

Industries + Politics

Mamdani's Rent-Freeze Agenda Sparks Slide in NYC-Linked REITs



Zohran Mamdani, New York City mayoral candidate, during an election night event in New York early on June 25. *Photographer: Christian Monterrosa/Bloomberg*

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✦✦ Takeaways by Bloomberg AI

- Shares of companies linked to New York City real estate fell on Wednesday due to Zohran Mamdani's likely nomination for mayor, who has vowed to freeze rents and implement a progressive agenda.
- The real estate sector was the worst-performing in the S&P 500 Index, with office REITs and those with a residential focus, such as AvalonBay Communities Inc. and Equity Residential, experiencing significant declines.
- Investors are concerned that Mamdani's platform could curb demand for office leasing, drive individuals out of the city, and accelerate the pace of landlords giving up, potentially affecting banks that hold defaulted real estate loans.

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Shares of companies linked to New York City real estate fell Wednesday as Zohran Mamdani, a state Assembly member who has vowed to freeze rents, looks all but certain to become the Democratic nominee for mayor.

During his campaign ahead of Tuesday's primary, Mamdani called for a progressive agenda that also included cheaper groceries at government-owned stores and making city buses free, to be financed in part by tax increases. Former New York Governor Andrew Cuomo, who conceded Tuesday night, has said Mamdani's plans would spur wealthy residents to leave.

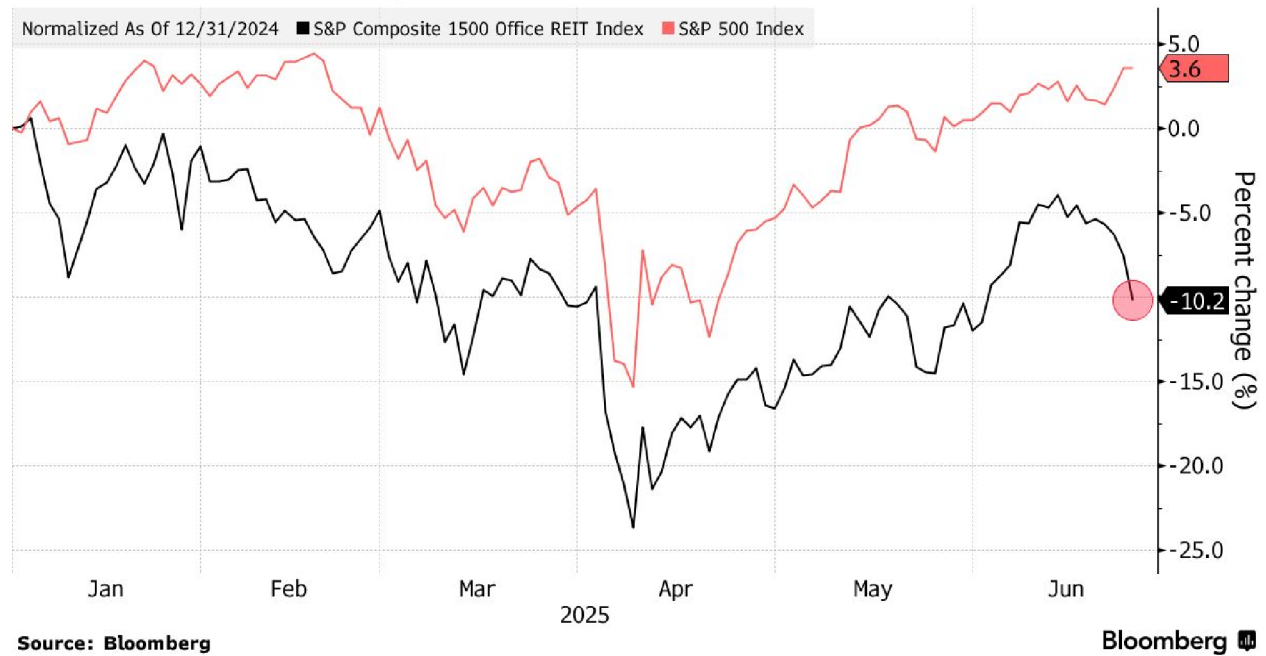
Real estate was the worst-performing sector in the S&P 500 Index on Wednesday and Wall Street analysts pointed to the electoral result for the nation's biggest city as a key reason.

"The net of all this – or the concern – is if this agenda would stifle corporate investment, hiring and ultimately drive individuals out of the city," Mizuho analyst Vikram Malhotra wrote in a note to clients Tuesday before polls closed.

While many office owners have scaled back exposure to New York City real estate in recent years, office real estate investment trusts weighed on the sector. So did those with a residential focus: Shares of REITs that own multifamily properties in the city sank, including AvalonBay Communities Inc., Equity Residential and UDR Inc.

Mamdani's platform could curb demand for office leasing, Malhotra wrote, though he still favors New York City over West Coast investments in that segment. He sees this as a chance to buy shares of New York-based Vornado Realty Trust, which sank more than 6% Wednesday.

Office REITs Underperform Broader Market



The primary results won't be official until a ranked-choice runoff on July 1, and Mamdani would still need to win the general election in November. As Alexander Goldfarb at Piper Sandler pointed out, he could adjust his policies in the interim.

"A lot can change between now and November," the analyst said.

"Candidates' positions will change based on voter receptiveness and unions are a big constituent and they like office jobs."

But the market reaction Wednesday underscored investors' concerns.

New York-based bank Flagstar Financial Inc., a major lender to owners of New York City apartment buildings, slumped almost 4%, the most in about a month.

"For rent-stabilized landlords around the city who already don't have much, if any, profit margin, I think this will accelerate the pace at which a lot of landlords give up," said Peter Hungerford, founder of PH Realty, a commercial real estate investor that owns rent-stabilized properties in New York City.

It could be a source of worry for banks that hold defaulted real estate loans, he said.

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