

Outer Borough Investment Sales Activity Mixed

While the long-term trends are generally positive, Third-quarter results were disappointing

For the past two weeks, the focus has been on the overall investment-sales activity for the third quarter of 2011 along with the market performance on a year-to-date basis. A healthy increase in the dollar volume of sales occurred with \$19.2 billion thus far in 2011, up from the \$14.2 billion in 2010 and significantly higher than the anemic \$6.1 billion in 2009. For some perspective, the volume in 2007, at the peak of the market, was \$62.2 billion.

In terms of the number of properties sold, there have been 1,548 traded thus far in 2011. Therefore, the market is on pace for over 2,000 sales this year, which would be up about 22 percent from the 1,690 sales last year and 46 percent ahead of the 1,410 sales that occurred in 2009. Once again, for perspective, there was 5,018 properties sold in 2007 at the peak.

In last week's column, the focus was on the Manhattan submarket, in which the strongest recovery out

of all of the city's submarkets occurred. This is not unexpected, as Manhattan has always led New York City out of cyclical downturns.

In Manhattan, a significant increase in dollar volume occurred with \$16.8 billion of sales thus far in 2011, compared to \$11.6 billion in all of last year. The dollar volume of sales in Manhattan is on pace for \$22.3 billion this year, a whopping 440 percent increase from the \$4.1 billion that occurred in 2009. In terms of the number of properties sold, in the Manhattan market there have been 473 thus far in 2011, approaching the 488 properties sold in all of 2010. The market is on pace for 631 sales in Manhattan this year, more than double the 305 sales that occurred in 2009, but 37 percent below the 999 properties that were transferred at the peak in 2007.

This week, the focus turns to the



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outer boroughs, as well as Northern Manhattan, to see how each of these individual submarkets is performing.

In Northern Manhattan (north of 96th Street on the East Side and north of 110th Street on the West Side) through the first three quarters of this year, there have been \$262 million in investment-sales transactions. If the figure is annualized, the projected volume this year becomes approximately \$350 million, which represents a 35 percent reduction from the \$534 million in sales last year. This represents the largest drop in any of the city's submarkets. This 2011 pace is scheduled to be about 28 percent higher than the \$273 million that occurred at the low point in the market in 2009. However, the \$350 million projected for 2011 will still be 76 percent below the \$1.5

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billion in sales that occurred at the peak of the market in 2007. This drop also represents the largest decline in any of the submarkets.

With regard to the number of buildings sold, there were just 28 sales in the third quarter, the lowest total for the year and the third straight quarterly drop for the region. There have been 101 sales in 2011 thus far, on pace for 135 for the year. This is exactly the same number that occurred in 2010. This figure is 60 percent above the 84 sales that occurred in 2009 but remains nearly 60 percent below the 327 buildings that were sold at the

peak in 2007.

In the Bronx submarket, we have had \$423 million in sales volume thus far in 2011. On an annualized basis, this would lead to \$564 million in sales, about 14 percent above the \$495 million that sold last year. The 2011 pace is 44 percent ahead of the \$391 million of sales that occurred in 2009. In the Bronx market, the 2011 totals would be about 74 percent below the \$2.2 billion that occurred at the peak of the market in 2007, coming close to the biggest drop of 76 percent in Northern Manhattan.

In terms of the number of prop-

Number of Properties Sold - Bronx

Manhattan	2005	2006	2007	2008	2009	2010	2011
Q1	126	154	191	118	43	40	59
Q2	157	204	190	124	71	53	57
Q3	123	134	156	94	48	33	60
Q4	117	165	164	73	43	62	
Total	523	657	701	409	205	188	176
Annualized							235

Number of Properties Sold - Brooklyn

Manhattan	2005	2006	2007	2008	2009	2010	2011
Q1	388	531	506	289	107	138	168
Q2	440	469	526	380	139	147	188
Q3	445	493	460	206	120	138	173
Q4	437	423	383	233	99	154	
Total	1,710	1,916	1,875	1,108	465	577	529
Annualized							705

