

## First Quarter Investment Sales Down in NYC, But Activity Expected to Pick Up

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Tue, 2013-04-16 14:55

Property sales in New York City declined significantly in the first quarter of 2013, according to research from Massey Knakal Realty Services, a real estate firm serving the metro area. There were 559 properties sold in the city during the first three months of the year, totaling \$6.5 billion. On an annualized basis, these figures would indicate a 37 percent decline in dollar volume from 2012 and a 45 percent decline in the number of assets sold.

Part of the reason sales appear to be trending down is that the fourth quarter of 2012 experienced an unusually large spike in transactions as investors tried to close [deals](#) ahead of new capital gains tax regulation going into effect. There were 1,677 properties sold in New York City in the fourth quarter, the highest number since at least 2005.

"Even if we stayed at this pace, we view this as a very positive thing," said Bob Knakal, chairman and founding partner of Massey Knakal, about first quarter numbers. Knakal noted that low interest rates continue to spur investor demand for real estate assets.

The firm's researchers expect that sales activity will pick up momentum in the second half of the year, as has historically been the case. Bob Knakal noted that transactional turnover rate in the first quarter was below the city's long-term average, at 1.4 percent of the total building stock, and should rise to 1.9 percent in the upcoming months.

Massey Knakal projects that for 2013 as a whole, the market will likely see \$41 billion in sales, on par with the volume reported in 2012 and roughly 32 percent above the \$28 billion in sales reported in 2011. The total number of properties sold will likely be lower however, at 3,090 versus 4,121 in 2012, thus indicating an increase in average transaction price. As of today, Massey Knakal estimates the annualized average price per property in New York City at \$11.7 million in 2013—an increase of 16 percent from last year's \$10.1 million.

Residential walk-up buildings seemed to be the most popular investment type in the first quarter, making up 35 percent of total properties sold. There was also strong demand for mixed-use assets, at 17 percent of the total, as well as [development](#) sites, at 15 percent.

Knakal noted that land prices have gone up by 25 percent to 30 percent in the space of a few months, driven primarily by developers' interest in new condo and [hotel](#) projects.

Retail assets made up 8 percent of total properties sold in the first quarter and [industrial](#) buildings accounted for 7 percent, while office buildings accounted for 5 percent and office condos for 2 percent.

### Borough by borough

Sales volume in Manhattan in the first quarter was driven primarily by office transactions, in particular the sales of the Sony Building to Joseph Chetrit for \$1.1 billion and the GE Building to Comcast for \$1.4 billion. As a result, office buildings accounted for 67 percent of total sales volume in the borough during the quarter, while hotel acquisitions accounted for 11 percent and development sites for 8 percent.

When it came to the number of properties sold, walk-up buildings took first place at 28, followed by office buildings at 16 and small multifamily buildings at 15.

In Brooklyn, total sales volume declined 35 percent compared to the first quarter of 2012, to \$471 million. Acquisitions of development sites, occurring primarily in North Brooklyn, accounted for 22 percent of transaction volume, followed by acquisitions of walk-up buildings at 18 percent and retail properties at 17 percent.

By property count, walk-up buildings made up the most trades in the first quarter, at 63, followed by 52 mixed-use buildings and 47 development sites.

In Queens, total sales volume increased 2.5 percent from a year ago, to \$225 million, and the number of properties sold rose 26 percent to 102. Industrial assets made up the largest share of transactions by dollar volume, at 28 percent, followed by walk-up buildings at 16 percent. Walk-up buildings experienced the highest number of trades, at 29 properties, followed by mixed-use buildings, at 22.

In the Bronx, total sales volume declined 17 percent compared to the first quarter of 2012, to \$105 million. The number of properties sold was also down, at only 49.

