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2026 Mid-Year Overview

Volume
1H'26 VS 1H'25

67% ↑ $383M Dollar Volume

11% ↑ 41 Transaction Volume

2% ↑ 63 Building Volume

Northern Manhattan posted one of the city's strongest first-half growth rates in 2026, with investment-sales volume climbing 67% year-over-year to $383.0 million across 41 transactions. The driver was a single asset class: multifamily, which more than tripled to $331.7 million and accounted for roughly 87% of the half's dollars. The story beneath that number is the clearest expression of New York's bifurcated market — a deeply distressed rent-stabilized core repricing through bankruptcy at one end, and resilient Washington Heights and Inwood walk-up values at the other.

Multifamily jumped 262% year-over-year to $331.8 million on 33 transactions as both institutional-scale portfolios and a wave of mid-sized Washington Heights and Inwood buildings. The signature trade was Summit Properties' purchase of the 1,057-unit Pinnacle Group Northern Manhattan portfolio in Washington Heights, the borough's $85.7 million slice of the rent-stabilized pool that cleared out of Pinnacle's bankruptcy. Retail held roughly flat at $28.7 million, up 1%, and development cooled to $22.6 million, down 65%, as the borough's pipeline shifted from land trades to construction. Office, industrial, hotel, and special-purpose activity were effectively nil — a reminder that Northern Manhattan is, at its core, a residential market.

The throughline is a market repricing in real time. Northern Manhattan's deeply rent-stabilized stock now trades at the highest capitalization rates in our eight-year series — a direct read on how far HSTPA and higher-for-longer rates have reset regulated value — even as free-market and newly built product in its transit-rich corridors holds firm. With the maturity wall peaking, lenders retreating from regulated collateral, and City Hall now intervening directly in distressed workouts, the half confirmed Northern Manhattan as one of the city's most active hunting grounds for reset value.

Dollar Volume Comparison

Product Type	1H 2026	1H 2026 VS 2H 2025	2H 2025	1H 2026 VS 1H 2025	1H 2025
Multifamily	$331.75M	37%	$241.87M	262%	$91.61M
MF-MU 10+ resi units	$315.93M	34%	$236.30M	311%	$76.93M
MF-MU 6-9 resi units	$10.64M	270%	$2.88M	-19%	$13.08M
MF-MU Small	$5.18M	92%	$2.69M	224%	$1.60M
Retail	$28.65M	49%	$19.18M	1%	$28.42M
Ind / WH / Sto*	$0	N/A	$20.00M	N/A	$0
Development	$22.56M	-80%	$110.77M	-65%	$64.93M
Office	$0	N/A	$0	N/A	$0
Hotel	$0	N/A	$0	N/A	$0
Special Purpose	$0	N/A	$8.08M	N/A	$43.75M
GRAND TOTAL	**$382.96M**	**-4%**	**$399.89M**	**67%**	**$228.71M**

*Ind / Wh / Sto: Industrial / Warehouse / Self Storage

2026 Mid-Year Watchlist

REGULATED DISTRESS - Distressed assets keep clearing
Summit and others are absorbing rent-stabilized buildings out of bankruptcy at reset bases. With the maturity wall peaking and lenders retreating from regulated collateral, the distressed pipeline should remain the borough's most reliable source of deal flow.

CAP RATES - Series-high yields reset regulated value
Northern Manhattan's multifamily cap rate reached a series-high 8.70%, among the steepest in the city — a direct read on how far rent-stabilized values have repriced. Watch whether those reset bases draw a second wave of opportunistic buyers in the back half.

AFFORDABLE PIPELINE - Harlem's affordable engine runs hot
A deep East Harlem and Harlem pipeline — Procida, Rester, Genesis-financed projects, and a wave of new lotteries — keeps HUD and agency capital engaged. The question is whether prevailing-wage rules and rent-freeze politics slow the next cycle of starts.

POLICY - City Hall shapes the workout
The Mamdani administration's intervention in the 850-unit East Harlem foreclosure sale of 38 rent stabilized buildings shows policy now reaches into distressed-asset outcomes; a multi-year rent freeze will deepen the borough's regulated distress even as it accelerates the forced-sale pipeline.