Number of Properties Sold - Northern Manhattan

Manhattan	2005	2006	2007	2008	2009	2010	2011
Q1	75	72	81	51	13	44	41
Q2	55	79	78	34	31	30	32
Q3	111	73	100	40	19	35	28
Q4	74	71	68	20	21	26	
Total	315	295	327	145	84	135	101
Annualized							135

Number of Properties Sold - Queens

Manhattan	2005	2006	2007	2008	2009	2010	2011
Q1	200	308	305	283	84	96	87
Q2	278	319	264	235	87	71	85
Q3	304	274	294	187	82	58	97
Q4	253	290	253	141	98	77	
Total	1,035	1,191	1,116	846	351	302	269
Annualized							359

Dollar Volume of Sales (in Millions) - Bronx

Manhattan	2005	2006	2007	2008	2009	2010	2011
Q1	\$401	\$492	\$932	\$263	\$71	\$85	\$181
Q2	\$372	\$515	\$488	\$202	\$160	\$126	\$107
Q3	\$334	\$272	\$397	\$304	\$97	\$111	\$136
Q4	\$292	\$422	\$372	\$152	\$63	\$172	
Total	\$1,399	\$1,700	\$2,189	\$921	\$391	\$495	\$423
Annualized							\$564

Dollar Volume of Sales (in Millions) - Brooklyn

Manhattan	2005	2006	2007	2008	2009	2010	2011
Q1	\$732	\$1,153	\$863	\$708	\$181	\$284	\$338
Q2	\$778	\$873	\$901	\$520	\$152	\$324	\$401
Q3	\$774	\$908	\$1,228	\$408	\$207	\$219	\$310
Q4	\$838	\$749	\$851	\$388	\$151	\$226	
Total	\$3,121	\$3,683	\$3,844	\$2,024	\$692	\$1,053	\$1,050
Annualized							\$1,399

Dollar Volume of Sales (in Millions) - Northern Manhattan

Manhattan	2005	2006	2007	2008	2009	2010	2011
Q1	\$278	\$580	\$403	\$270	\$28	\$126	\$108
Q2	\$182	\$237	\$352	\$147	\$95	\$233	\$68
Q3	\$661	\$329	\$422	\$172	\$74	\$105	\$88
Q4	\$211	\$278	\$292	\$78	\$76	\$70	
Total	\$1,332	\$1,424	\$1,468	\$667	\$273	\$534	\$263
Annualized							\$350

Dollar Volume of Sales (in Millions) - Queens

Manhattan	2005	2006	2007	2008	2009	2010	2011
Q1	\$446	\$540	\$696	\$775	\$127	\$152	\$295
Q2	\$462	\$652	\$418	\$513	\$149	\$100	\$165
Q3	\$915	\$638	\$611	\$335	\$105	\$87	\$236
Q4	\$456	\$760	\$491	\$280	\$216	\$209	
Total	\$2,279	\$2,589	\$2,216	\$1,903	\$597	\$547	\$696
Annualized							\$928

Source: Massey Knakal Realty Services

erties sold, there were 60 buildings traded in the third quarter, the highest quarterly total this year. In the first three quarters, there have been 176 properties sold, leading to a projected 235 sales for the year. This total represents a 25 percent increase from the 188 properties sold last year, but only a 14 percent increase from the 205 properties sold in 2009. Therefore, 2010 will prove to be the low point for the Bronx in terms of number of properties sold. If our projection of 235 properties sell in the Bronx this year, it would represent a total 67 percent below the 701 properties that sold in 2007.

