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Investors Sweet spot

By **HOLLY DUTTON**

Investors are increasingly looking outside of Manhattan to the outer boroughs for opportunity, according to the third quarter report from realty services firm Massey Knakal.

Development site sales are more than double the recent average, with investors "going up the risk ladder" and looking for yield.

"They're going to geographic locations outside their sweet spot," said chairman Bob Knakal at the firm's press conference announcing their 3Q report findings Oct. 15. "That's just remarkable."

One startling statistic clearly shows how the outer boroughs have been performing. Since 2011, the percentage of properties sold in Northern Manhattan has shot up 157 percent, while Brooklyn, Queens and The Bronx showed huge gains as well, at 64 percent, 64 percent and 47 percent, respectively.

Higher prices and low cap rates for existing buildings are causing investors to search for alternative returns in outer boroughs and

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Investors find new sweet spot in outer boroughs

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development. The number of total properties sold in NYC is at 2,438 for the 3Q, with an annualized figure of 3,251.

Total number of properties sold in 2012 was 4,066, but the threat of capital gains tax prompted a flurry of unprecedented sales in the 4Q that contributed to that high number.

definitely outpacing sales of existing properties," said James Nelson, partner at Massey Knakal.

The average price per buildable square foot in Manhattan for sites jumped from \$366 in 2012 to \$510 in the 3Q 2013.

"Manhattan prices are continuing to rise, but with the higher pricing and the lower yields, we are starting to see a lot more of a shift to the outer boroughs and certainly investors looking

for value add opportunities and development sites," said Nelson. "Dollar volume has been pretty steady, but we are thinking there will be pick up by year end due to the mega transactions."

The big story continues to be Upper Manhattan. Dollar volume for the third quarter was \$766 million, the highest on record, a number reflected in large sales like the The Monterey, which Related Companies sold for \$250 million in April.

Average price per square foot has fallen 3 percent overall, from \$469 in 2012 to \$455 in the 3Q of 2013. However, in Manhattan, price per square foot increased by 9 percent year over year.

Meanwhile, price per square foot in the hot Northern Manhattan market has jumped 18 percent since 2012.

"Development sites are