

## NYC Commercial-Property Sales Top Transactions Last Year

**New York** City commercial-property sales this year already have exceeded deals for all of 2013 and are on pace to break the record set at the real estate market's peak, Massey Knakal Realty Services said.

This year's transactions have totaled \$39.1 billion, compared with \$38.4 billion for all of 2013, the New York-based brokerage said in a report today. It projected a citywide dollar volume of \$63 billion for this year, higher than the \$62.2 billion in 2007.

The market is being driven by low **interest rates** and an improving economy, including rising apartment and retail rents, along with a global perception that New York real estate is a safe investment, said Robert Knakal, the brokerage's founding partner. That view is bringing money not just to Manhattan but also to the outer boroughs of **Brooklyn**, Queens and the Bronx.

"New York City real estate today is what Swiss bank accounts have been for the past 30 years to the rich around the world," Knakal said at a news briefing. "They are highly confident that when they want their \$10 million or \$20 million or \$50 million back, that they'll be able to get it when they buy a property here."

Capitalization rates -- a measure of yield that drops as prices rise -- have fallen to 5.5 percent citywide, led by Manhattan mostly below 96th Street, where they dropped to 3.6 percent, Knakal said. It was the first time cap rates, which are net operating income divided by purchase price, were lower than 4 percent in the area.

### Harlem Rates

**Manhattan** above 96th Street, an area that includes Harlem and Morningside Heights, became the first section of the city outside Manhattan's core to have cap rates lower than 5 percent. They fell to 4.8 percent in that area.

"Because cap rates are still above lending rates, we believe that there is the potential for cap rates to compress even further," Knakal said.

Several neighborhoods in Brooklyn and Queens "are rivaling Manhattan in terms of value," he said. Sales in upper Manhattan and Brooklyn averaged more than \$300 a square foot for the first time ever, with Queens "on the brink" of that mark, at \$295 a square foot, Knakal said.

While neighborhoods close to Manhattan's core -- including Williamsburg, **Long Island City** and parts of Harlem -- are being "Manhattanized" in their rents and property prices, **Massey Knakal** brokers also found values rising in such far-flung areas as Ridgewood in Queens and Bensonhurst in Brooklyn.

In Bensonhurst, home to an influx of Asian residents priced out of Manhattan, the average commercial-property price rose to \$304 a square foot, up 32 percent since 2011, the market's bottom.

In Ridgewood, a largely residential neighborhood that borders Brooklyn's gentrifying Bushwick section, 123 properties have sold this year, compared with 15 in 2010. Prices remain relatively low, at \$197 a square foot, according to the report.