In the Brooklyn submarket, there were \$310 million of sales in the third quarter, which is the borough's lowest quarterly total of the year. Thus far in 2011, there have been \$1.05 billion of sales volume, which is on pace for about \$1.4 billion for the year. If the market stays on this pace, this total will be 33 percent higher than the \$1.05 billion in 2010 and more than double the \$692 million of sales that occurred in 2009. If the projected \$1.4 billion sales are achieved in Brooklyn this year, it will still represent a 64 percent decrease from the \$3.85 billion that occurred at the peak of the market in 2007.

In terms of the number of buildings sold, there were 173 sales in 3Q11 and a total of 529 in the first three quarters. Extrapolating for the year would result in 705 properties being sold, a 22 percent increase over the 577 sold last year and a 52 percent increase from the 465 properties sold in 2009. This represents the second-strongest recovery in the non-Manhattan submarket, taking second place to Northern Manhattan. If the projected 705 sales in 2011 is achieved, this figure would remain 63 percent below the 1,916 properties sold at the peak of the market in 2006.

In the Queens submarket, there was \$236 million of sales activity in the third quarter, resulting in \$696 million for the first three quarters of the year. Annualizing this total, \$928 million is projected for 2011. If the market stays on this pace, the total would be 70 percent above the \$547 million achieved in 2010 and 55 percent above the \$597 million in 2009. In Queens, 2010 was the low point with just \$547 million in sales. The projected \$928 million in sales for 2011 would be 64 percent below the 2006 peak point of \$2.6 billion in dollar volume.

In the submarket's third quarter there were 97 properties sold, the highest quarterly total going back to 2009. Thus far in 2011, there have been 269 properties sold in the borough. Annualizing this total, 359 sales are projected to occur in the Queens submarket this year, which would represent a 19 percent increase from the 302 properties sold last year, a low point in the marketplace. If the market achieves the 359 sales as we project, this figure would remain 70 percent below the peak activity level seen in 2006, when 1,191 properties sold.

The conclusion we can draw from all of this data is that the market's recovery remains uneven. While the market is generally trending upward, the third quarter demonstrated a setback compared to the previous quarter, as dollar volume was up in Northern Manhattan, the Bronx and Queens, but dropped in Manhattan and Brooklyn. The drop in Manhattan was significant enough to create an overall reduction of 25 percent from the second quarter to the third on a market-wide basis.

With regard to the number of properties sold, three submarkets experienced increases in third-quarter totals over the past quarter. Those markets were Manhattan, the Bronx and Queens, while Northern Manhattan and Brooklyn saw third-quarter totals fall from the prior quarter.

The average prices of properties sold in each of the submarkets also demonstrates an uneven recovery. In Manhattan (\$35.44 million), Northern Manhattan (\$2.60 million) and the Bronx (\$2.40 million), the 2011 averages thus far have been well below were they were at the peak of the market in 2007. In Brooklyn (\$1.98 million) and Queens (\$2.59 million), the 2011 averages hit all-time highs.

These mixed signals from the market have clearly been impacted by the volatility in the broader economy. Global economic stress has impacted the public financing market, which has trickled down into the commercial real estate capital markets. Each submarket is generally trending upward but there is no denying the speed bumps along the way.

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Mr. Knakal is the chairman and founding partner of Massey Knakal Realty Services and in his career has brokered the sale of more than 1,175 properties, having a market value in excess of \$7.8 billion.

THE TAKE AWAY:

1. In the Bronx submarket, 2011 sales volume to date has reached \$423 million. Annualized, the projected \$564 million in sales clocks in at about 14 percent above the \$495 million properties sold last year.
2. In the Brooklyn submarket, \$310 million in sales traded hands during the third quarter, the lowest quarterly total for the borough this year. In the past three quarters combined, \$1.05 billion in property has changed hands, a figure on track for approximately \$1.4 billion in sales this year.
3. In the Queens submarket, \$236 million in deals occurred during the third quarter, resulting in \$696 million for the first three quarters. When annualized, \$928 million in sales are projected for 2011, a 70 percent increase from last year and a 55 percent increase from 2009.

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