Transaction Volume Comparison

Product Type	1H 2026	1H 2026 VS 2H 2025	2H 2025	1H 2026 VS 1H 2025	1H 2025
Multifamily	33	22%	27	57%	21
MF-MU 10+ resi units	25	9%	23	67%	15
MF-MU 6-9 resi units	5	150%	2	0%	5
MF-MU Small	3	50%	2	200%	1
Retail	3	-40%	5	-25%	4
Ind / WH / Sto*	0	N/A	1	N/A	0
Development	5	-58%	12	-50%	10
Office	0	N/A	0	N/A	0
Hotel	0	N/A	0	N/A	0
Special Purpose	0	N/A	2	N/A	2
GRAND TOTAL	**41**	**-13%**	**47**	**11%**	**37**

*Ind / Wh / Sto: Industrial / Warehouse / Self Storage

Multifamily Highlights

- Multifamily dollar volume more than tripled year-over-year — up 262% to $331.8 million across 33 transactions — as Northern Manhattan's regulated reset pulled opportunistic capital into the borough. The 10+-unit segment carried it, surging 311% to $315.9 million on 25 trades. The composition is the story: this is where the city's bifurcated multifamily market is most visible, with deeply distressed rent-stabilized buildings and firmer free-market product trading side by side.

- Pricing laid the reset bare. The average capitalization rate climbed to a series-high 8.70%, up from 8.02% in 2025 and among the steepest in the city, as buyers priced in higher-for-longer rates and the capped upside of regulated rent rolls; the gross rent multiplier compressed to 5.69 from 7.08 in lockstep. Price-per-square-foot firmed to $245 from $231 and price-per-unit to roughly $202,000, steadied by free-market trades at the top of the range. For well-capitalized buyers, those are the most attractive entry yields the borough has offered in over a decade.

- The half's defining trade was Summit Properties' acquisition of the 1,057-unit Pinnacle Group Northern Manhattan portfolio in Washington Heights — the borough's $85.7 million slice of the rent-stabilized pool that cleared out of Pinnacle's $451.3 million, 5,151-unit citywide bankruptcy. At roughly $81,000 per unit, it marks where deeply regulated value has settled. Around it, Summit absorbed a string of individual distressed walk-ups — the 59-unit 34-44 Seaman Avenue in Inwood, the 84-unit 281/295 Wadsworth Avenue and the 142-unit 25-35 Hillside Avenue in Washington Heights — at deeply reset bases, previewing the distressed recapitalizations likely to define the regulated market through year-end.

