January 19, 2011 1:50 PM

Price of property still falling across city

Declines persist despite big gains last year in the volume of commercial real estate sales. Manhattan market leads the pack, while Queens lags.

By Amanda Fung

Despite a big pick up in the number of commercial buildings sold last year, as well as in the total sales prices, average property values are still sinking.

Citywide property values in 2010, based on price per square foot, fell 8.4% last year from 2009 levels, according to year-end figures released Wednesday by Massey Knakal Realty Services, which tracks sales of all commercial property types, including office buildings, multi-family properties and industrial spaces.

Last year, $14.5 billion worth of properties changed hands, a 131% increase from the previous year. That dollar volume, however, was down 77% from the 2007 peak of the market, when $62 billion in properties sold. Similarly, while the number of transactions rose 16% to 1,667 sales last year, that figure was still far below 2007 peak of 5,018 sales.

"There is a better vibe in the market, and there is a perception that values have bottomed out," said Robert Knakal, chairman of Massey Knakal. "But that is not correct."

Instead he noted that the statistics indicate that "the market is trying to find a solid footing." He added, "We are not quite there yet."

In terms of dollar volume and transaction activity, Manhattan showed the biggest improvement last year with 473 properties sold, for a total of $12 billion. Those figures were up 47% and 187%, respectively, from 2009. Brooklyn also fared well last year with 569 properties selling for a total of $929 million, up 19% and 17%, respectively.

Queens was a different story entirely. There, 307 properties changed hands for a total of $558 million, figures that were down 11% and 6%, respectively.

Massey Knakal noted that sales of Manhattan office buildings are back, thus agreeing with another report released Wednesday morning by brokerage firm CB Richard Ellis. In fact, office buildings accounted for the largest slice of citywide deal dollar volume, 45% of sales, according to Massey Knakal.

The citywide annual turnover rate—the percentage of existing building stock that is sold—reached 1.01% last year, That marked a huge improvement from the depressed levels of 2009, when the rate was 0.87%, but it is still far beneath the turnover rate of 3% in 2007.

Mr. Knakal predicts that dollar volume and sales activity this year will continue to trend up. He projects sales volume to grow to between $22 billion and $25 billion by the end of 2011. He also went so far as to predict that there might be a rise in property values toward the end of this year.

"We are seeing fundamentals trend up—businesses are profitable, productivity is up, households are deleveraging and the banking sector is better," he said. "I'm generally optimistic that 2011 will be a better year than 2010."