

# Product Type Performance Thus Far in 2020

In my last column, we examined the performance of the Manhattan investment sales market during the first half of 2020. We saw that in 2Q20, in the over \$10 million sector of the market, there was \$1.28 billion of sales volume in Manhattan. This was the lowest quarterly total in almost 11 years going back to 4Q09. Combined with the 1Q20 total of \$4.9 billion puts the market on pace for \$12.4 billion for the year, which would be the lowest annual total going back to 2010, when the volume was \$11.9 billion. The dollar volume pace we are presently on would result in a total that is 57 percent below last year's total of \$28.6 billion and 78 percent below the 2015 peak of \$57.5 billion.

If we look at the number of transactions over \$10 million, we see a 2Q20 total of just 18 trades, the lowest quarterly total going back to 3Q09, in which there were 13 sales recorded. The 2Q20 total was down 50 percent from the 36 sales that occurred in 1Q20. It also puts the market on pace for 108 for the year, which would be down 50 percent from the 2019 total and down 78 percent from the 481 sales that

occurred in 2015.

This week we will take a look at how different product types performed and try to extrapolate what this performance might mean for the markets moving forward.



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From a dollar volume perspective, the hotel sector was the most adversely impacted, as 2Q20 total sales volume was \$110.5 million. In 1Q20 there were no recorded sales of hotels over \$10 million in Manhattan, so the first half of 2020 (1H20) pace puts the sector on pace for \$221 million for the year. This total would result in an 89 percent drop from the \$1.99 billion of sales volume in 2019 and an incredible

97 percent below 2015's \$7.2 billion total. With regard to the number of transactions over \$10 million in the sector, there was just one in 1H20 and that pace would be 82 percent below the 11 that occurred in 2019 and 94 percent below the 35 sales that occurred in 2016.

The retail property sector also had a rough first half of the year. In 2Q20, there was \$168.4 million of retail property sales in Manhattan, a 63 percent drop from 1Q20. The 1H20 pace is \$2.66 billion for the year, which would be

64 percent below 2019's \$3.55 billion total and 75 percent below 2015's record of \$5.1 billion. With regard to the number of retail assets sold in Manhattan above \$10 million in 2Q20, there was just one. The 1H20 total was 7, putting the sector on pace for 14 for the year. This would be down 60 percent from the 35 trades last year and down 79 percent from the 68 sales that occurred both in 2014 and again in 2015.

The land and development market saw \$125.4 million in sales volume in 2Q20. Adding in the \$405.7 million of volume in 1Q20, we see this sector on pace for \$1.06 billion for the year. This pace is 59 percent below 2019's \$2.6 billion total and 87 percent below the \$8.3 billion record we saw in 2015. In 2Q20, there were just two development sites sold over \$10 million in Manhattan, down from the nine that traded in 1Q20. The 22 sale pace for the year would result in a total that would be down 29 percent from the 31 trades in 2019 and 83 percent below the 129 sites that sold in 2015.

In the office sector we saw \$766 million of sales in 2Q20. With the \$2.8 billion in 1Q20 volume, the pace in the sector is running 51 percent below last year's total and 69 percent below \$23 billion that occurred in 2015. The

number of trades is on pace for 32 this year, a pace which is 45 percent below last year's total and 55 percent below the 80 office building sales that occurred in both 2015 and 2016. The average sales price of an office building sold in Manhattan in 2020 has been \$199 million, the lowest average in eight years going back to the \$134 million average in 2012.

The multifamily sector has performed the best during the first half of the year, which was on pace for \$2.66 billion for the year, which would be down 34 percent from the \$4 billion that occurred in 2019. This pace would be down 78 percent below the \$12.1 billion in 2015. However, 2Q20 performance in this sector was just \$113 million, a drop of 91 percent from the \$1.22 billion in 1Q20. The number of trades in this sector is on pace for 32 for the year, a 47 percent drop from 2019's 60 sales and 77 percent below the 140 trades that occurred over \$10 million in 2015.

These numbers are likely to get a bit worse in 3Q20, and we look forward to the days when the volume of sales, both dollar volume and number of properties sold, return to historical norms, which will absolutely occur. It is just a matter of time before we get there and, hopefully, not too much time.