

New York City

Q1-2022 Market Report

HKS REAL ESTATE ADVISORS

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Overview

Recovery

That is the key word for NYC investment sales in 2022. After the depths of the pandemic in 2020 and 2021, when transactions were severely depressed in number and dollar volume, the market this year is showing strong signs of getting back on track.

As usual in NYC, Manhattan saw the highest dollar volume, followed in order by Brooklyn. The figures are reversed when looking at transaction volume however, with Manhattan coming in third after Brooklyn and Queens. Covid caused a reshuffle in the primacy of different asset classes in the city. Hospitality, office and retail, long key drivers of Manhattan real estate, have faltered in the last couple of years as the pandemic ground tourism to a halt, while lockdowns severely limited foot traffic. Additionally, work-from-home (WFH) policies have exacerbated both of those trends, leading to a market that became essentially flipped on its head overnight. In 2022, multifamily and industrial will be top of people's minds, with life science space also prominent though comparatively less so in the NYC market.

The multifamily market is being buoyed by a frenzy in the rental market, with the city experiencing all-time highs in rental rates – Manhattan stands at \$3,800 (+36% YoY) at the end of Q1 and Brooklyn at \$2,800 (+17% YoY). On the investment sales front, pricing hasn't recovered since the new draconian rent laws were passed in 2019, but significant upside exists.

Recovery

The office market, once Manhattan's darling (it has the most office space of any city around the world), continues to be affected by Covid. Lockdowns and the sudden adoption of teleworking changed the paradigm of white-collar work. It may never revert to the way it was, so office should be approached with caution until a new normal can be determined. There is more to the story if you peek under the hood, however. There has been a significant divergence in the market, with newly delivered, amenity-laden Class A product performing very strongly, and in some cases setting records. The older stock is struggling to attract demand however, as tenants now flock to quality assets to entice their workforce to attend the office in person.

Industrial, and especially warehouse space, has become the hottest product on the market, particularly beyond Manhattan. There is a dichotomy in this space as well, however, with newly built prime product significantly outperforming smaller dated properties without the same features and connectivity. The life science sector has been a strong pandemic performer nationwide though it remains a relatively small sector in New York.

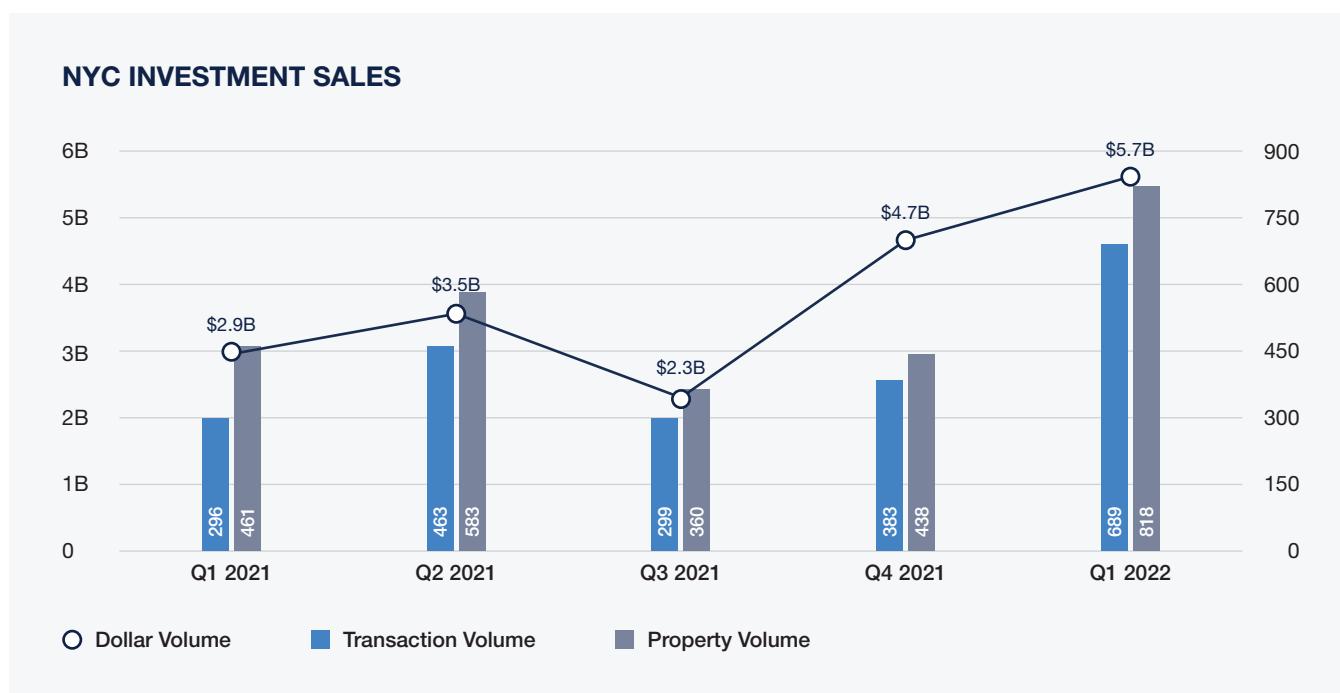
The retail and hospitality markets continue to face headwinds, but things are looking rosier in 2022 as restrictions recede. In the case of retail, the three key drivers – a deep residential base, tourism and office commuters – are slowly coming back, particularly a surging residential sector.

Overview

Tenants are signing leases again, though lower rates and flexibility are very prevalent. Rents have now declined for 18 consecutive quarters. Manhattan remains the most popular tourist destination in the United States, though naturally well-below 2019 levels, especially when it comes to foreign tourists. As travel restrictions ease and business travel makes a comeback, expect hospitality to perform strongly going forward.

