AVISON YOUNG

Press Release

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Investment sales volume continues to decline, but dollar volume rises according to Avison Young second quarter 2019 report

New York City – In the second quarter of 2019, dollar volume for all Manhattan sales was **$4.8 billion, which is 10.0 percent lower than the trailing four-quarter average, according to <u>Avison Young's Second Quarter 2019 Property Sales Report</u>.** The quarter consisted **of 76 sales, which is 17.0 percent less** than the trailing four-quarter average.

Though the second quarter had the fewest number of trades out of the last four quarters, **the dollar volume was higher than the fourth quarter of 2018 and first quarter of 2019.** That being said, 46.0 percent of the dollar volume was attributed to the single trade at 30 Hudson Yards for $2.2 billion. Without it, the quarterly dollar volume would drop to $2.6 billion, the lowest quarterly average since 2010.

"After the sweeping rent regulation law was passed in Albany in June and on the heels of Amazon's departure, the New York City market is at an inflection point," notes **James Nelson, Principal and Head of Avison Young's Tri-State Investment Sales Group.** "As the market adjusts, it remains to be seen if investors will view this as an opportunity to buy with rates at all-time lows."

These are the major takeaways from the **<u>Avison Young Second Quarter 2019 Property Sales Report</u>.**

Multi-Family

The 39 multi-family sales for a combined $763 million in the second quarter of 2019, represented a 13.0 percent and 26.0 percent increase, respectively, relative to the first quarter. The first-half annualized total is projected at $2.9 billion which is a 15.0 percent reduction in dollar volume from 2018, while the projected 140 trades remained nearly flat from the 136 recorded last year. Expanding the picture to include pricing, cap rates are at 4.21 percent, a 39 basis point increase from the trailing four-quarter average while the $952 average price per square foot was 17.0 percent lower. Considering the anticipation and eventual severity of the Housing Stability and Tenant Protection Act of 2019, the pricing correction is not a surprise and the market will likely take some time to settle into a new normal.

Retail

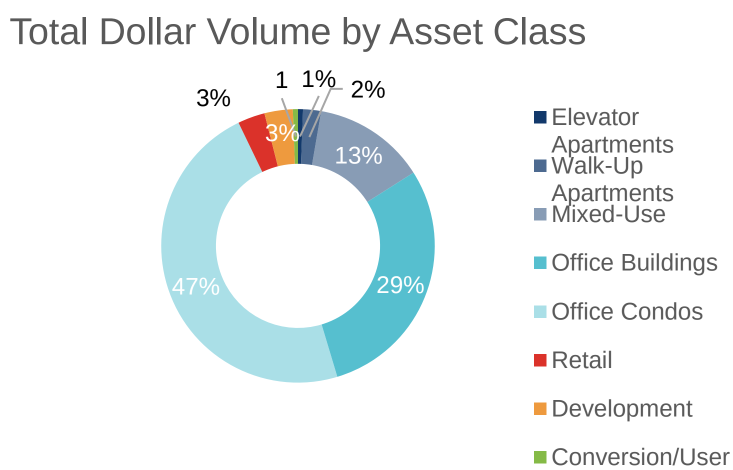
As the multi-year retail correction continues, transaction dollar volume and pricing have taken a significant hit. However, the year-over-year number of transactions have held relatively steady. This quarter, the eight investment-grade transactions totaled $153 million dollars – which, when combined with a similarly under-performing first quarter, represents the first year since 2013 when total dollar volume dropped below the $1 billion threshold. The relatively small sample size of trades in the quarter averaged a 5.95 percent cap rate and the average price per square foot of $2,006, representing a 108 basis point increase and 14.0 percent decrease, respectively.

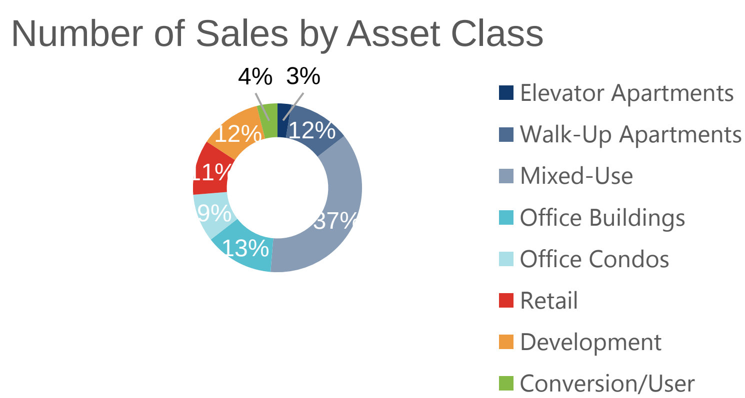
Office Buildings and Office Condos

Office building and office condominium sales represented 77.0 percent of the dollar volume in the second quarter, however the $2.2 billion sale-leaseback of the Time Warner condo at 30 Hudson Yards represented 46.0 percent of the market alone. Cap rates for office buildings held relatively flat at 4.56 percent while the sales of 875 Washington Street and 450 West 15th Street, each over $1,800 per rentable square foot, pushed the average price per square foot up by 23.0 percent to $1,135. This asset class continues to be one of the most sought after by investors, despite a dearth of supply on the market.

Development

The nine development sites that transacted for $159 million during the second quarter amounted to just over 200,000 buildable square feet at an average of $767 per buildable square foot. Development trades continued to see a focus on condominium developments and end-user scenarios in Manhattan where the land pricing disqualifies rental product. This number obscures the fact that development site pricing is heavily dependent on hyper-location and zoning, with pricing ranging from the just under $400 to over $1,200 per buildable square foot.





To review the full report, please click **HERE**.

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