Manhattan Investment Sales Market Recap-2018

It is said that what happens in the United States will happen in New York City first. When it comes to the New York City investment sales market, what happens will happen in Manhattan first. Today we will take a look at how the Manhattan investment sales market performed in 2018. The Manhattan submarket is defined as south of 96th Street on the eastside and south of 110th Street on the westside.

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But first, we will get some relative perspective by looking at recent history. With regard to the volume of sales, both from a dollar volume and number of properties sold perspective, the peak of the market clearly occurred in 2014 and 2015. In 2014, there was a record number of properties sold in New York City (5,534) and in 2015 we had an all-time record in terms of the dollar volume of sales ($80.1 billion). Both of those metrics had been on the decline through, and including, 2017. Heading into 2018, our forecast projected increases in volume and, including all properties sold, both metrics did increase. Dollar volume increased by about 39 percent to about $48.7 billion and the number of properties sold increased by about 4 percent to 3,799.

The market for investment sales on properties valued over $10 million in Manhattan has performed differently from the broader market. Generally, 2018 totals were up from 2017's but remained well below 2015 peaks. In 2018, the dollar volume of sales above $10 million was $26.7 billion, a 20 percent increase over the $22.2 billion achieved in 2017. 2018's total was, however, 53 percent below 2015's $57.4 billion. Diving deeper into the dollar volume of sales for different product types, there was $12.7 billion of office building sales in 2018, flat from approximately the same amount in 2017. However, this total was 45 percent below the $23 billion peak in 2015.

The retail sector finally saw some good news in that there was $1.4 billion of sales in excess of $10 million, a 91 percent increase from the extraordinarily low total of $719 million in 2017. That $719 million total was the lowest going all the way back to the $596 million that was sold in 2010 and a whopping 73 percent below the $5.1 billion cyclical peak in 2015.

In the multifamily sector, and here we are combining both elevator and walk-up property statistics, there were $4.6 billion of sales volume in 2018, an 80 percent increase from the $2.6 billion that occurred in 2017. Much of this activity was attributable to sellers wanting to dispose of assets prior to the renewal of rent regulation in June of this year. The 2018 total was 61 percent below the $12 billion of multifamily sales that occurred in 2015. With regard to the number of properties sold, which we believe is much more indicative of market activity as in the dollar volume metric, a few large transactions can skew the numbers significantly. In 2018 there were 226 transactions above $10 million in the Manhattan submarket. This figure was down 6 percent from the 241 transactions that closed in 2017. Two-thousand-eighteen's total was 51 percent below the 458 transactions that closed in 2015, a cyclical peak for investment sales in excess of $10 million.

In the office sector, there were 46 properties sold in Manhattan at prices in excess of $10 million, up 5 percent from the 44 that were sold in 2017. However, this total was down 44 percent from the cyclical peak of 82 in 2015. In the retail sector, there were 29 properties sold, up 12 percent from the 26 that were sold the year before. This was 57 percent below the 68 retail assets sold in 2015. And in the multifamily sector, there were 76 sale transactions, essentially flat from the 77 that were sold in 2017 and 44 percent below the peak of 136 in 2015.

With regard to property values, office properties rose 4 percent in 2018 to an average of $847 per square foot from $815 in 2017. Overall, the sector was down 9 percent from the record high achieved in 2015 of $929 per square foot. Values in the retail sector rose 26 percent to an average of $2,908 in 2018 which remained 15 percent below the peak of $3,421 achieved in 2015. Volatility within this sector is common as a few very high price per square foot trades can impact the average very profoundly so we shouldn't read too much into the 2018 average.

In the multifamily sector, not surprisingly, the market took a hit as the impact of pending rent regulation law renewal had already impacted the market. Average values dropped 20 percent to an average of $737 per square foot. This average was 22 percent below the peak in 2015 of $949 per square foot.

Clearly, volumes were up in 2018. We expect this trend to continue in 2019, with the exception of the multifamily sector which we expect to take a big hit from a volume perspective as investors brace for regulation renewal in June. Otherwise, trends in the market should be positive, even with respect to property values which we expect to turn the corner by the end of the year.