

In 2016, Sales in the Outer Boroughs Stayed Strong

Last week, we discussed the performance of the New York City investment sales market in 2016 and specifically how Manhattan was lagging the rest of the market in terms of the volume of sales, and while values finished the year higher, they were declining on a quarter-over-quarter basis. Relatively, the outer boroughs performed significantly better.

In 2016, the investment sales market citywide experienced a 25 percent reduction in the dollar volume of sales to \$57.8 billion. The number of properties sold dropped 16 percent to 4,360. Values citywide hit a new all-time record of \$534 per square foot, a 9 percent increase over 2015. In Manhattan, dollar volume dropped by 34 percent and the number of properties sold dropped by 30 percent, both metrics significantly worse than the broader market.

Activity in the outer boroughs and Northern Manhattan performed much better than in Manhattan proper. In 2016, there was \$18.2 billion of investment sales activity in the outer boroughs, up 6 percent from \$17.2 billion in 2015. The \$18.2 billion of sales volume set an all-time record for the outer boroughs.

There were 3,595 properties sold in 2016, which was down 12 percent from the 4,102

property sold in 2015 (it was also 20 percent lower than the 4,520 properties sold in 2014—the cyclical peak). This reduction was less than half of the reduction experienced in Manhattan. Values in the outer boroughs hit

a new all-time record in 2016 of \$381 per square foot. This average was 15 percent above the \$332 average in 2015. Importantly, as values fell quarter over quarter in Manhattan last year, in the outer boroughs, values finished the year with their best quarter ever reported with an average of \$388 per square foot. As quarterly data in a vacuum can be misleading, we looked at the first half of the year versus the second

half of the year. In first-half 2016 the average price per square foot outside Manhattan was \$377 per square foot and the average in the second half was \$385.

With regard to dollar volume, the best performing market was Queens where dollar volume was approximately \$5 billion last year, up 26 percent from 2015's \$4 billion total. Queens also performed best in terms of number of properties sold with 963 last year, just 2 percent less than the 986 properties sold in 2015. Values in Queens, interestingly, rose by the lowest percentage of all non-Manhattan submarkets. In 2016, the Queens average price per

square foot reached \$384 per square foot, up 9 percent from the 2015 average of \$353.

The second best market in terms of dollar volume was Northern Manhattan where we observed \$2.7 billion of sales activity, 15 percent higher than the \$2.3 billion in 2015. However, the number of properties sold in Northern Manhattan was the weakest in the city at 276, down 24 percent from the 364 properties sold in 2015. The 2016 total was also 43 percent below 2014 (Northern Manhattan's most active year) in which 486 properties traded. Values reached a new record last year, finishing the year at \$421 per square foot, 11 percent higher than 2015's \$379 average.

In Brooklyn, 2016 dollar volume hit \$8.2 billion, a 2 percent reduction from 2015's record of \$8.4 billion. The number of properties sold was 1,702, down 17 percent from the 2,057 sold in 2015. It was also 22 percent below 2014's record of 2,173 properties sold. Values in Brooklyn rose by the second-highest percentage of 17 percent, rising from \$360 per square foot in 2015 to \$422 per square foot last year.

In the Bronx last year, dollar volume was \$2.4 billion, down 5 percent from the \$2.5 billion in 2015. The number of properties sold in 2016 was 654, 6 percent lower than the total transacting in 2015. The 695 properties sold

in 2015 was a cyclical peak. Property values in the Bronx rose by the highest percentage of all submarkets, hitting \$222 per square foot, an increase of 21 percent over the \$183 average price per square foot in 2015. While this percentage increase is impressive, it is notable that the average price per square foot in the Bronx is significantly lower than any other of the city's boroughs.

Present market conditions, where Manhattan is growing weaker, while the boroughs remain relatively strong, are typical in a transitioning market. While we look at values and see that they were falling in Manhattan last year and rising in the submarkets outside core Manhattan, it is important to remember that what happens in the market, happens in Manhattan first. This is true whether values are rising or falling. If the market continues to perform as it has in the past, it would lead one to believe that values will start to fall outside Manhattan this year as the contagion spreads. However, with the new administration, potential tax reform and all of the other issues that could impact our market, it would not be surprising to see things change in unexpected ways.

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