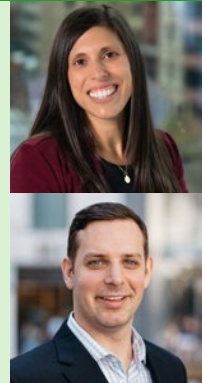


Changing Policy and Regulations in New York Multifamily Market: Is the Sector Facing the Perfect Storm?

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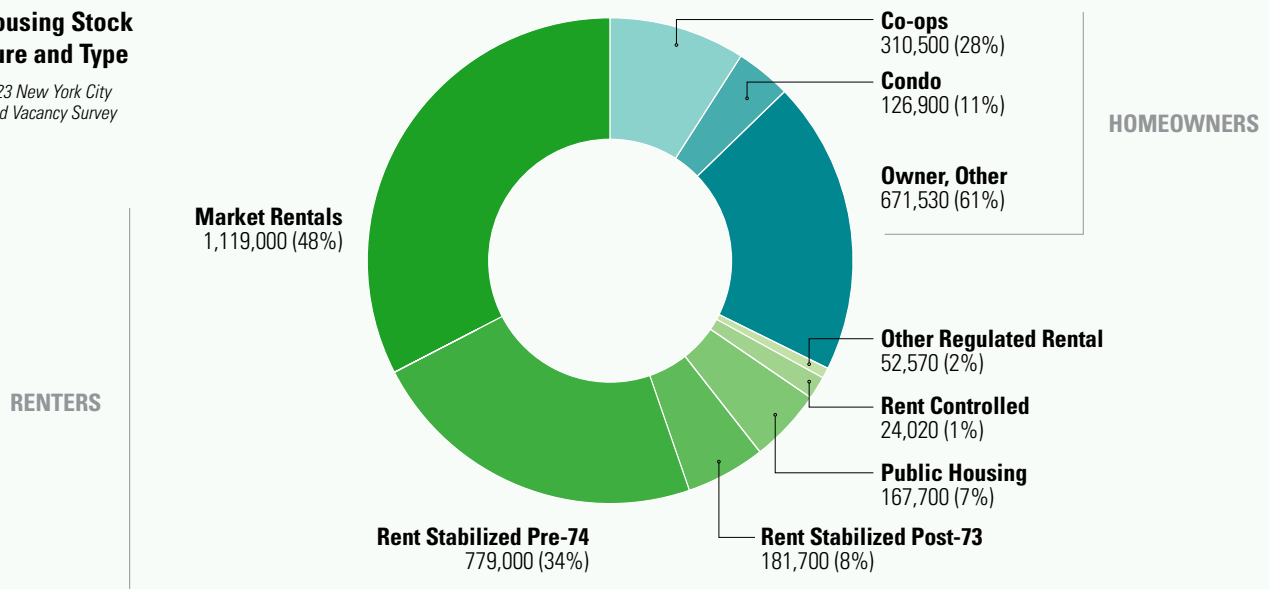
The New York multifamily market has long demonstrated resilience. It has withstood recessions, capital retrenchment, natural disasters, and historic tragedies such as the September 11 attacks, emerging stronger each time. Today, however, it faces a new and more complex test: a convergence of pressures, including structural regulatory reform, higher-for-longer interest rates, lender contraction, and rapidly rising operating expenses, rather than a single headwind.

Any one of these factors would have been manageable on its own. Together, they have transformed the economics of rent-stabilized housing and forced smaller scale generational owners, lenders, and investors to carefully reassess the path forward. Multiple structural and market-driven forces are colliding, creating a uniquely challenging environment for multifamily investors. Across New York City's housing stock, roughly 68% of units are renter-occupied, and approximately 42% of rental units are rent stabilized. This collection of units is facing pressure on its operating margins and net operating income. Increasing regulation has made multifamily operations more complex than they have been in years.

The recent transition to the Mamdani administration has added another layer of uncertainty, as investors and lenders evaluate how housing policy priorities may evolve and what additional tenant-protection or regulatory initiatives could emerge.

FIGURE 1
NYC Housing Stock by Tenure and Type

Source: 2023 New York City Housing and Vacancy Survey



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A Regulatory Reset That Changed the Playbook

The Housing Stability and Tenant Protection Act (HSTPA), enacted in June 2019, fundamentally changed the revenue model for rent-stabilized assets. Prior to 2019, many investors relied on a well-understood value-add strategy: acquire rent-stabilized buildings, renovate units, deregulate them through permitted mechanisms, and gradually transition rents to market levels. That pathway has largely been eliminated. Rent increases are now tightly capped, and deregulation has become significantly more constrained and documentation-driven.

It is important to note that rent regulations have existed in various forms since WW1, and in many ways, are beneficial to tenants. That said, current regulations are not designed to withstand the supply-and-demand imbalance and the demands of today's market. It's too soon to say how future or pending regulations like COPA may impact future stability, but it remains a factor that buyers and sellers alike should monitor closely.

The implications are structural. Owners can no longer rely solely on operational upgrades to drive revenue growth. In some cases, units rent for under \$1,500 per month while property taxes, insurance, utilities, and labor costs continue to rise past that amount. The prospect of a rent freeze would only compound that imbalance.

