New York City

Q1-2023
Market Report

HKS REAL ESTATE ADVISORS

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Q1 2023 Quarterly Recap

NYC INVESTMENT SALES

The recent trend of declining transaction volume continued in Q1 of 2023. In fact, investment sales in New York City declined by 31% from the previous quarter and are on track for their worst result since the Global Financial Crisis.

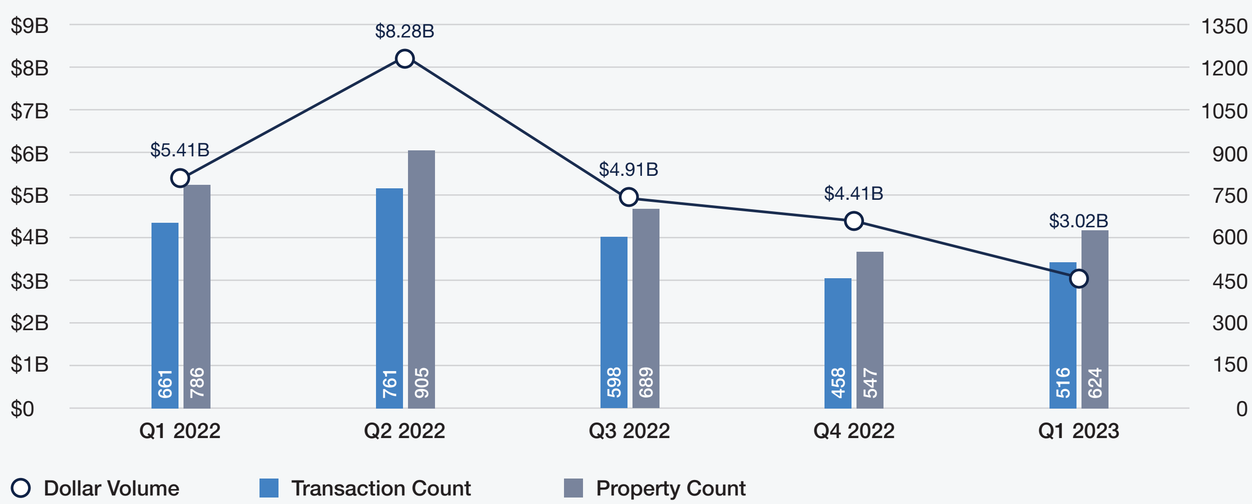
As the rate increase cycle marches on, capital continues to get more expensive. This affects the market in a few ways. First, participants seem to be in 'wait and see mode', as significant uncertainty remains around the terminal Fed Funds rate and the length of the elevated rate level. For those that are actively searching opportunities, the current cost of funds translates to significantly widened underwriting cap rates, depressed valuations and low offers. The high cost of funding has been compounded by a significant retrenchment in CRE lending following the collapse of Silicon Valley Bank (SVB) and Signature Bank in March. Banks, now with a keen eye on risk, are leery of extending credit, unless they do so to the safest borrowers, the best assets, or with much more conservative underwriting.

This has caused a dislocation as sellers who aren't in distress or who don't have approaching debt maturities have not been motivated to transact. The flipside of this dynamic is that many sponsors will need to roll over financing in this environment, and we expect many will choose to sell rather than to recapitalize their properties with significant amounts of additional equity.

For this reason, markets should unfreeze in the coming quarters, even if monetary policy remains restrictive, because the current capital markets environment is sure to cause significant stress and forced dispositions. As we have been saying for a few quarters running, this will create great opportunities for well-capitalized investors to acquire strong assets at attractive valuations.

