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With Property Volume Up, Investment Sales Return to Healthy Levels

By Jacqueline Hlavinka

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Massey said the market is seeing "nice healthy increases."

NEW YORK CITY-In the first half of 2012, both dollar volume and property sales numbers are up citywide, a sign that the investment sales market is stabilizing and nearing "healthy" levels, brokers said during Massey Knakal Realty Service's mid-year press briefing this morning. According to new data from the firm, New York City saw \$14.4 billion in sales in the first and second quarter this year, a 14% increase from Q1 2011, putting the market on-track for a projected \$30 to \$32 billion in sales by year's end.

"At the beginning of the year we predicted a large increase in dollar volume, and we are right on track for that based on what we think the second half is going to look like," Paul Massey Jr., CEO and founding partner at Massey Knakal, said at the press conference.

The results are a reflection of increased activities across the board, including increased activity in Brooklyn, Northern Manhattan, the Bronx and Queens. In the first half, the city saw 1,310 property trades, and Massey said the firm is tracking 2,620 sales on an annualized basis by the end of the year, which would be a 20% increase from 2011's total 2,222 sales. "Historically, stability is 3,500 [sales]," he said. "We are optimistic about velocity increases continuing as we get back to what you'd consider a normal market."

The city is also seeing a modest increase in values. In 2011, the price-per-square-foot average was \$435 per square foot, and in 2012, pricing is hitting \$443 per square foot, or a 2% increase. In addition, the price per square foot in Manhattan and Brooklyn is up 6%, which Massey described as an indicator of "nice, steady, healthy increases."

"They are not necessarily the spikes that you would believe based on core and trophy asset sales at some higher prices," he said. "But across the board, it is a nice healthy increase. A caveat, the 2% increase prediction across the board, by saying the we are seeing some real pick up in velocity and in contract executions now, so we could end up wrong on modest value increases. It might be higher as the year plays out."

In terms of dollar volume, Brooklyn is on pace to double 2011's numbers. As of the first half of 2012, Brooklyn has seen \$1.5 billion in dollar volume and 482 sales, up more than 60% from the first half of 2011. A major driver in this market has been elevator multifamily buildings, which account for 35% of all volume in the borough this year thus far. In Manhattan, at 386 trades, dollar volume is \$11.2 billion. Of that, office buildings accounted for almost half - 44% - of all activity.

At the same time, as institutional money moves in and competition for assets increases, supply is becoming more constrained. "But we are anticipating that possibly that occurs as the third and fourth quarter play out with people anticipating or getting ahead of potential capital gains increases," Massey said.

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