Parsing New York's Investment Sales Market at Summer's End

It's hard to believe that this summer is almost coming to an end (I know, don't say it ...). It is the time when a lot of folks are taking their last summer vacations, spending time with family and preparing for the year-end push. In our New York City investment sales market, we are also expecting to see a flurry of activity right after Labor Day as current market conditions have forced many market participants to the sidelines to wait to see how things are going to shake out.

This week, we will take a look at where the market is, what is happening with different product sectors, and what we can anticipate as we enter the fall.

New York's investment sales market has been impacted greatly by inflation, rising interest rates and a host of other issues, including an uneven return to office.

Investment sales volume in the second quarter of the year showed an increase in the dollar volume of sales but a decrease in the number of properties sold. It is anticipated that third-quarter results will show reductions in both dollar volume and number of properties sold as multiple increases in interest rates have left many market participants sitting on the sidelines questioning what moves to make. Many of our clients have said to get back to them after Labor Day as they want to reassess their objectives prior to making any moves.

Summer is normally a time when we take stock of what happened during the first half of the year and make plans for getting things accomplished before the year's end. Given the length of the deal cycle in the property sales business, there are really only another couple of months to originate business opportunities that can close by the end of December.


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Therefore, a lot of the planning that we are doing now consists of planting seeds that will bloom in 2023. Meanwhile, the focus in the present environment is to get transactions closed by year end for clients who need or want to get them done.

While there are no potential tax implications on the horizon that could motivate participants to close transactions this year versus next, within the multifamily space there are motivations to get transactions closed this year as there are state legislative changes that might be adopted in the next legislative session that begins in January. We have several clients who are motivated to get transactions closed by year end to avoid any negative policy implications.

The multifamily market is surprisingly strong in the city today with upward pressure exerted on rents across the board. This is leading to tremendous demand from buyers in the market, particularly for buildings with high percentages of free-market apartments. Continued traction within the condominium market also is leaving multifamily investors feeling bullish about the future. There is also a feeling that the U.S. Supreme Court may impact rent regulation, which could profoundly affect dynamics within this sector.

Another sector of the market that is doing extremely well is the land market. That's encouraging because it is indicative of participant perspective on market conditions two to three years from today. Given the bullishness within this sector, we believe most market participants feel that the volatility within the interest rate environment and inflation will moderate within the next year or two, and will not be the issue that it is today three years from now. There will also likely be a new federal administration in place at that time.

The office and retail sectors of the market have seen less robust activity as the return-to-work dynamic is playing out more slowly than anticipated. Currently, physical occupancy in office buildings is only around 42 percent, which is having an obvious impact on the retail sector. Both of these sectors will benefit from folks getting back into the office.

Things are changing on a weekly basis, and the first few weeks after Labor Day will tell us a lot about where things are headed. We do expect a tangible increase in sales activity as refinancing at the same level as existing debt will be challenging for many owners.

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