

Capital Gains Tax Changes Drive NYC Sellers To Market

By *Jacqueline Hlavinka*



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NEW YORK CITY-The city's investment sales market is experiencing a big year-end push thanks to property owners trying to beat the anticipated capital gains tax increase before the start of 2013, according to Robert Knakal, chairman at Massey Knakal Realty Services, who said during the firm's third quarter media briefing on Tuesday morning that both property and dollar volume have seen "significant" increases this year.

"We are expect a very, very active fourth quarter," he said, noting that citywide, total dollar volume in Q3 2012 was \$7.3 billion, and year-to-date, the brokerage reported \$22 billion in dollar volume, which, when annualized, will be around \$29 billion, up 6% from the \$27.5 billion last year.

"New York City's sales market is continuing to follow a generally positive trend since 2009," he said. "The second quarter of 2011 was a high point, and while things have moderated somewhat since then, there are several bright spots. We fully expect 2012 to finish on an extremely high note."

Knakal said though things looked much more positive in the second quarter of 2011 when there was over \$8 billion in sales, the brokerage expects in Q4 2012 that the market will see an increase in those numbers, predicting that 2012's total dollar volume will be in the \$30 to \$32 billion range.

In terms of number of sales, a high volume of smaller deals driving the market. In the first three quarters of this year, the brokerage reported 2,336 property transactions, already more than the total of 2,200 properties that sold last year. "If we annualize what is going on in the first three quarters, we will have over 3,100 sales this year, up 40% from last year, which is very significant," Knakal said.

Most impressively, in the third quarter, there were 948 buildings sold in the city, the best quarter MK has had since the first quarter of 2008, in which there were 951. "Statistically, you say 948 and 951 may be about equal, we are getting back to nearly where we were in 2007," he said. "If you look at that 2005 to 2007 period, we generally consider it to be the peak of the market in every quarter except one there were over 1,000 property sales in the city. We expect to get back to that 1,000 property sales in the fourth quarter of this year. Looking at the 3,100 in sales that we are expected to have, looking at that relatively, it is more than double than the number we had in 2009, but still 40% below the peak of over 5,000 in 2007."

Comparatively, it was only \$6.1 billion in 2009. "While that feels great, it was only about half of what the activity was at the peak of the market in '07," he said.

[For more MK coverage from the boroughs, check GlobeSt.com tomorrow morning]

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