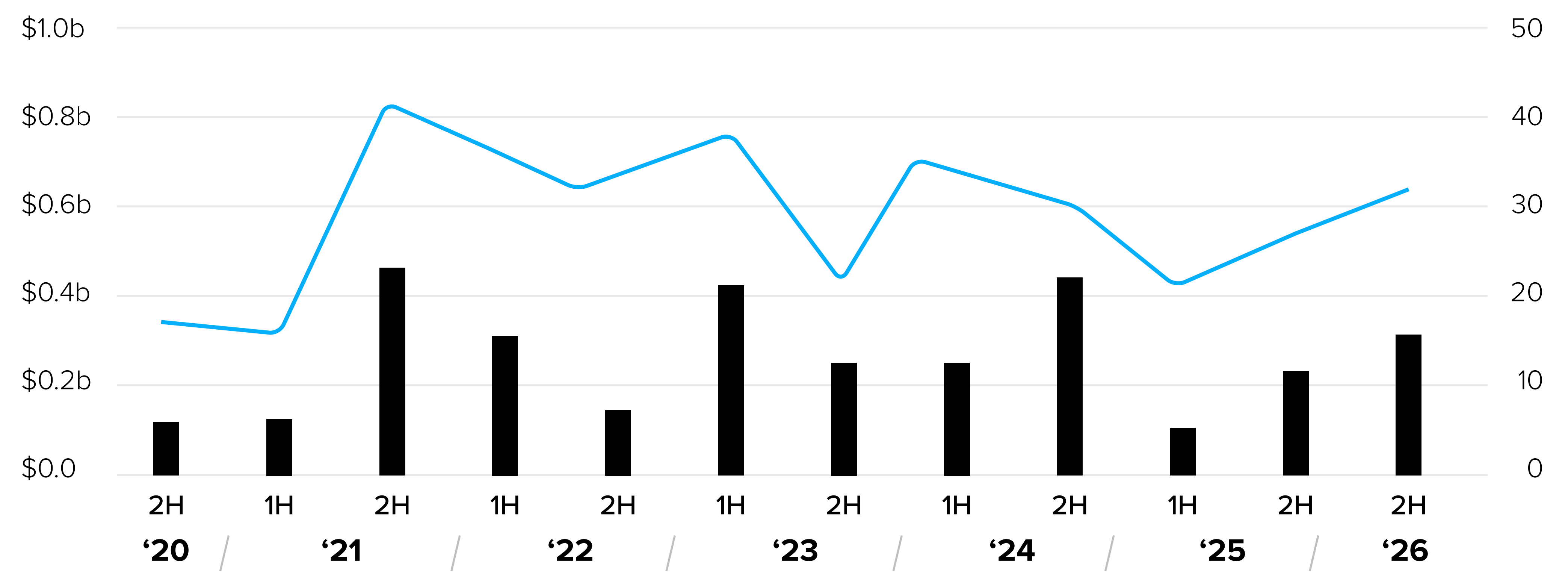
Volume 1H'26 VS 1H'25

262% ↑ $331.8M
Dollar Volume

57% ↑ 33
Transaction Volume

Real Estate Timeline

Dollar Vol | Transaction Vol



Property Value Metrics - Multifamily*

Year	2020	2021	2022	2023	2024	2025	1H 2026
$/SF	$321	$283	$312	$284	$236	$231	$245
$/Unit	$221k	$214k	$213k	$207k	$160k	$189k	$202k
Cap Rate	5.25%	5.41%	5.33%	6.34%	7.46%	8.02%	8.70%
GRM	10.08	10.06	10.45	9.11	7.58	7.08	5.69

*reflects multifamily transactions of 10+ residential units

1H'26 Featured Transaction

Pinnacle Group Northern Manhattan MF Portfolio

Buyer:
Summit Properties
Seller:
Pinnacle Group
Price:
$85.7M
Units:
1,057

Development Highlights

- Development cooled from an elevated prior year, with dollar volume down 65% to $22.6 million across five transactions. The pullback reflects timing more than weakness: Northern Manhattan's development engine has shifted from land sales to construction, with a deep Harlem and East Harlem affordable pipeline — from Procida's 123-unit Harlem rental to a wave of newly launched lotteries — now moving through the build phase rather than trading.
- What land did trade priced up. The average price per buildable square foot for standard sites rose to $196 from $147 a year earlier, and MIH/UAP sites to $166 from $111 — firmer pricing against a falling dollar total, which confirms the decline is a function of fewer sites listed, not softer values.
- The half's largest development trade was Abraham Biller's $5.7 million East Harlem assemblage at 2361-2367 Second Avenue, slated for an 85-unit, 13-story residential building at 251 East 121st Street — a small but representative ground-up play in a market increasingly defined by mission-driven and 485-x-eligible projects.

