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Manhattan Building Sales Plummet; Recovery Seen

By Paul Bubny

NEW YORK CITY—Judging by first-quarter results, Manhattan investment property sales for 2009 will achieve only a fraction of the volume seen in prior years, says a new report from Massey Knakal Realty Services. However, the report, prepared with advisory firm Miller Cicero, also predicts that velocity will pick up as the year progresses.

“The first quarter annualized sales figure suggests that ’09 will see an additional 59% decline in total dollar sales volume and a 68% decline in the number of sales,” writes John Cicero, managing principal of Miller Cicero, in an introduction to the report. “But we believe this figure to be deceptive because we anticipate activity to accelerate as the year progresses to compensate for fourth quarter 2008’s extraordinarily abysmal number of contract executions.”

Of the 47 building sales analyzed in the report—including the multifamily, office, mixed-use, retail, hotel and development sectors—only seven entailed prices of \$25 million or more, and only four properties sold for \$100 million or more. These included the [\\$355-million sale of 1540 Broadway](#) to CBRE Investors, the [\\$225-million sale-leaseback](#) of a commercial condo in the New York Times Building at 620 Eighth Ave., Sotheby’s [\\$370-million buyback](#) of its headquarters at 1334 York Ave. and Brack Capital’s \$121.2-million sale of the Hilton Garden Inn at 63-67 W. 35th St. to RLJ Development.

The report, which covers building sales below East 96th Street and below West 110th Street, shows that multifamily has held up best, in terms of the number of sales and, in some transactions, the sale price per square foot. Of the 22 Manhattan apartment buildings that traded in the first quarter, only three were elevator buildings. More than half of the sales were under \$5 million, and all but five were under \$10 million. “Unlike the larger (over \$50-million) assets, this sector of the market still has financing available, though at more conservative underwriting than in the past,” writes Cicero. He adds, “There has not been a sale of a \$100-plus-million class A apartment tower since mid-’08.”

The highest price per square foot in any of the quarter’s building sales was the \$3,220 per square foot paid for financier Daniel Loeb’s carriage house at 7 MacDougal Alley in the \$5.5-million purchase by art gallery director Gordon Veneklasen. That compares with, say, the \$392 per square feet paid for 1540 Broadway, which sold this year for slightly more than one-third the \$967.5 million Macklowe Properties paid for it in 2007.

The report indicates that the retail and mixed-use sectors have experienced downward pressure, due to the increased retail vacancy rate citywide and many investors now expecting in-place returns at or above 6%. As a result, cap rates in the retail sector are up by about 150-200 basis points, according to the report.

Of the three Manhattan development sites that were sold in Q1, two were sold to end users and the third was a small parcel that was to be part of an assemblage. “For the most part, the market for development sites remains at a standstill,” the report states.

Kyle Mast, managing director at Massey Knakal, says in a release that the period covered in the report is the first to reflect the market mentality created by the near-collapse of the financial markets last fall. “The world changed on Sept. 15, ’08 and any information prior to that date is irrelevant when calculating today’s values,” says Mast.

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