

Bullish property market expected in 2014

The latest figures from Massey Knakal suggest a year in trades like none the city's seen recently, driven by trades of development sites as well as activity in the outer boroughs.

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Property sales rallied in the latter half of 2013, driven by development sites and activity in the outer boroughs, and set the stage for what Massey Knakal Realty Services Chairman Robert Knakal predicted Tuesday morning will be a record-setting 2014.

"People talk to me about what 2014 is going to be like, they're saying it's going to be more of the same, same as 2013, or it will moderate a little bit," Mr. Knakal said, speaking at the release of the firm's annual property sales report. "We completely disagree."

According to Mr. Knakal's crystal ball, citywide sales volume for all types of property will skyrocket by about 68% to \$63 billion in 2014, an all-time record, building off a mix of factors the firm tracked throughout last year.

For starters, many of 2013's metrics were down slightly from 2012, though this was misleading, according to the firm, since the last quarter of 2012 saw a surge of activity ahead of a change in the capital gains tax. A more accurate comparison, Mr. Knakal noted, was to 2011.

With that in mind, the dollar volume of citywide sales was up from 2011 to 2013 by 35% to \$37.6 billion and the number of properties sold surged by nearly 70% to 3,767.

Within that growth, the firm noted a significant shift away from Manhattan. As sale prices there have climbed ever higher—this year's average was the first ever to crack the \$1,000 per square foot mark—investors are increasingly looking for higher yields elsewhere.

"The ways they were doing that were purchasing riskier assets, i.e. development sites," Mr. Knakal said. "And they increasingly looked to the outer boroughs."

In many cases, investors were doing both.

Take Brooklyn, for example. Not only did dollar volume and sales volume nearly double from 2011, indicating much higher activity, but the development site numbers also increased, clearly indicating a bullish outlook on the market, according to Massey Knakal's Stephen Palmese. Case in point, development-site sales made up nearly a quarter of the borough's total dollar volume—the largest piece of the pie out of all Brooklyn property groups.

That hunger for development sites around the city and increased demand for properties outside of Manhattan drove prices in sought-after neighborhoods like Greenpoint, up a whopping 130% between 2010 and 2013, for example.

Those trends, along with other notable strengths like Northern Manhattan's continued hot streak and the rise in land prices for development sites, lead Massey Knakal to predict a record 2014. Moreover, price gains will likely prompt even more product to hit the market, according to Mr. Knakal.

"The market activity is always predicated on supply," he said. "We believe the record prices we've seen will induce a lot of sellers to put their properties on the market."



Buck Ennis

Property sales soared in Brooklyn last year, according to a report by Massey Knakal Realty Services.