At the same time, compliance requirements have expanded. New York's extensive local-law framework, encompassing lead-based paint testing and façade inspections, as well as emissions standards, gas-line mandates, and parking-structure inspections, has increased both capital expenditures and administrative burdens. These requirements serve important safety and public policy objectives, but they also represent real and recurring costs.

As such, operating expenses, including insurance, property taxes, maintenance, and utilities, have increased by 54%* since 2016, according to the [RGB Price Index of Operating Costs reports](#). Operational costs have shifted from the relatively predictable increases of the early 2020s to a more volatile and aggressive growth cycle.

Under the new administration, market participants are closely watching for additional housing policy initiatives that could further affect rent regulation, enforcement laws, or compliance obligations. Even the anticipation of policy expansion can influence investor sentiment, underwriting assumptions, and capital allocation decisions.

For investors, this means underwriting assumptions must reflect structurally capped revenue growth and elevated recurring compliance costs. The old value-add model is no longer a reliable driver of returns, and the valuation of New York City rent-stabilized properties has shifted from a "growth-based" asset to a "yield-constrained" asset.

Institutional capital has largely retreated from the rent-stabilized sector, leaving the market to local private operators who often capitalize on declining valuations to secure properties at deep discounts. The investment thesis has shifted from capital appreciation to proactive cost management, with buyers seeking immediate cash-on-cash yields to offset rising interest rates and regulatory headwinds.

Capital Markets Headwinds Add to Pressure

Mounting concerns about elevated interest rates and tightening market conditions are exacerbating regulatory reform and creating a risk-averse mood in the New York City multifamily market.

Many multifamily acquisitions in the early 2020s were financed with floating-rate debt at 2.5% to 3% and underwritten at cap rates of 4% to 5%. Today, higher borrowing costs have pushed cap rates upward and valuations downward. Refinancing risk has become a central concern, particularly for assets approaching loan maturity.

Liquidity has also narrowed as traditional lenders have retrenched from the rent-stabilized sector. Financing options have become more limited, with fewer banks actively originating loans in this space and a greater reliance on agency lenders and CMBS executions. Owners now face a more concentrated lending landscape, primarily consisting of select banks, agency lenders, and CMBS.

At the same time, underwriting standards have tightened. Lenders are applying increased scrutiny to rent rolls, historical rent increases, lease documentation, and regulatory compliance records, making refinancing more complex and, in some cases, less certain.

Investors should expect more conservative leverage, deeper diligence, and greater emphasis on documentation quality. Assets with incomplete records, unresolved violations, or negative cash flow face a materially smaller pool of buyers and lenders.

*The figure was calculated using data from RGB's Price Index of Operating Costs reports published over the last 10 years.

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Operational Complexity and Execution Risk

Beyond regulation and capital markets, operating rent-stabilized housing in New York has become increasingly complex.

Evictions for non-payment, for example, can take significantly longer than in prior cycles due to court backlogs, procedural requirements, and tenant protections. Extended lead times have suppressed collection rates. Addressing building violations can also be slower. If violations occur within occupied units, remediation often requires scheduling access with tenants, coordinating contractors, and complying with notice requirements. Limited access or missed appointments can prolong correction timelines. Until violations are cleared, owners may face additional fines, restrictions, or barriers to refinancing.

In this environment, documentation is more than an administrative exercise; it directly affects value. Clean rent histories, properly executed lease riders, and complete regulatory filings are increasingly scrutinized in refinancing and sale processes. Lenders and buyers are examining these records closely, and gaps or inconsistencies can meaningfully narrow the available capital pool and weigh on pricing.

Strong management, legal expertise, and proactive compliance have become crucial differentiators. Investors evaluating opportunities in this market should prioritize operational capability as heavily as basis and location.

Turning Turbulence into Tailwinds: Despite the challenges, opportunity remains in New York City. It continues to exhibit deep housing demand, constrained supply, and global economic relevance. The current environment calls for disciplined underwriting, conservative leverage, and a clear understanding of regulatory exposure, but it can be navigated. Investors can no longer rely on rent growth assumptions to guarantee performance. The current environment demands greater attention to how managers operate, document, and finance multifamily assets.

In practical terms, preserving performance in this market often comes down to:

- **Hands-on asset engagement:** Closely reviewing collateral, financial reporting, and property-level performance to identify emerging pressure points early.
- **Local regulatory navigation:** Working with experienced local counsel and advisors to manage compliance requirements and respond effectively to policy changes.
- **Operational streamlining:** Ensuring qualified management teams are in place, tightening expense oversight, and improving day-to-day building operations.
- **Preparing for the long haul:** For those willing to weather the current storm or have flexible selling timelines, there are still massive opportunities in New York City. There's no place like it, and demand for assets there will always exist. Profit is less of a matter of if and more a question of when.

Bottom line: This is a perfect storm moment, defined by the convergence of regulatory reset, capital-market tightening, and operating-cost escalation. Investors who understand these structural shifts, underwrite conservatively, and align with experienced operators will be best positioned not only to endure the cycle but to capitalize on it in the years ahead.

*The figure was calculated using data from RGB's Price Index of Operating Costs reports published over the last 10 years.