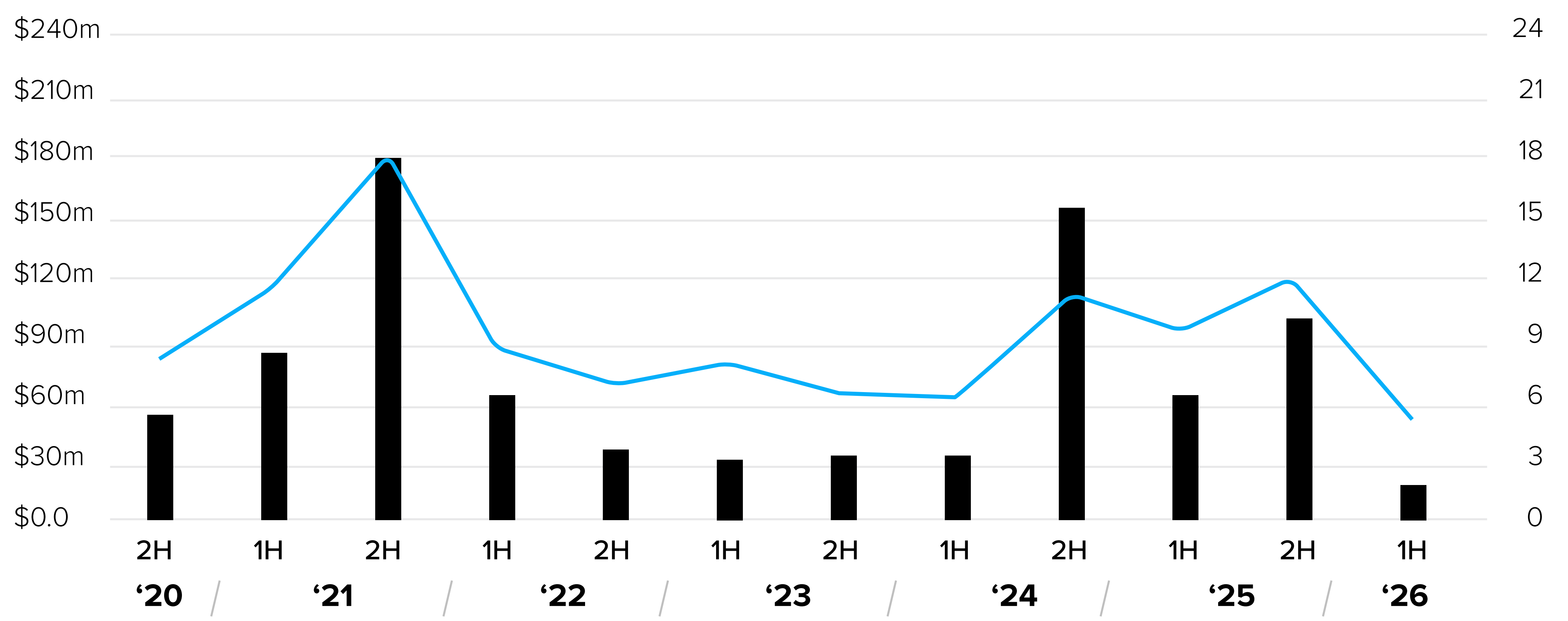
Volume 1H'26 VS 1H'25

-65% ↓ **$22.6M** Dollar Volume

-50% ↓ **5** Transaction Volume

Real Estate Timeline

Dollar Vol | Transaction Vol



Property Value Metrics - Development*

Year	2020	2021	2022	2023	2024	2025	1H 2026
$/BSF (Standard)	$169	$176	$163	$161	$160	$147	$196
$/BSF (MIH / UAP)	-	-	-	-	-	$111	$166

*reflects transactions of vacant land or equivalent development sites
Following the late 2024 City of Yes initiative, we now distinguish between Standard and MIH/UAP pricing. This allows for a direct comparison between market-rate transactions and those utilizing the Universal Affordability Preference (UAP).

1H'26 Featured Transaction

East Harlem

2361-2367 2nd Avenue

Buyer:
5308 Realty INC
Seller:
Levites Realty, Co.
Price:
$5.7M
Size:
58,120 BSF

Financing Overview

The first half of 2026 was defined by adaptation over anticipation. Borrowers who spent the last three years hoping for rate cuts have had to face the current market reality and accept the current interest rate environment. That acceptance, paired with lenders forcing resolutions on vintage debt as the era of "extend-and-pretend" ends, unlocked a pipeline of transactions even as the macro backdrop became more challenging. At its June meeting, the FOMC under new Chairman Kevin Warsh unanimously held the federal funds rate at 3.50%–3.75%, but the accompanying projections marked a decisively hawkish shift: nine of 19 officials now forecast at least one rate hike by year-end (up from zero in March), only one expects a cut (down from 12), and the median 2026 PCE inflation projection jumped to 3.6% from 2.7%. Markets absorbed a substantial shock with the outbreak of the conflict in Iran in late February, which contributed to structurally widened spreads and quadrupled hedging costs. Despite persistent volatility and the recent collapse of early-summer truce agreements, institutional capital flows have remained resilient. Combined CRE securitization issuance rose 19.9% year-over-year in Q1 to $70.8 billion, bank CRE books returned to growth, and New York City investment sales dollar volume jumped 37% year-over-year to $17.3 billion in H1 2026, precisely because the market has stopped waiting and started transacting.

Banks

- Banks delivered renewed growth and more flexible terms. The commercial real estate loan holdings of the top 100 U.S. banks grew 5.0% in 2025 to $1.78 trillion as stabilized rates and stronger balance sheets allowed new deals to clear approval hurdles. This growth concentrated in fundamentally strong asset classes, with multifamily loan holdings expanding 7.7% year-over-year to $451.8 billion and commercial loans rising 7.0% to $1.07 trillion. On the transaction side, increased lender competition is driving borrower-friendly terms. Banks have begun loosening covenants for income-producing multifamily assets and offering incremental underwriting flexibility, pushing average fixed-rate permanent loan LTVs to 64.4% as they pursue cash-flowing properties.
- Regional banks are repositioning around New York rent-regulated exposure. Following the June 1 merger of OceanFirst Bank and Flushing Financial, the newly combined bank agreed to sell approximately $1.4 billion of multifamily loans largely backed by rent-stabilized properties in the New York metro area, eliminating the majority of its exposure to rent-regulated housing. Shortly thereafter, the bank completed a secondary sale in June, unloading a $327 million small-balance CRE portfolio.

Agency Lenders

- Agency lending carried its 2H 2025 momentum straight into 2026. This momentum aligns directly with the Federal Housing Finance Agency's (FHFA) expansionary framework for the year, which raised the 2026 multifamily loan purchase caps by 20.5% to $176 billion. Lenders aggressively utilized this runway out of the gate, with Fannie Mae generating $17.1 billion and Freddie Mac generating $13.0 billion in multifamily loan volume during Q1 2026 alone, marking massive year-over-year gains of 45% and 30%, respectively.
- Two policy items bear watching. FHFA Director Bill Pulte's appointment as acting head of national intelligence has raised concern about timeline delays for Fannie Mae and Freddie Mac recapitalization efforts, given his split administrative focus. Meanwhile, a major legislative hurdle for the single-family rental space was resolved with the enactment of the ROAD to Housing Act. While an earlier Senate-added provision threatened to force institutional build-to-rent (BTR) owners to divest within seven years, which briefly caused the agencies to pause originations, the final law stripped this requirement entirely, clearing the way for both Fannie and Freddie to resume lending on BTR properties.