Development sites traded at a healthy clip in Q1 but significant questions loom in the multifamily sector as the essential 421a tax abatement program approaches expiration with no replacement in sight.

End-user property sellouts have been very strong in Q1, going from strength to strength as the city recovers from the depths of the pandemic. New-development sales reached an all-time high in Q1.



Breakdown By Borough



	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	QoQ	YoY
MANHATTAN							
Dollar Volume	\$1,839,824,000	\$1,531,716,636	\$1,075,688,249	\$2,223,326,554	\$2,609,435,282	17%	42%
Transaction Volume	35	89	63	80	106	33%	203%
Property Volume	N/A	110	70	84	137	63%	N/A
N. MANHATTAN							
Dollar Volume	\$120,176,000	\$136,779,323	\$18,415,000	\$47,707,776	\$147,897,000	210%	23%
Transaction Volume	15	26	7	15	24	60%	60%
Property Volume	N/A	36	8	19	27	42%	N/A
BROOKLYN							
Dollar Volume	\$576,000,000	\$781,419,474	\$415,751,447	\$919,314,804	\$1,316,124,447	43%	128%
Transaction Volume	143	181	121	151	303	101%	112%
Property Volume	N/A	228	146	173	330	91%	N/A
QUEENS							
Dollar Volume	\$323,000,000	\$547,216,495	\$489,946,430	\$1,076,574,786	\$1,108,348,149	3%	243%
Transaction Volume	71	110	67	86	180	109%	154%
Property Volume	N/A	136	80	101	229	127%	N/A
BRONX							
Dollar Volume	\$121,000,000	\$496,878,179	\$297,341,154	\$449,089,438	\$500,549,996	11%	314%
Transaction Volume	32	57	37	50	77	54%	141%
Property Volume	N/A	68	55	58	96	66%	N/A

Breakdown by Property Type



Q1 2022 / vs Q4 2021

PROPERTY TYPE	TOTAL AMOUNT	% CHG.	# OF SALES	% CHG.	# OF PROPERTIES	% CHG.	AVG. \$/SF	% CHG.
Multifamily	\$2,139,453,209	+139%	297	+286%	339	+304%	\$542	+12%
Mixed-Use	\$587,740,533	+103%	149	+116%	152	+117%	\$593	+3%
Office	\$779,697,000	+16%	27	-4%	28	-15%	\$506	-21%
Retail	\$297,101,343	-3%	55	-5%	65	+3%	\$781	+0%
Development	\$881,009,254	-23%	69	+25%	118	+46%	\$260	+38%
Industrial	\$494,394,871	-31%	55	+4%	66	+3%	\$636	+17%
User Property	\$268,737,490	-5%	27	-16%	31	-6%	\$1,836	+9%
Hotel	\$154,445,041	-21%	27	N/A	32	N/A	\$626	-17%
Other	\$51,728,132	-76%	6	-25%	8	+0%	\$367	-24%
GRAND TOTAL	\$5,697,736,344		699		829		\$662	

Top Highlighted Transactions

AMERICAN COPPER BUILDINGS



Multifamily, Elevator Building

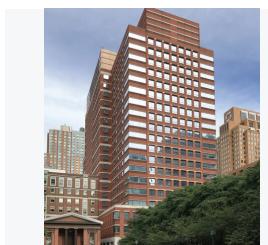
Price: \$837,000,000

Price/SF: \$907

Date: 3/1/2022

Cap Rate: ???

METROTECH/BROOKLYN COMMONS



Office

Price: \$185,500,000

Price/SF: \$455

Date: 2/1/2022

Cap Rate: ???

4316-4330 24TH STREET PORTFOLIO, QUEENS



Development Site

Price: \$176,000,000

Price/BSF: 303

Date: 3/16/2022

Cap Rate:

AUDUBON AVE & W 182 & W 185TH ST & W 184TH ST & W 186TH ST & W 187TH ST PORTFOLIO



Multifamily Portfolio

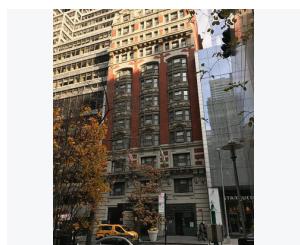
Price: \$71,659,752

Price/SF: \$248

Date: 3/4/2022

Cap Rate: ???

THE HOTEL AT TIMES SQUARE



Hotel

Price: \$59,500,000

Price/SF: \$591

Date: 2/11/2022

Cap Rate: ???

3350 PARK AVE & N/A E 166TH STREET PORTFOLIO



Industrial

Price: \$64,000,000

Price/SF: \$462

Date: 3/1/2022

Cap Rate: ???

276 GRAND CONCOURSE, BRONX



Mixed Use, New Development

Price: \$50,325,000

Price/SF: \$259

Date: 2/25/2022

Cap Rate: ???

257 WATER STREET, MANHATTAN



Multifamily, Prewar Landmark building

Price: \$24,500,000

Price/SF: \$946

Date: 1/25/2022

Cap Rate: ???

Capital Markets Division Insights and Trends

2785 BROADWAY,
NEW YORK, NY 10025



Refinance of a seven story, 30,000 square foot mixed-use building comprised of 4,380 rentable square feet of retail space and 65 residential units. 2 year term, interest only, 80% LTV, \$20,000,000 loan amount.

3444 MAIN HIGHWAY
& 3140 GRAND AVENUE



Refinance of a commercial asset subdivided into three parcels (two parcels comprised of 23 commercial units, one parcel comprised of 112 parking spaces). Closed at 3.9% for a 5 year deal.



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