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## Knakal: NYC Sales Poised for 'Record Year'

By [Paul Bubny](#) | New York

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Knakal: "Demand has been unbelievable."

NEW YORK CITY—"We're expecting a record year in 2014," **Robert Knakal**, chairman of **Massey Knakal Realty Services**, told reporters at the firm's quarterly media briefing Tuesday morning. Massey Knakal is projecting commercial property sales this year across Manhattan, the Bronx, Brooklyn and Queens to total 5,100 assets and reach dollar volume of \$63 billion, representing increases of 35% and 68%, respectively, over 2013 figures. "And no, we haven't lost our minds," Knakal quipped.

Knakal cited a number of factors backing up the predictions of an investment sales bonanza citywide. Among them is the fourth-quarter spike in dollar volume, along with the reason for that spike.

In contrast to Q4 2012, when the blizzard of sales activity was due to an impending increase in the capital gains tax, the most recent steep uptick was driven by real estate fundamentals. The improvements in fundamentals and investor confidence, the firm predicts, will carry over into the current year.

There's also the law of supply and demand as it applies to New York City property sales. While some observers would call the price points achieved in the past year to be inflated—for the first time ever, asset prices in Manhattan averaged more than \$1,000 per square foot last year—Knakal pointed out that they're likely to induce previously hesitant sellers to put product on the market.

"Demand has been unbelievable," Knakal said. "We've seen an amazing number of new buyers come into the market." Accordingly, he said, the increase in demand will absorb the increase in supply.

Further, capital is plentiful and the **low-interest-rate environment** will continue, said Knakal. Rates may have climbed since this past spring, but the federal government is determined not to push them up too rapidly, he added.

Although GDP growth has been "relatively muted" throughout the recovery, Knakal predicted that the broader economy would do better this year. "There's a lot of pent-up traction in the economy," he said.

That latent economic activity could be better realized if tax reform—a key initiative within New York State for the Cuomo administration—happened nationwide. For example, if recent Congressional talk of reforming the **Foreign Investment in Real Property Tax Act** translates into action, the result could be "another huge wave of foreign capital," said partner **James Nelson**, who discussed the outlook for Manhattan south of 96th Street.

Knakal acknowledged "potential landmines" in the year ahead. If Mayor **Bill de Blasio** raises property taxes, if economic growth proves disappointing once more or if interest rate increases are faster and stronger than expected, the momentum from Q4 '13 could be lessened. However, he said, "the downside risks here are very minimal."