# A Deeper Dive on Investment Sales Bright Spots

Last week, my column regarding bright spots in the New York City investment sales market prompted many of my readers to email and call me for further explanation of these bright spots as I only mentioned them peripherally.

It is important to mention that the genesis of this article was based on a speech I was giving to a joint meeting of the Appraisal Institute and the Mortgage Bankers Association a couple of weeks ago, halfway through which I was wondering why I've been giving such negative speeches for so long. Clearly, for 50 months the New York City investment sales market has been in correction mode and the news has seemingly gotten worse with each passing quarter. I have always tried to tell it like it is, without sugar coating anything. While it was not easy to come up with the bright spots in the market, I did find several and today we will go into detail on each of them.


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The first bright spot is the robust activity that we are seeing in the land market. This might be curious to some market participants as, if we annualize the activity through the first three-quarters of the year, the Manhattan market is on pace for 1.5 million buildable square feet of development sites sold. This compares to over 9 million buildable feet last year and 14.7 million buildable square feet at the peak of the market in 2015, reductions of 83 percent and 90 percent respectively. The land sale market in Manhattan this year is on pace for 20 transactions compared with 61 transactions last year and 135 at the peak of the market in 2015, 67 percent and 85 percent reductions respectively. So what could be so encouraging? Just the way we knew that the bull market in land was over in October of 2015 based upon all of the bids that were coming in consistently well below expectations, we are seeing bidding activity getting back to levels seen at much better times. Lower values are certainly a contributing factor to this activity, but the number of developers who are active is surprising and interest has been broad as sites for residential condo, residential rental, hotel and office uses are all seeing great activity.

We are currently handling 56 development sites within New York City and the interest is widespread across use types and also across neighborhoods throughout all of the boroughs. This is a very positive signal for the market as land is one of the two market sectors to turn first when the direction of the market is about to do an about face.

Another bright spot is the amount of foreign capital coming into the market. Foreign capital clearly peaked in 2015 and 2016 when there was \$25.9 and \$17.2 billion of foreign capital invested in the market respectively. Taking those two record years out of the equation, since 2013, the average amount of foreign capital invested in New York City has been \$6.56 billion per year. Annualizing the first three-quarters of 2019, the pace of investment sales from foreign investors is \$5.28 billion, a surprisingly high total given the perception that foreign capital has all but abandoned Gotham. Yes, the Chinese institutional capital that inflated the 2015 and 2016 boom is gone but other suitors have stepped in to fill the void. We expect this trend to continue as negative interest rates are all too common across the globe and the relative political and relative economic stability the U.S., and New York City, offers continues to attract capital.

Another segment of the market that is a bright spot is the industrial market in New York City. The growth in e-commerce has intensified the need for fast delivery as customers are increasingly requesting next-day or same-day delivery. Distribution networks are having to continually keep pace with a changing market as logistics players have to reexamine all aspects of their operations. Multistory warehouses are being planned and constructed in "last mile" locations across the boroughs. The industrial market in the city has experienced net positive absorption year to date of about 1.5 million square feet. There are 4.7 million square feet planned or under construction as vacancy rates are miniscule. Citywide the vacancy average is 3.2 percent with a vacancy of 2.9 percent in Brooklyn and just 1.5 percent in the Bronx. No wonder this market is on fire and is one of the fastest growing sectors in the city.

So in a sea of headwinds, there are some things to feel good about. Another is the strength of the class B and C office building sales market. But that is another topic for another day.

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