CMBS

- The securitization market set a post-GFC first-quarter record in Q1 2026. Combined issuance across private-label CMBS, CRE CLOs, and agency deals reached $70.8 billion, a 19.9% year-over-year increase. This growth was led by agency paper (+77.8%) and CRE CLOs (+73.6% to $14.5 billion), while private-label CMBS fell 12.4% to $32.9 billion, largely reflecting a lapping of 2025's exceptional conduit pace rather than weak demand. Single-asset, single-borrower deals dominated at roughly 75% of private-label volume, pushing year-to-date U.S. CMBS issuance to $62.8 billion by mid-June. This activity highlights structural resilience in the face of geopolitical volatility.

Alternative Lenders

- Private credit went from filling gaps to setting the pace. Debt funds and other alternative credit platforms accounted for 53% of all non-agency commercial loan closings in Q1 2026, a dramatic surge from their roughly 25% market share in 2025. Superior execution speed and structural adaptability successfully won the refinancing pipeline that conventional banks, constrained by conservative leverage limits, were unable to service. This expansion tracks the broader institutionalization of the global private credit market, which grew to $2.1 trillion at year-end 2025 and is projected to scale past $2.3 trillion by the end of 2026.
- The capital base behind the strategy keeps setting records. High-yield real estate debt funds reached record highs for the fourth straight year, with $75.2 billion closed (up 5%) and a record $56.5 billion of dry powder across 82 managers. Crucially, these vehicles continue to deliver robust risk-adjusted performance, with high-yield CRE debt returning 9.07% on a rolling 12-month basis (Giliberto-Levy G-L2) against a default rate of just 0.97%. A survey of 196 high-yield lenders found that most expect to increase financing volumes in 2026, underpinned by strong institutional demand for subordinate debt products.

Construction Lenders

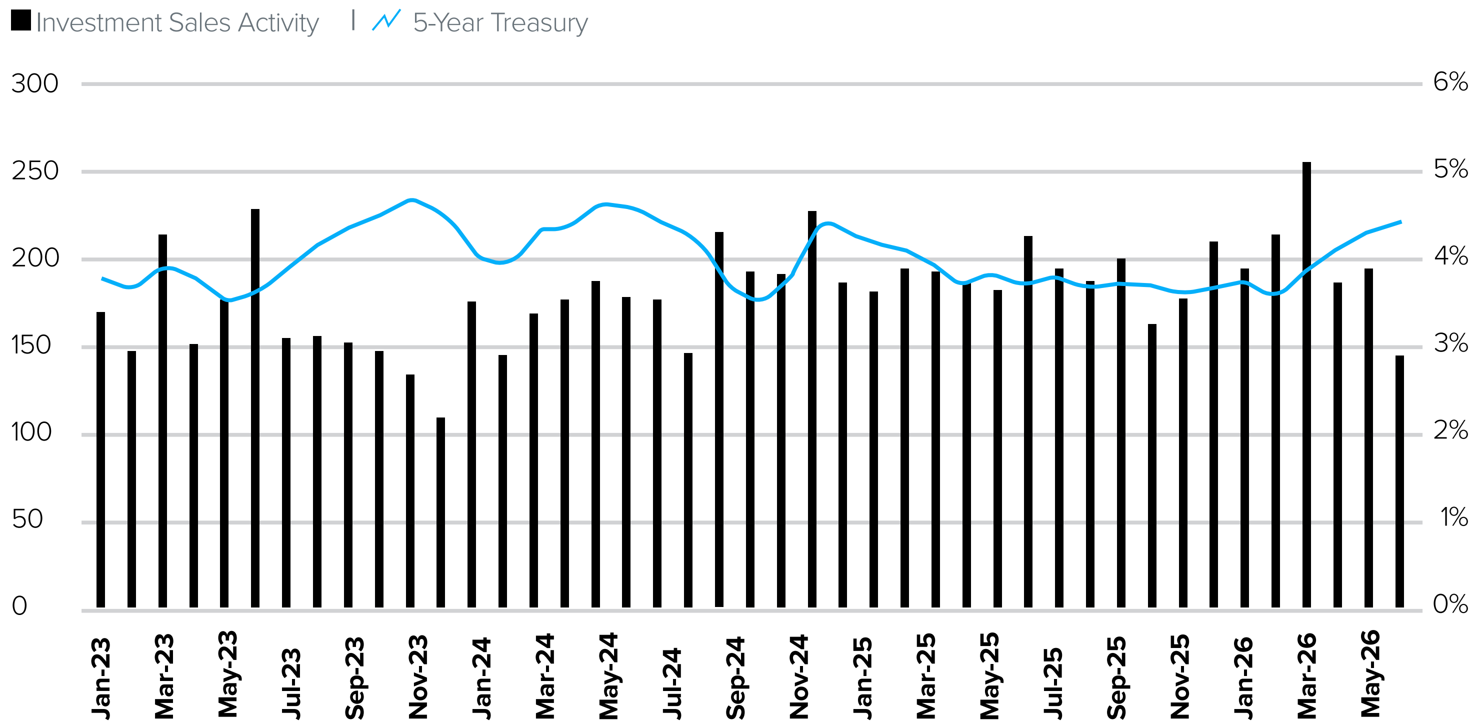
- Bank construction lending continues to contract - alternative and foreign capital sources are filling the void. A sharp divide defines the 1H 2026 construction lending market as domestic bank credit remains restricted. While top-tier domestic institutions limit development exposure to insulate themselves from multi-year macro forecasts, alternative lenders and foreign banks are aggressively stepping up. Foreign banks grew their U.S. construction books 12.6% and alternative lenders continue to compete on structure, offering longer initial terms as competition for well-capitalized sponsors intensified.
- New York's residential pipeline is reawakening, powered by 485-x and 467-m. Capital flows into ground-up rentals and office-to-residential conversions have surged following the implementation of the 485-x and 467-m tax programs, which restored the underwriting metrics needed to offset high financing costs. This regulatory runway has unlocked massive capital allocations across the boroughs.Preferred Equity / Mezzanine