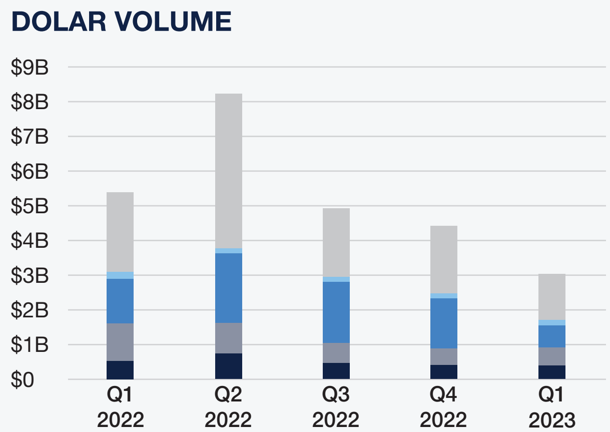
City-wide transaction prices per square foot (PPSF) came in at $599 in Q1. Average multifamily PPSF were $349 for the quarter. Manhattan led the outer boroughs volume and price-wise, registering over 44% of all transaction volume at $1.34 billion and an average PPSF of $923 across property types.

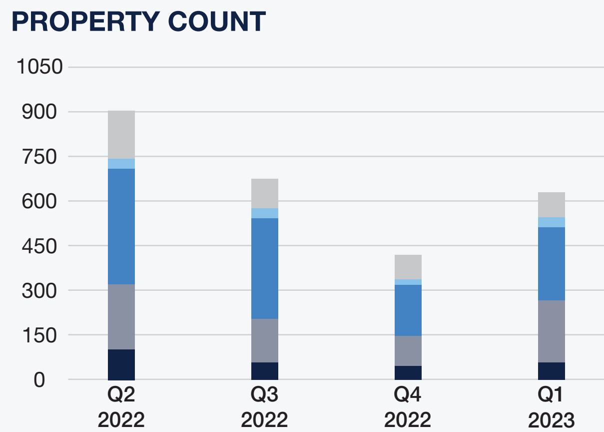
NYC INVESTMENT SALES



Dollar Volume	Transaction Count	Property Count	Average Price/SF
$3.02B	516	624	$599
-31% vs. Q4 22 / -44% vs. Q1 22	+13% vs. Q4 22 / -22% vs. Q1 22	+14% vs. Q4 22 / -21% vs. Q1 22	-18% vs. Q4 22 / +7% vs. Q1 22

