NYC RETAIL
Massey Knakal territory model untested

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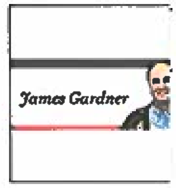

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Sales volume soars, but commercial property values continue to decline citywide

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By Sarabeth Sanders

Robert Knakal

The flip may be staging a comeback in some choice New York City neighborhoods, but overall, commercial property values are still falling across the five boroughs, even as sales activity has begun to thaw.

On a per-square-foot basis, commercial properties traded at 8.4 percent below their 2009 prices last year, according to year-end sales figures released today by Massey Knakal Realty Services. The firm tracks citywide sales of all property types, including multi-family, industrial, office, hotel and development sites.

While certain "core" assets, like 111 Eighth Avenue, have recently traded at pre-recession prices, values remain depressed for much of the rest of the market and are still down 38 percent from their 2007 peak, Robert Knakal, chairman and co-founder of Massey Knakal Realty Services, told reporters at a press conference today.

"We're not at the bottom yet," Knakal said. "The perception is that value is going up... the numbers tell a different tale."

Still, there are promising signs.

Citywide, 1,667 properties changed hands last year for a total of $14.5 billion -- more than double the dollar volume of sales completed in 2009, when 1,436 properties traded. That represents an overall market turnover rate of 1.01 percent, up from a low of .87 percent one year ago, but well off the 3.04 percent high in 2007.

Manhattan office buildings were among the best performers, accounting for 54 percent, or $6.5 billion, of the borough's $12 billion in sales. In 2009, Manhattan saw only $4.2 billion in commercial sales (that figure was $52.5 billion in 2007).

The Queens market continued to worsen almost across-the-board, however. With just 307 properties sold, the borough's turnover rate hit a new low of 0.7 percent and the dollar volume of sales fell to $558 million, from $586 million in 2009.

"All of these statistics are indicative of a market that's trying to find its solid footing. We think we're approaching that position but are not quite there yet," Knakal said.

Knakal said the firm expects sales volume in the New York City market to soar to between $22 billion and $25 billion in 2011 as values stabilize and pent up demand from buyers and sellers begins translate into deals. By the end of 2011, prices may even start to appreciate, he said, adding that "generally, we're very