Last Updated: January 22, 2013 05:29pm ET

Massey Knakal Sees Dollar Volume, Values Increasing in 2013

By Rayna Katz | New York

Knakal: "The amount of activity we had in 2012 was remarkable."

NEW YORK CITY-Massey Knakal Realty Services issued a cautiously optimistic forecast for 2013 on Tuesday during its fourth-quarter briefing at its midtown offices. The prognostication comes on the heels of a year that brought in record numbers on several fronts, all due primarily to the concern over a capital gains tax increase, with the economic recovery playing a role.

"2012 was, by all accounts, a historical year," said Robert Knakal, chairman. "The amount of activity we had was remarkable." The company closed out 371 deals for the year and brought in $2.4 billion, a record for the firm, he noted. "The dollar volume of sales rose by 43% to $39.14 billion while the number of properties sold climbed to 3,699, a 66% increase over 2011."

On a quarterly basis, the numbers were impressive too, according to Knakal. "The fourth quarter was the strongest we've seen since the first quarter of 2007. During the last 15 days of 2012, the transaction volume doubled over the previous year, because of the capital gains tax.

In fact, Massey Knakal's numbers for the quarter—and ultimately for the year—may wind up growing in the coming weeks as the firm receives reports of sales that were squeezed in at year-end. "There was so much activity in December that the city couldn't keep up, so not everything was recorded. Some deals were still coming in last week," he said, and more reports of closings are expected.

All of this movement led the firm to make the following predictions for 2013: a modest increase in citywide dollar volume of $42 million to $45 million, or 8% to 10%; a 20 to 25% decrease in the number of properties sold; a large increase of 20% in value, across the board; and a return to healthy trading of office building stock after a slow year. On the capital markets front, commercial mortgage-backed securities will gain market share in 2013, "if things stay calm," said analyst Garrett Thelander, managing director of capital services. He also predicted a rise in mezzanine loans, over the next five years, and a return of collateralized debt obligations.

The decline in the number of properties sold is expected in the wake of continued fall out from the capital gains increases, noted research director Adrian Mercado. Sales that most likely would have been made in the first quarter of 2013 were completed last year, he explained. On the office sale front, there was a weakness in the market last year, Knakal said, as a result of a "lack of solid economic fundamentals." That's expected to change this year.

Market-by-market last year, there were signs of great strength.

"The number of properties sold in Manhattan hit an all-time high of 1,148, surpassing the cyclical peak in 2007 by 15%," according to Knakal. In Brooklyn, 1273 properties sold in 2012, an increase of 63% from 2011. The fourth quarter alone saw 397 properties sold in the borough of Kings, a whopping 82% uptick from Q3 2011, according to Stephen Palmese, director of sales. In Queens, 592 buildings sold, a 59% increase from 2011. Q4 closed out with 241 properties sold, also an increase of 82% from Q3 2011, said Evan Daniel, first VP of sales.

Moving up to the Bronx, Rob Shapiro, first VP of sales reported 396 properties sold, an increase of 64% from 2011. The fourth quarter saw 126 properties sold, which is a 10% decline from the third quarter but an 85% jump over Q4 2011.

On the retail front, said Brendan Gotch, director of retail leasing, "we saw a slight decline in average asking rents but it was relatively flat. For 2013, a number of retailers are optimistic and have announced expansion plans, from mom and pop stores to the luxury segment; excluding big-box retailers, who continue to struggle." There are four areas he said are particularly the spots to watch: Bleecker St., between 7th Ave South and Christopher/West 10th St.; Broadway between Astor Place and 14th St.; University Place and West 8th St. between 5th and 6th Ave., where a new hotel—created by the team behind the Jane Hotel and other successful properties—is set to debut this year.

The retail sector is so hot that rents are skyrocketing, noted Massey Knakal partner James Nelson. "Could we see retail sell one day for $30,000 to $40,000 a square foot? Possibly. It's the asset class with the greatest chance."

Related Topics: Northeast