

# NYC Commercial-Property Sales Seen Passing 2007 Peak

By Craig Giammona | Jan 14, 2014 3:15 PM ET

New York City commercial-property sales probably will reach a high this year as rising prices in **Manhattan** and growing interest in the outer boroughs pushes deals past 2007 levels, Massey Knakal Realty Services said.

Transactions may reach \$63 billion, up from the \$37.6 billion recorded in 2013, as more sellers are drawn into the market, helping to alleviate a shortage of available properties, Robert Knakal, chairman of the New York-based brokerage, said today at a press briefing on the firm's year-end investment sales report.

"There is tremendous pent-up demand in the city," Knakal said. "Demand always absorbs the supply that exists and we expect a significant increase in supply."

Purchases for more than \$100 million will drive a jump in the total dollar amount of deals, according to Knakal. The number of transactions will surge as investors seeking greater yield buy up buildings in northern Manhattan and in the Bronx, **Queens** and **Brooklyn**. About 79 percent of all New York commercial properties sold were located outside Manhattan, up from 71 percent in 2012, Massey Knakal said in its report.

Sales last year were hurt by a rush to complete deals in 2012 before an expected capital-gains tax increase, according to the brokerage. Purchases in 2013 totaled 3,767, down from 4,077 in the prior year. The dollar volume fell 8.7 percent from the 2012 total of \$41.2 billion.

## Larger Deals

Purchases for more than \$100 million accounted for \$22 billion of deals, up from the \$2 billion recorded in 2009 during the credit crisis, Massey Knakal said. There were four transactions for more than \$1 billion, the first since Google Inc. paid \$1.8 billion for 111 Eighth Ave. in 2010.

The biggest value gains were in Manhattan, where the average price per square foot rose to \$1,040, up from \$897 in 2012, according to the report.

Demand for New York real estate from foreign investors will continue to drive the market, in part because average office rents remain below levels in overseas financial centers such as Hong Kong and **London**, according to Knakal. New York office rents are 18 percent below the peak reached in 2008, Massey Knakal said in its report.

"There seems to be a lot of money chasing property in New York, and the nature of the investors seems to have broadened in terms of foreign investment either coming on their own or coming as joint-venture partners for more traditional New York investors," Jonathan Mechanic, chairman of real estate at Fried Frank Harris Shriver & Jacobson LLP, said in a telephone interview. "That's pushing pricing."

## Interest Rates

A moderate increase in interest rates as the Federal Reserve scales back its bond purchases won't be enough to hurt the market because the underlying economy is solid and will continue to pick up, according to Knakal.

Property sales will accelerate in the coming year because buyers will rush to make deals before borrowing costs rise further, according to Helen Hwang, executive vice president of New York capital markets teams at Cushman & Wakefield Inc.

"Any owners of stabilized assets that's core and major, today is definitely a good time to sell your asset because interest rates are not going back to where they were," Hwang said today at a briefing on Cushman's quarterly report on the New York office market.

To contact the reporter on this story: Craig Giammona in New York at [cgiammona@bloomberg.net](mailto:cgiammona@bloomberg.net)

To contact the editor responsible for this story: Kara Wetzel at [kwetzel@bloomberg.net](mailto:kwetzel@bloomberg.net)