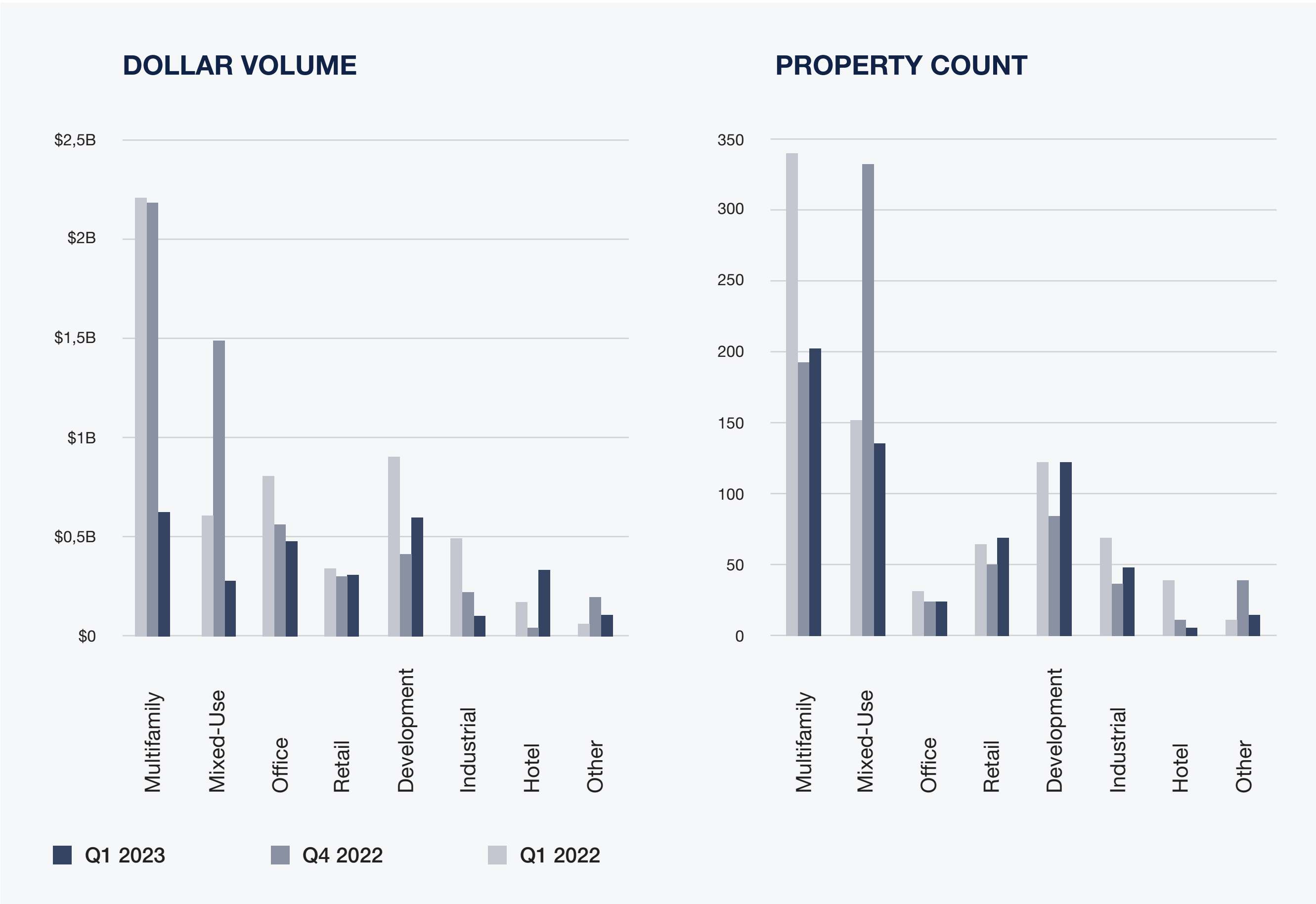
Breakdown By Borough





	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	QoQ	YoY
MANHATTAN							
Dollar Volume	$2,340,697,792	$4,420,586,032	$1,997,500,835	$2,090,678,394	$1,339,918,663	-36%	-43%
Transaction Count	77	129	94	74	72	-3%	-6%
Property Count	106	156	99	84	89	6%	-16%
N. MANHATTAN							
Dollar Volume	$145,122,000	$65,662,078	$118,344,046	$38,207,996	$106,781,768	179%	-26%
Transaction Count	22	20	22	10	19	90%	-14%
Property Count	26	22	35	10	28	180%	8%
BROOKLYN							
Dollar Volume	$1,316,124,447	$2,037,594,664	$1,781,871,452	$1,477,684,737	$692,211,446	-53%	-47%
Transaction Count	303	352	298	200	226	13%	-25%
Property Count	330	390	342	254	245	-4%	-26%
QUEENS							
Dollar Volume	$1,105,498,149	$989,662,078	$672,967,513	$491,087,502	$582,693,319	19%	-47%
Transaction Count	180	170	133	111	143	29%	-21%
Property Count	229	223	150	138	195	41%	-15%
BRONX							
Dollar Volume	$500,549,996	$769,878,461	$342,047,287	$310,109,270	$298,174,368	-4%	-40%
Transaction Count	77	91	51	43	56	30%	-27%
Property Count	96	114	63	61	67	10%	-30%
NYC TOTAL							
Dollar Volume	$5,405,217,384	$8,282,789,997	$4,912,731,133	$4,407,767,898	$3,019,779,564	-31%	-44%
Transaction Count	661	761	598	458	516	13%	-22%
Property Count	786	905	689	547	624	14%	-21%