Preferred Equity / Mezzanine

- Subordinate capital has completed its evolution from rescue tool into a standard component in the capital stack. 2025 marked a clear transition year; lenders are no longer simply extending loan terms. Instead, they are forcing resolutions on the $875 billion in CRE debt maturing in 2026 and $652 billion coming due in 2027, a massive wave of maturities that is actively driving new origination and transaction activity. Preferred equity and mezzanine debt have emerged as the primary vehicles bridging the gap between conservative senior lending limits and the total leverage required to retire these legacy, low-rate loans.

NYC Monthly Transaction Activity vs. 5-Year Treasury

MORTGAGE CALCULATOR



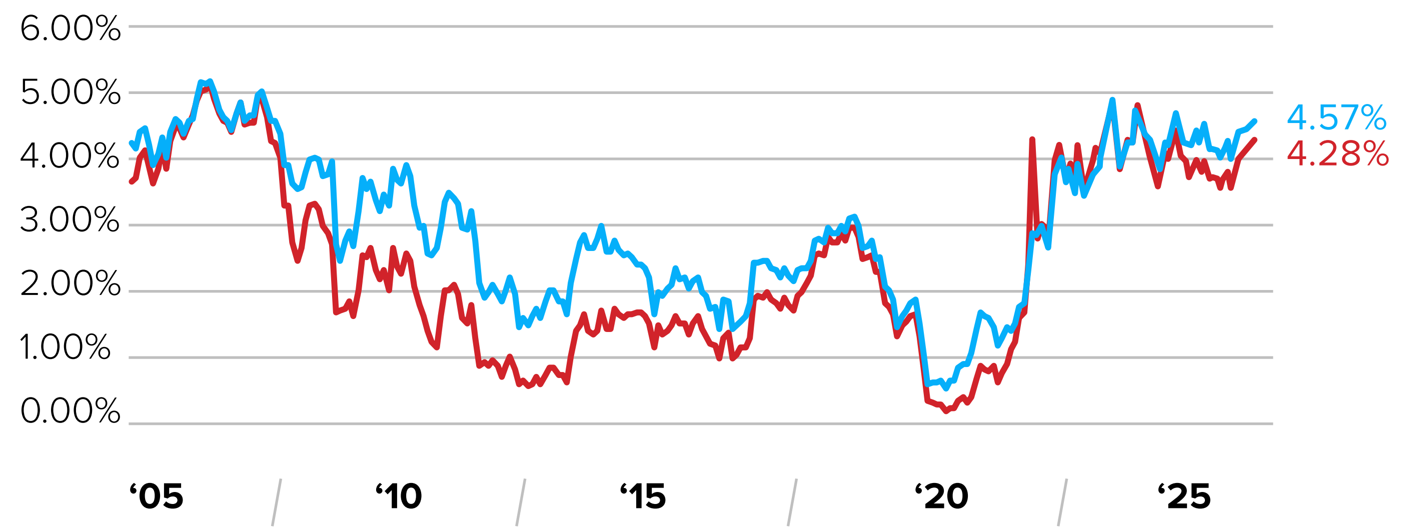
Macro Economic Charts

A number of macro-economic indicators affect the bottom line of commercial real estate investments in New York City and, in turn, the pricing and demand for these assets during any given period. Ariel Property Advisors' Research Division tracks national and local metrics to identify key market drivers influencing the real estate industry.

