

Investment Sales in New York City Seem Poised for a Big Year

After a robust fourth quarter of investment sales in Manhattan last year, we were curious to see what was going to happen in the first quarter of 2022. First-quarter numbers tend to be somewhat muted so a disappointing result in the first quarter this year would not have been surprising. However, the activity that we saw in fourth-quarter 2021 continued in first-quarter 2022 and has us feeling very optimistic about where the market is headed moving forward.

In Q1 2022, the dollar volume of investment sales in Manhattan (south of 96th Street on the East Side and south of 110th Street on the West Side), for transactions over \$10 million was \$8.6 billion. This result was fantastic relative to what we have seen in past first quarters. It also comes on the heels of an \$8.56 billion Q4 2021, which saved last year from being horrendous. If we did not have the robust Q4, last year would have finished below the anemic \$11.1 billion of sales volume that we had in 2020. The pandemic was a logical excuse for 2020 performance, but to have 2021 produce results below 2020 would have been

catastrophic.

The \$8.6 billion Q1 2022 total, if annualized, would lead to about \$34.4 billion for the year. This pace is 118 percent above the \$15.75 billion total in 2021 and 208 percent above 2020's \$11.1 billion. The first-quarter total of \$8.6 billion is the highest quarterly total of sales we have seen going back to Q4 2019, when there was \$9.5 billion in sales volume. If this pace can continue, and the market achieves \$34.4 billion for the year, this will be the highest yearly total going back to the \$39.5 billion we had in 2016. For reference, the highest annual total we have had was \$57.5 billion in 2015.

It should be noted that a major reason why the dollar volume was so high was because of the pickup in office building sales, which accounted for 67 percent of the total. The disproportionate impact office sales typically have on dollar volume is why the number of properties sold is often

a better metric to look at for real market activity versus dollar volume.

With regard to the number of properties sold, which is always a better indication of market activity than the dollar volume, there were 55 sales closed in Manhattan in Q1 2022. This puts the market on pace for 220 for the year which would be 15 percent higher than the 191 sales that occurred last year. The 220 sales pace is identical to what we had in 2019 pre-pandemic. It would also be about 55 percent below the 484 sales that occurred at the peak of the market in 2015.

Within the outer boroughs, the numbers would also lead to an optimistic outlook for 2022. The dollar volume of sales was \$1.7 billion, putting the market on pace for \$6.8 billion for the year. This pace would be 30 percent below the \$9.8 billion in sales last year but 31 percent ahead of the \$5.2 billion total achieved in 2020. It is important to note that in the outer boroughs the analysis of sales over \$10 million can greatly skew the



perception of the market as the overwhelming majority of sales in the outer boroughs are below \$10 million. In my next column we will look at sales citywide above \$500,000 as opposed to above \$10 million. It will be interesting to see what conclusions can be drawn from that data versus this approach.

Regarding the number of properties sold, there were 54 sales above \$10 million in the outer boroughs in Q1 2022. This puts the market on pace for a 216 for the year, which would be 29 percent above the 168 sales that occurred last year. It would also be 38 percent above the 157 sales that occurred in 2020. For perspective, the 216 sales pace would be 44 percent below the cyclical peak in 2015 when 383 properties traded hands in the outer boroughs.

All of this activity is just what we needed after the pandemic wreaked havoc on our market. As things return to whatever our new normal will be, it is great to see sales volume picking up. Here's to a great rest of 2022.

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