



## Land sales looking up

*Q: How is the activity in the development site market in Manhattan and what does the construction lending market look like today?*

**A:** The land market in Manhattan (south of 96th Street on the Eastside and south of 110th Street on the Westside) has seen some very positive signs of late.

Interestingly, during 2008 and 2009,

the average price paid per buildable square foot remained surprisingly high at numbers averaging, in excess of, \$300 per square foot.

This was, however, based upon a relatively low number of transactions.

In 2006 and 2007, when the land market was extraordinarily active, over 150 sites were sold each year. In 2009, there were only 14 development sites sold aggregating to just \$227 million in volume and a total buildable square footage of about 550,000. In this sample, these sales averaged \$381 per buildable square foot.

Additionally, of these 14 sites sold, nine were purchased by user buyers looking to construct a building for their own occupancy.

Through the first half of 2010, there have already been 10 sites sold having an aggregate consideration of about \$425 million, a 275% increase over 2009 totals on an annualized basis.

These sites contain approximately 1.1 million buildable square feet. The sales prices of these transactions have averaged \$345 per

buildable square foot.

These numbers are very positive given the expectation of many market participants who were expecting pricing to fall below \$200 per buildable square foot during this recovery.

For the past few months, developers have been once again underwriting for condo construction. This is quite understandable as lenders are becoming more aggressive towards this sector.

I have a client looking for a \$90 million construction loan and there are three banks competing for the loan. More stories like this are emerging each week.

Based upon the activity (listings and contract executions) we are seeing on development sites today, we expect the acceleration within this sector to continue throughout the balance of this year. Thereafter, economic indicators will give us clues as to how this sector will perform.

*\* Robert Knakal is the chairman and founding partner of Massey Knakal Realty Services and has sold over 1,075 properties in his career having a market value in excess of \$6.5 billion.*