Financing:

10-Year: 4.57% I 5-Year: 4.28% I As of June 16th, 2026

Treasury Yield Curve Rates 10-year I 5-year

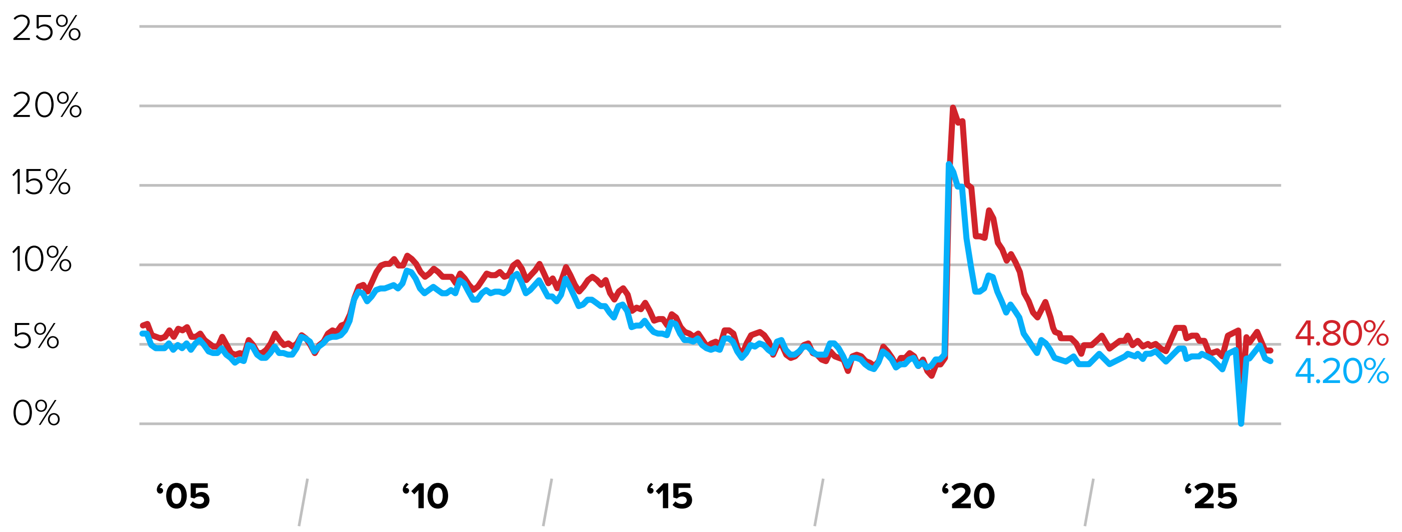


Source: U.S. Department Of The Treasury

Unemployment Timeline:

NYS: 4.20% I NYC: 4.80% I As of May 2026

Unemployment Rate History I **NYS** & **NYC** (Not Seasonally Adjusted)

