

How to Analyze New York Land Sales for a Modern Market

When it comes to land in Manhattan, generally, they ain't making any more of it and, today, we are seeing significant changes in the land sales market.

Over the decades, we have seen tremendous swings in land sales volumes and values. During the mid-1980s, the top Manhattan land sales maxed out at around \$125 per buildable square foot. The sites upon which Metropolitan Tower and Cityspire were constructed were sold at this lofty level as was a blockfront on Second Avenue between East 65th and East 66th streets, which a hospital purchased for its own use. Yes, \$125 per buildable square foot seemed like such a crazy high price in those days.

During the savings and loan crisis in the early 1990s, there was a period of time when land had virtually no value at all. The reason was that the rents that were achievable were not high enough to justify building based upon the cost of construction. I vividly recall a foreclosed-on corner site on the Upper East Side that sat on the market with no offers for many months even though the asking price was just \$35 per buildable square foot. We sold a site at 406-408 East 79th Street, which was

the two-story home of an auction house. Aby Rosen and Michael Fuchs had the guts to buy when many others didn't and paid a price of about \$30 per buildable square foot, which was the first site sold coming out of this challenging period in the city's history.

By the late 1990s, top sites were selling for over \$450 per buildable square foot. Land values fell again during the recession in the early 2000s. During the booming 2005-2007 period, we saw top sites in Manhattan achieve pricing above \$700 per buildable square foot. Then the 2008 financial crisis brought land sales to a screeching halt with only 13 development sites selling in 2009. Of these, 11 were purchased by user buyers looking to acquire sites upon which to build buildings for their own occupancy.

During the cyclical peak of the most recent cycle, in 2014 and 2015, the top Manhattan land sales achieved pricing above \$1,000 per buildable square foot.

During the pandemic, the Manhattan land market was one of the most negatively

impacted sectors within investment sales. Land values fell by about 50 percent from the peak levels achieved during the last cycle. Conditions have been improving, though, and we are seeing upward pressure on land values for the first time in years. Mid-April 2021 appears to have been the turning point

as first-quarter reports on the residential rental and sales markets posted bullish activity. This shift resulted in more positive numbers in the land sales market in 2021.

Many reports on land sales provide a single price per buildable square foot and this is held out as indicative of land value. In actuality, this number is of little value to market participants other than as a

barometer to determine relative shifts in the direction of land values. We have now implemented a new way of looking at land values. We are disaggregating the land sales data and creating five buckets of comparables based upon product type. This way, we can come up with land values specifically for residential rentals, residential condos, hotels, office buildings and a miscellaneous bucket to hold

all other product types that don't trade nearly as regularly as the four main types.

In 2021, there were 27 development sites sold in Manhattan (south of 96th Street on the East Side and 110th Street on the West Side) having an aggregate value of \$1.35 billion for approximately 3.6 million buildable square feet. The average price paid per buildable square foot was \$372.70 last year. But that was based on the old way of calculating the average. If we look at our buckets, we see that values per buildable square foot averaged \$356.45 for hotels, \$469.01 for condos, \$222.29 for rentals, \$555.93 for office and \$493.97 for the miscellaneous bucket. (These averages should not be used to determine the value of any particular site as there are so many factors that come into play when determining a site's value.)

One thing to think about is this: If land values at the peak of each successive cycle greatly exceed the previous cycle's peak, and the past peak for top sites was in excess of \$1,000 per buildable square foot, where will the next peak get us?

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