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EVENT COVERAGE

NYC Property Sales Reach $19B Year-to-Date

By *Jacqueline Hlavenka*

Knakal: Sales are "steadily improving."

NEW YORK CITY-Despite a decline in dollar volume from the second quarter, property sales are still showing strength in Q3, officials from **Massey Knakal Realty Services** said at a press briefing on Tuesday morning. The firm reported $19.2 billion in sales year-to-date, $5 billion more than all of 2010.

Chairman **Bob Knakal** predicts that sales will be on-pace to hit $25.6 billion by the end of the year. "If we do achieve that total, that would be about four times what the sales volume was in 2009, when it was only $6.9 billion," he said. "We are very optimistic about future of market."

In Q3, total sales volume citywide in ranked in at $6.5 billion, down approximately $2.2 billion from the $8.7 billion in Q2. Knakal said the figures "may be interpreted as a slowing down in the market," but due to the high number of building sales throughout the first three quarters of the year (1,548), sales are likely to hit 2,064 by Q4, which would be an increase of 46% from the 2009 level of 1,410 sales. "The fact that there was a reduction from the second quarter to the third quarter, we don't think is all that meaningful," he said. "We think that was basically caused by constrained supply and the fact that the CMBS market had a hiccup which impacted the very largest transactions in the market. But things are progressing very nicely."

But while the investment sales market continues to show signs of improvement, Knakal said the numbers are still 60% below the $62.2 billion that occurred in 2007. "It really gives you an idea about how much the market has fallen when you consider that sales volume now is four times what it was in 2009, but we are still below where we were," he said, noting that 5,000 buildings traded in 2007, and 1,700 sold last year.

With respect to the larger property sale market, the firm reported 41 sales in excess of $100 million, which is on-pace to double the 27 sales over $100 million over 2010. Out of that, office buildings accounted for 41% of the city's total dollar volume.

Large multifamily deals are also driving sales activity. **James Nelson**, a partner at Massey Knakal, said aside from foreign capital and local buyers, first-time domestic investors like Colorado-based REIT **UDR Inc.** and California-based **CIM Group** have been active in the Manhattan market. In Q3, UDR's **$326 million acquisition of 95 Wall St.** from the **Moinian Group** and CIM's purchase of a $71.9 loan on 1205-1225 Broadway in Midtown South were notable transactions showcasing West Coast investment on the East Coast, Nelson explained.

Things were very similar across the East River. **Michael Amirkhanian**, first vice president of sales for the central Brooklyn market, explained that multifamily activity around the Atlantic Yards development site and Manhattan-bound trains has helped fuel sales volume, amassing $310 million worth of sales in Q3. Amirkhanian also noted the strength of emerging markets such as Crown Heights and Bedford-Stuyvesant as mixed-use communities. "Those neighborhoods have represented 43 out of 150 trades, or about 30% of the walk-up activity that we've been seeing," he said.

The Bronx, however, has reported the lowest amount of sales in Q3, with 60 building deals closed and 176 year-to-date. **David Simone**, first vice president of sales for the Bronx and Northern Manhattan, said the borough "is still the cheapest place to invest in the city" and many are becoming attracted to class B and C buildings in the Mott Haven section due to its proximity to express trains to Midtown.

Aside from multifamily, the Queens market, says managing director and partner **Thomas Donovan**, is defined by a tightening in industrial space due lack of available land. "About 75% of the stock of industrial properties has been taken away or rezoned for future use, so a lot of users are saying 'hey, I am not going to get displaced again,'" Donovan explained, noting that new zoning for luxury residential buildings in Long Island City has shrunk the options for New York's industrial sector looking to stay in the borough. As a result, he said competition for industrial sites is high. He just completed a $3 million 55-14 Grand Ave. in Maspeth near the Long Island Expressway where a bidding war ensued. "For the pockets of industrial that are still here, there's a ferocious appetite," he said.

Overall, Knakal said employment, supply, demand, inflation and interest rates are the biggest concerns in the market going forward. "We are seeing huge increases in dollar volume and huge increases in the number of buildings sold, but yet, going from a dollar volume perspective and number of buildings sold perspective, we are still 60% below where we were in 2007," he said.

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