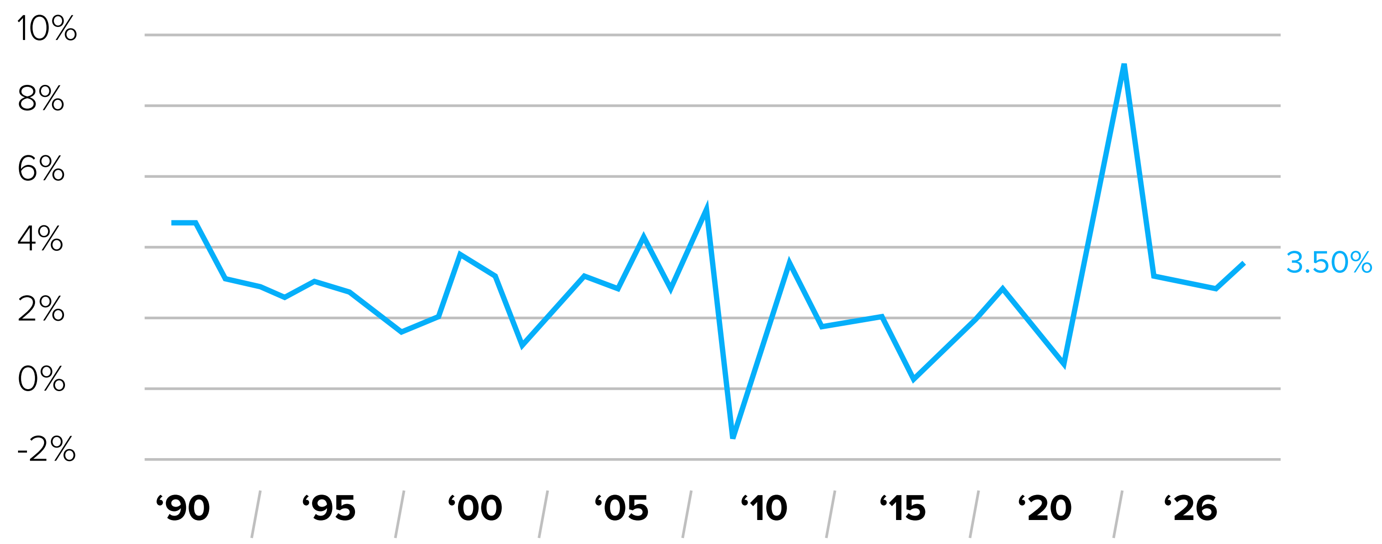


Source: Department Of Labor

Consumer Price Index (CPI):

National CPI

Growth - June 2026 Y-O-Y

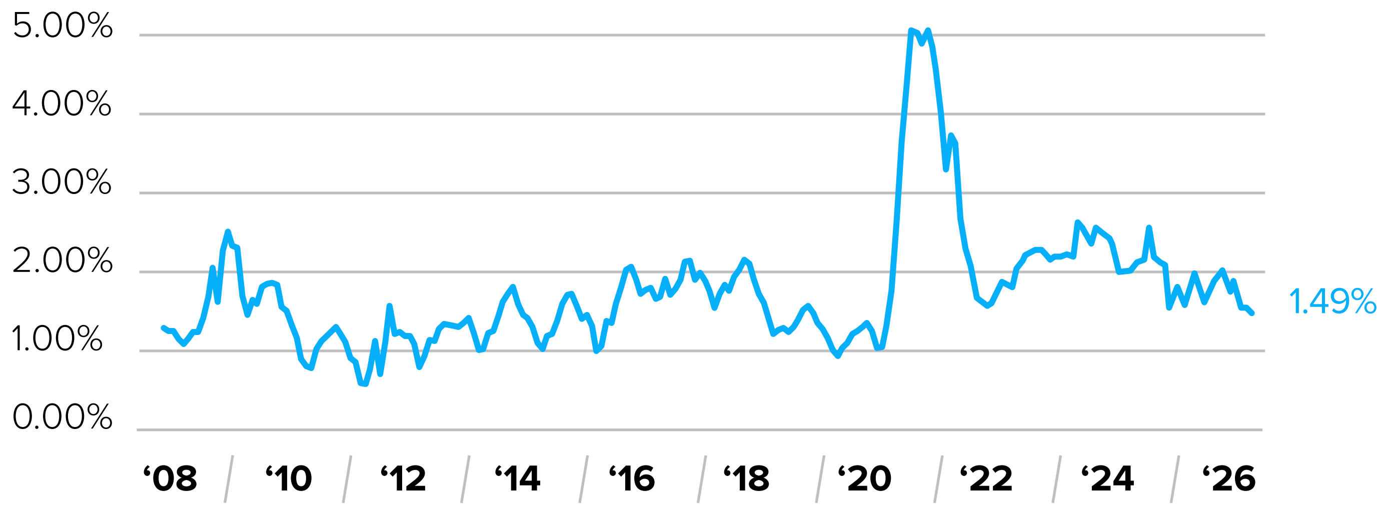


Source: U.S. Bureau Of Labor Statistics

Rental Market / Vacancy:

Manhattan Residential

Rental Vacancy January 2008- June 2026



Source: Corcoran

1H 2026 Featured Research Overview

When seeking information about New York City commercial real estate, our Research Group is your trusted resource. We are committed to ensuring our clients have the right set of facts when making important real estate decisions.

Featured here is a consolidated list of all the research that Ariel Property Advisors recently released. Our goal is to provide you with the most comprehensive and up to date research covering NYC commercial real estate market:

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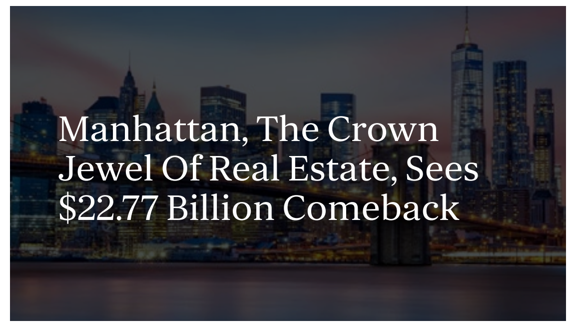

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