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New York sale prices hit pre-recession levels

BY HOLLY DUTTON

Massey Knakal painted a sunny picture of second quarter investment sales activity in Manhattan as deal volume soared to pre-recession levels.

"The second quarter of 2014 picked up where the first quarter left off," said Massey Knakal chairman Bob Knakal.

"The number of properties sold is on pace for an all-time record and the dollar volume is not far behind. A sustained supply demand imbalance continues to exert upward pressure on property values citywide."

The aggregate dollar volume in the first half of 2014 was \$27.4 billion, an increase of 15 percent

from the second half of 2013 and 88 percent higher than the first half of 2013.

That figure marks the highest first half dollar volume since 2007, when it was \$36 billion (which included a \$7 billion Equity Office/Macklowe portfolio, the report points out).

The number of properties sold in the first half of 2014 was 2,643, an increase of six percent from the second half of 2013 and 84 percent higher than the first half of 2013.

The firm is projecting a total of 5,286 properties will be sold this year, which would be an increase of 35 percent from 2013, and the highest number of properties sold since 2007, which had 5,018 properties sold in total. Average price per

square foot overall in New York City in the first half of 2014 also showed big increases year-over-year, up to \$421 psf in the city, an eight percent jump up from \$388 in 2013. Broken down by area, Northern Manhattan saw the biggest increase since 2013 with a 19 percent jump, from \$255 in 2013 to \$304 in the first half of 2014.

In Manhattan, the average price per foot rose 11 percent to \$1,171 in the first half from \$1,051 in 2013, according to the report.

At the Massey Knakal 2Q breakfast held to examine the numbers yesterday (Tuesday) talk was all about the outer boroughs, with development in Brooklyn and Queens helping drive overall activity, with a big increase in particular in Long Island City.

The share of properties sold in Manhattan reached a high of 32 percent in 2011, a number that has dropped to 18 percent in the first half of 2014, the lowest figure since 2006, pointing to investors' increased confidence in the outer boroughs.

In the second half of 2014, Queens' dollar volume hit \$751 million, marking the strongest first half year ever recorded for the borough. The firm projects the dollar

volume at year's end to be \$3.2 billion, which would be 25 percent higher than the pre-recession peak of 2006.

Added to that, in the second quarter of 2014, 26 percent of all buildings sold and 36 percent of the total dollar volume was generated by development properties in Queens.

Long Island City was the epicenter of that demand,

with 28 development properties sold in the first half of 2014. That number topped Williamsburg, which had 27 properties sold in the same time period.

With the increasing demand for development sites, average price per buildable square foot rose 17 percent from the second half of 2013.