

## Investment sales sector to end year on high note

By AL ZAREARNO

Though Manhattan sales volume slowed in the third quarter, bright spots in the citywide market and looming capital gains increases are likely to boost activity in the fourth quarter, according to industry experts.

Manhattan commercial sales volume fell in Q3 2012 to \$5.4 billion, which is the lowest in 2012 and a 20 percent decline from the same quarter last year, data released by both Massey Knakal and Eastern Consolidated shows.

While acknowledging a lull in third quarter activity, the firms expressed optimism that things are going in the right direction, and that owners holding onto properties, despite buyer demand,

will let go in the fourth quarter.

"While things have moderated somewhat since then (Q2), there are several bright spots and we fully expect 2012 to finish on an extremely high point," said Massey Knakal president Bob Knakal at a press conference yesterday (Tuesday), adding that people have been "well aware of the potential rise in capital gains."

Dollar volume in Manhattan may have been down 20 percent year-over-year, but the number of transactions, at 266, was up 25 percent from last year and 18 percent since last quarter — and at their highest number since the market peak in 2007. An increased focus on smaller

Continued on Page A7

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Continued from Page A1

transactions has much to do with the lower dollar volume, but larger property owners who held out during Q3 — at Worldwide Plaza and 1 Madison, for example — will likely step up in Q4, said Massey Knakal partner James P. Nelson.

"We know there's a lot in the pipeline so we look forward to a big fourth quarter," he said at the Massey Knakal meeting.

It is likely that Q4 will result in heavy sales activity — outpacing the rest of the year, as owners rush to sell their assets after the election in anticipation of a rise in capital gains taxes early next year," a report from Eastern Consolidated stated.

"Our investors remain eager to invest and are comfortable



DAUN PARIS

ROBERT KNAKAL

residential ones.

Knakal referred to Northern Manhattan and Brooklyn as

in the current low-cap-rate environment," said Daun Paris, Eastern Consolidated president, in a statement. "We are counting down the days until the next president is elected so that we may resume business as usual."

However, development (or overdevelopment) during the latest real estate cycle could create an obstacle to Manhattan growth in the future.

"We're getting to a point where there's going to be nothing left to build in Manhattan," Nelson said, suggesting that will cause a further push by developers to look to the outer boroughs, and to rezone Manhattan's commercial properties to

being among the "bright spots" in the city.

Northern Manhattan Q3 dollar volume and pro volume, at \$147 million and 58 (# of transactions) up 79 percent and 93 percent from the same quarter year, respectively; but still down 16 percent and 9 percent from last quarter, the Massey Knakal data shows.

But it was the Bronx that logged the greatest over-year percentage gains — both in dollars and number of transactions — of any market, at 116 percent and 116 percent, respectively. And, along with Queens, it was the only borough to log increases in both categories last quarter.

Bronx dollar volume, at \$777 million — bolstered by the \$295 million sale of 1 Court Square — surpassed Brooklyn's \$690 million Q3 volume.

"The strong demand is coming from local property owners who want to get into those markets and take advantage of a low interest rate environment," said I. Shapiro, Massey Knakal's first vice president of sales.