

# Manhattan Investment Sales Slump in First Quarter

At the end of the fourth quarter of 2019 (4Q19), we were optimistic that a very robust end of the year could be the start of a positive upward trend for New York City volume of sales. Unfortunately, the first quarter 2020 numbers were disappointing based upon that expectation.

The volume of sales in Manhattan has been on the decline for 54 months now as the correction in New York City's investment sales market began in October of 2015. Since then, sales volumes, both from a dollar volume and a number of properties sold perspective, have been sliding steadily. 4Q19 activity was very strong and we were hoping that it was a sign that volume metrics were turning. After all, the longest slide we have seen in the volume metrics previously was 47 months during the Savings and Loan Crisis in the early 1990s. Those optimistic hopes were dashed by 1Q20 performance.

In 4Q19, there were \$9.4 billion of

investment sale transactions in Manhattan in the over \$10 million price category. That was the highest quarterly total going back to the first quarter of 2016 and led us to think that this surge in sales might be the



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beginning of an upward trend in sales volume. Sales volumes in Manhattan peaked in 2015 with \$57.5 billion in sales. Last year's total was approximately \$28.6 billion which was essentially flat from the 2018 total. While we were optimistic after the \$9.4 billion of sales in 4Q19, we did caveat that optimism by stating that one quarter of information does not a trend make. And that

caveat was supported by the lackluster start to the year.

In 1Q20, there was \$4.9 billion of Manhattan sales over \$10 million. This put the Manhattan market on pace for \$19.6 billion this year which would be down 31 percent from 2019 and down 66 percent from the

cyclical peak in 2015.

Different product types performed differently but they were all down except for one. The multifamily sector was surprisingly the best performing submarket where dollar volume actually showed \$1.2 billion of activity or \$4.8 billion on an annualized basis. This is on pace for an increase of 19 percent over 2019's numbers. All other property sectors were off tangibly. Office building activity was off 25 percent, land was down 27 percent, retail was off 48 percent and there were no hotels sold in 1Q20.

With regard to the number of properties sold, this metric was also disappointing. In 1Q20, there were 36 properties sold in Manhattan at prices over \$10 million. This puts the market on pace for 144 sales for the year which is pace to be down 34 percent from 2019's 217 sales and a whopping 70 percent below 2015's 481 sales over \$10 million.

The biggest concern these numbers create is the recognition that the current pandemic has had a minimal impact on these

numbers. There were a handful of transactions that did not close in late March due to the disruption but the overwhelming majority of deals that closed in 1Q20 were based upon contract signed in 4Q19 or prior, well before anyone was talking about a health crisis. We are not making any projections or forecasts about how the current crisis is going to impact things but the brunt of the impact is likely to be seen in 3Q20 numbers as we expect 2Q20 contract executions to be negatively impacted by the crisis.

At some point, volume has to come back. Our market has been, is and always will be cyclical and must turn around at some point. There are several dynamics that could increase sales volumes over the next several quarters, not the least of which is portfolio re-assessment and re-allocation, but that is another topic for another column. Meanwhile, stay safe and healthy.

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