

High on Long Island: Demand Grows for Amenity-rich, Luxury Multifamily Properties

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Across the U.S., homebuilding increased to a nine-month high in December 2021, with housing starts in the multifamily segment enjoying the greatest gains, increasing by 13.7% from 2020, according to a recent report by the Commerce

Department.

The residential real estate market on Long Island is a great example of this, and it continues to thrive. The pandemic initially prompted an exodus from New York City to the suburbs. As single-family homes are seeing unprecedented value increases, the multifamily housing market is booming. This is true across the category, from the transit-oriented developments (TODs) intended to address the affordable housing shortage and the needs of the younger generations, to those commuting into the city to luxury, multifamily properties.

In both areas, but especially in the luxury market, developers are adding extra amenities to lure buyers and tenants to their properties.

Value-added Amenities

Whether a luxury apartment building or condo complex, many of Long Island's large-scale, multifamily properties are including hotel-like amenities. Featured on some of the newer properties are biophilic designs with natural vegetation that encourage a relationship with nature. Expanded green spaces and outdoor amenities such as fitness areas, lounge areas with fire pits, outdoor kitchens, outdoor showers and pet-friendly features like dog-walking areas and water stations, are becoming increasingly popular.

In addition to supporting the active, outdoor lifestyle, these multifamily complexes offer new design features which seem to speak directly to the "new normal." For example, improved air filtration and purification systems are being included, along with more touchless kitchen and bath fixtures. To accommodate the increase in remote working and learning, a national survey of multifamily housing professionals conducted by Multifamily Design + Construction found that 50% changed its design, construction and amenities mix due to the pandemic. Added were features such as new work nooks and desk spaces. Additionally, there has been a greater focus on broadband and smart connectivity technologies.

In Long Island's high-end, multifamily housing market (i.e., \$1 million to \$4 million plus per unit), amenities may also include a 24-hour concierge, doorman and valet parking, along with electric charging stations and coffee bars. High-end, multi-

housing developments reflect the focus on amenities. One large-scale, 55-and-over, luxury, gated townhome community on Long Island's North Shore in Suffolk County is offering a 24/7, state-of-the-art fitness facility with cardio machines, strength training equipment, yoga studio and more. There is also an oaken billiards room, game room, tennis courts, swimming pool and fireplace lounge.

In Nassau County, another luxury community provides a true Gold Coast experience. The North Shore coastal community boasts a waterfront promenade and boardwalk, resort-style sundeck and pool, harbor pool house with full kitchen, outdoor lounge with fire pits and BBQ grill area, among other features. Its high-end building amenities include underground weather-safe parking, electric charging stations, storage units and smart lock entry. Yet another community distinguishes its two- and three-bedroom condominium community with a theatre-style screening room and golf simulator.

Long Island's East End is thriving with luxury, multi-housing properties, offering some of the same amenities as well as private wine cellars with individual bins, bocce and pickleball courts, a full-time concierge manager and walking trails.

Future Design Trends in Multifamily Housing

What are some of the trends in multifamily housing projected for 2022? The pandemic is expected to introduce additional building and design components. These include new mechanical, engineering and plumbing systems that facilitate automated disinfection capabilities and improved control of infective elements. Wellness-promoting features such as circadian lighting and white lamps will also be featured.

With the focus on the outdoors gaining greater consideration, look for more rooftop decks and terraces in multifamily properties – both luxury and affordable. This outdoor influence will also be seen in unit interiors. More natural design palettes will dominate with more calming neutrals; materials composed of natural fibers, wood and stone will be more widely used as design components.

Based on the “Multifamily Design + Construction Amenities Study of 2021” and data compiled from 2017 through 2021, there are some amenities that remain most

popular. Among the top outdoor amenities are fire pits/grills and lounge areas. Top indoor amenities include lounges and coffee bars/cafés, and top recreational amenities include billiards/pool rooms and jogging/walking paths. As for convenience-related amenities, bicycle storage and electric vehicle charging stations led the list, while top quality-of-life amenities include meeting/ party rooms and fitness/Pilates/yoga studios.

Challenges Affecting Development

Although these large-scale properties are on the rise, developers are not without their challenges. Supply chain problems continue to plague builders who cannot get construction materials fast enough to keep up with the demand. This has led to an increase in material costs. Lumber and steel costs alone have tripled since the pandemic began. While some developers can recover the higher costs on unsold units, this is not the case for units that have been sold and for which prices are locked in, unless there was a contract clause stipulating otherwise. However, most contracts do not include this. Developers have been able to recoup some of the cost increases when buyers of pre-sold units make changes for some of the new post-pandemic amenities.

Other obstacles facing developers are both the labor shortage and increase in labor costs to attract qualified labor. Similar to the increase in material costs, an increase in labor costs on presold units affects profit. Developers have been able to increase prices on unsold units to cover these rising costs. What remains as a bigger issue, however, is getting qualified labor, a problem that is causing many large projects on Long Island to move very slowly. Whereas previously, some developers were able to work on multiple dwellings at the same time, the labor shortage is currently preventing this; some larger luxury developments can only build one unit at a time. This affects profit, especially when it takes longer to pay off construction loans. Interest expense and other carrying costs that were not projected are reducing net profit on a project.

Even with these challenges, growth is still expected for largescale, multifamily properties. With prices on luxury developments, in particular, on the rise, there is still plenty of money being made on these developments.