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EVENT COVERAGE

## High Demand, Low Availability, Drives Up NYC Pricing

By [Jacqueline Hlavenka](#)

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Robert Knakal, chairman at Massey Knakal  
Photo by [Jacqueline Hlavenka](#)

NEW YORK CITY—Despite a slight slowdown in investment sales volume in the first quarter of 2012, low supply of available properties and high-demand from international buyers is driving up competition for prime assets—and pricing. Officials from **Massey Knakal Realty Services** said at a press briefing on Tuesday morning that while total sales clocked in at \$5.9 billion in Q1, a massive amount of transactions are in contract to close in the second quarter, which is expected to far surpass the firm's first quarter numbers.

"Demand is excessive," said Robert Knakal, chairman at Massey Knakal, noting that product all across the spectrum—especially elevator apartment buildings—are achieving higher-than-asking prices and receiving multiple qualified bids, with Manhattan and Brooklyn standing out as the top performing boroughs for sales activity.

"We have high net-worth individuals and the old New York families that are very, very strong and active in the marketplace," Knakal said. "The institutional capital that evaporated from the market for a couple of years after the credit crisis set in, and now it's back in full force."

Knakal said the Manhattan market is also seeing a tremendous amount of foreign investors and first-time buyers to the marketplace from around the country and from overseas.

"Low supply of properties, we believe is being caused by an overwhelming amount of clients saying to us, 'well, if I sell my building, what do I do with the money? The rates of return on alternative investments is so low right now, is that people don't know what to do with their money,'" he said. "The stock market is performing relatively well, but some are concerned that the stock market is over-purchased right now," he added, noting that commercial real estate is viewed as a "safe haven" for capital as Europe's economy remains uncertain.

As a result, property values have risen. In Northern Manhattan—the firm's top performing submarket market this quarter with 22 transactions and 34 properties sold—Robert M. Shapiro, first vice president of sales for Washington Heights and Inwood at Massey Knakal, said a portfolio on Broadway West fetched as much as \$62 million in Hamilton Heights, and a site at 190 Claremont Ave. in Morningside Heights received nearly double its asking price. He also noted that a distressed note sale at 217-227 Haven Ave. went for approximately \$20 million. "Demand is so strong that investors are willing buy notes," he said, commenting that the lack of supply is causing investors to invest in distress.

And due to the sharp supply-and-demand imbalance, Knakal added that in the last six to eight weeks alone, capitalization rates are probably down 75 to 100 basis points because of the excessive demand that exists in the market.

"It is affecting what buyers are willing to pay for properties," he said. "But the first quarter statistics will not reflect this. If you look market wide, market has depreciated by 5% or 6% in the first quarter, and we are going to see the impact in the second quarter results because what we had in the first quarter was these higher offers and higher contract signings, and those have not manifested in closing yet, but in the second quarter, we are going to see those transactions close."

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