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Bullish developers set fire to NYC land prices

Land costs have soared by more than 25% in the last quarter despite lackluster conditions in the New York market as a whole. Near record lows for borrowing costs are helping drive prices higher.

[Erik Ipsen](#)

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Land prices in New York have taken wing, soaring between 25% and 30% in just the last three months, according to first quarter data from real estate services firm Massey Knakal Realty Services released on Tuesday.

"The land market is unbelievably on fire," said Robert Knakal, the firm's chairman. "It is a major sign of confidence among developers."

The bulk of that activity is being driven by demand for sites for new residential condominiums, demand that is further stoked by near-record lows for borrowing costs. In Manhattan, buyers have driven land prices to the highest levels on record, according to Mr. Knakal. While he declined to call the spike in prices a bubble, he did point out that demand for land typically rallies steeply "a couple of years before a downturn."

Meanwhile, retail rents have also recently recorded some spectacular gains, particularly in the hot north Brooklyn area. On Wythe Avenue in Williamsburg, for example, per square foot rents have jumped to \$130 from just more than \$50 in the last six to nine months, according to Todd Korren, who heads retail leasing for Massey Knakal. Nearby in Bushwick, he noted that rents for retail space have roughly doubled to as much as \$40 per square foot in the last six to nine months.

Such frothy numbers contrasted sharply with conditions overall in the city's real estate market. Citywide, sales of properties of all types in the first quarter totaled a mere \$6.5 billion, which on an annualized basis would put the market volume down 37% from last year. Much of the blame for the weak quarter, however, fell on the explosion of sales that occurred in the final quarter of 2012. At that time, total sales hit \$19.4 billion, just below the quarterly record set in 2007, as sellers rushed to complete transactions before an anticipated increase in capital gains taxes. All that activity has stolen volume from the first quarter. For the year as a whole, Massey Knakal is forecasting that sales will be on par with 2012.



Buck Ennis

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