Breakdown by Property Type



QoQ & YoY

PROPERTY TYPE	TRANSACTION VOLUME			TRANSACTION COUNT			PROPERTY COUNT			PRICE/SF		
	Current	QoQ	YoY	Current	QoQ	YoY	Current	QoQ	YoY	Current	QoQ	YoY
Multifamily	$627,100,280	-70%	-71%	184	10%	-38%	203	6%	-40%	$349	-23%	-32%
Mixed-Use	$266,924,675	-58%	-55%	126	-11%	-15%	142	-57%	-7%	$469	33%	-11%
Office	$473,863,600	-14%	-39%	18	-14%	-33%	23	10%	-18%	$648	-4%	28%
Retail	$289,237,114	9%	-3%	46	10%	-16%	62	24%	-5%	$730	-26%	-7%
Development	$584,413,383	53%	-34%	80	57%	16%	120	46%	2%	$213	-8%	-14%
Industrial	$154,433,000	-30%	-69%	31	15%	-44%	47	38%	-29%	$296	-34%	-36%
Hotel	$368,760,286	641%	139%	6	50%	-78%	6	0%	-81%	$1,112	147%	79%
Other	$142,070,701	-19%	175%	15	-38%	150%	15	-52%	88%	$588	-53%	75%
TOTAL	**$3,019,779,564**	-31%	-44%	**516**	13%	-22%	**624**	14%	-21%	**$599**	-10%	7%

Top Highlighted Transactions

13-17 LAIGHT STREET, MANHATTAN


Source: Google Street View

Office

- Price: $273,500,000
- Price/SF: $2,796
- Date: 02/15/2023
- SF: 97,814

2125 13TH AVENUE, QUEENS


Source: Google Street View

Industrial

- Price: $215,471,500
- Price/Lot SF: $315
- Date: 01/06/2023
- Lot SF: 684,857

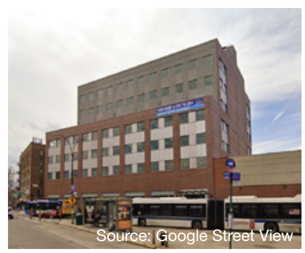
NEW YORK MARRIOTT EAST SIDE, MANHATTAN


Source: Google Street View

Hotel

- Price: $153,417,490
- Price/SF: $378
- Date: 01/27/2023
- Keys: 646
- SF: 406,261

3250, 3278 WESTCHESTER AVENUE, 3651 BRUCKNER BOULEVARD, BRONX


Source: Google Street View

Development

- Price: $57,044,793
- Price/BSF: $154
- Date: 03/08/2023
- Lot SF: 77,192
- SF: 211,332

40 WEST 68TH STREET, MANHATTAN


Source: Google Street View

Other

- Price: $50,000,000
- Price/SF: $2,081
- Date: 02/06/2023
- SF: 24,030

50 NORTH FIRST STREET, BROOKLYN


Source: largonyc.com

Multifamily

- Price: $34,926,000
- Price/SF: $639
- Date: 01/30/2023
- Units: 46
- SF: 54,698

Debt Capital Markets

Benchmark rates gyrated wildly in Q1, driven by the opposing forces of monetary tightening and investor flight to safety. SOFR continued its steady climb upward, reaching 4.84% by the end of the quarter, up from 4.31% at the end of last. The Treasury market, however, saw a great deal of volatility, with yields driven up by Federal quantitative tightening (QT) efforts and pushed down by market fears as a result of the March banking crisis caused by the collapse of SVB and Signature Bank. The 10-year started the quarter at 3.88% and ended at 3.49%, but reached a high of 4.07% in the intervening period.

Not surprisingly, bank CRE lending has slowed down significantly. The rapid collapse of firms previously considered safe has driven banking institutions to preserve capital in an effort to prevent similar damage in the case of sudden deposit flight. This has been further compounded by industry concerns about the health of the CRE space in the face of much higher debt service costs, especially so for the office sector.

Private lenders and life insurance companies have stepped into the breach to some extent, but not nearly enough to cover the drop-off from banks. Also, they are doing so on a very selective basis and with conservative underwriting standards.

CMBS and CRE CLO issuance was anemic in Q1, reaching an 11-year low, down 76.7% from the same period last year. Loans have had to be held in inventory as market volatility has made securitizations very tricky.

Agencies continue to provide liquidity to the market, but are still experiencing significantly depressed production volumes compared to prior years.

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