

New York City

Q4-2023 Market Report

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Q4 2023 Quarterly Recap

NYC INVESTMENT SALES

OVERVIEW

New York City investment sales sent out mixed signals in the 4th quarter. Transaction volume totaled \$4.07 billion for the period, roughly on par with the \$4.04 billion of Q3 2023 (QoQ) and higher than the \$3.55 billion of Q4 2022 (YoY). The number of transactions, however, declined sharply QoQ and YoY, with Manhattan and Brooklyn particularly affected. A handful of large transactions papered over the cracks to arrive at a reasonable dollar volume. This illustrates a market that is still not entirely healthy.

Volume-wise, Manhattan saw a slight uptick and other boroughs remained at similar levels as the prior quarter. The notable exception was Brooklyn, which saw its lowest volume since at least Q4 2021, when we began tracking data. As with previous quarters, this depressed deal volume illustrates the restrictive effect of recent monetary policy, though yields have begun to rally and markets are seeing the early stages of a thaw in activity.

SECTOR PERFORMANCE

Manhattan multifamily values have been declining in the last 24 months, albeit gradually. Average price per square foot (PPSF) stood at \$743 for the last 3 months, while average price per unit (PPU) was \$712K. These figures were \$821 and \$762K in the trailing 12-month period. Other borough price movements have been mixed.

Retail was the big winner this quarter, registering over \$1.04 billion in volume, largely driven by the blockbuster Prada acquisition on 5th Avenue. Multifamily volume was down 48% QoQ and 68% YoY as the bid-ask gap in the market persists and widespread loan extensions delayed a reckoning. City-wide transaction PPSF ticked up slightly from last quarter, likely boosted by the massive \$4,977 PSF Prada transaction.

MARKET DYNAMICS

The market is not entirely out of its multi-year slump, but significant optimism is returning. Though bid-ask spreads remain an issue, index rates have reached their likely end-state so the lending markets should begin opening up again somewhat.

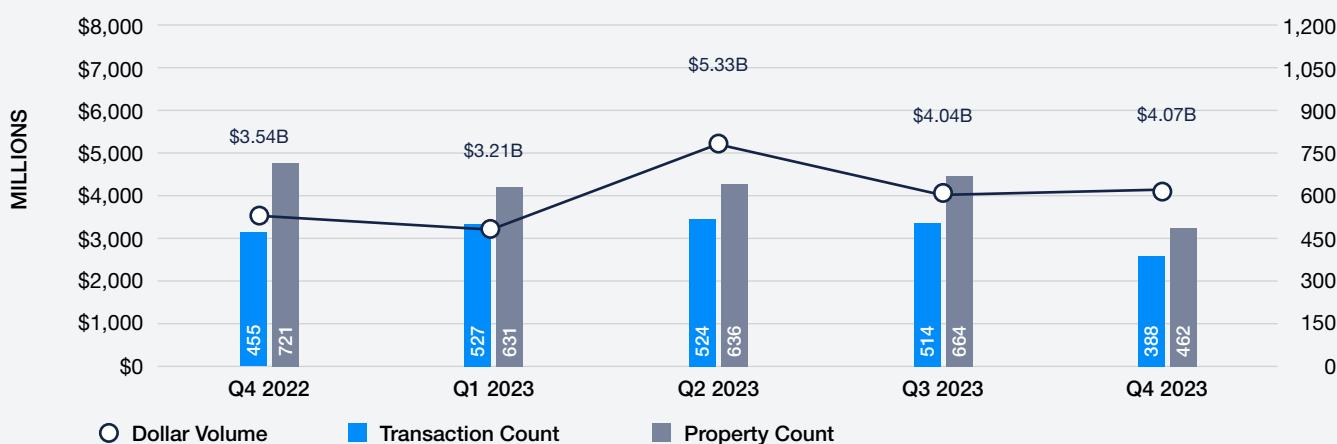
OUTLOOK

The Federal Reserve's recent rate pause and dovish forward guidance has been a major boost for the market. Our prediction of an early 2024 market rally remains in view as monetary conditions begin to ease and price visibility returns to the market. There is a strong probability of significant distress in the CRE ecosystem however, so opportunistic buyers should stay vigilant. 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.

2023 YEAR IN REVIEW

The full-year transaction volume for NYC investment sales came in at \$16.66 billion, well below the \$27.65 billion from the prior year (down 40%). This was the result of a wide bid-ask spread in the market caused by a sharp rise in funding rates, coupled with a lag in seller pricing expectations. Distress drove some transactions, but lenders cooperated with loan extensions or modifications, which prevented wider dislocation. Meanwhile, many would-be buyers took a wait-and-see approach, affected by ballooning cost of capital and anticipating better buying opportunities in the future.

NYC INVESTMENT SALES



Dollar Volume
\$4.07B

+1% ↑ vs. Q3 23 +15% ↑ vs. Q4 22

Transaction Count
388

-25% ↓ vs. Q3 23 -15% ↓ vs. Q4 22

Property Count
462

-30% ↓ vs. Q3 23 -36% ↓ vs. Q4 22

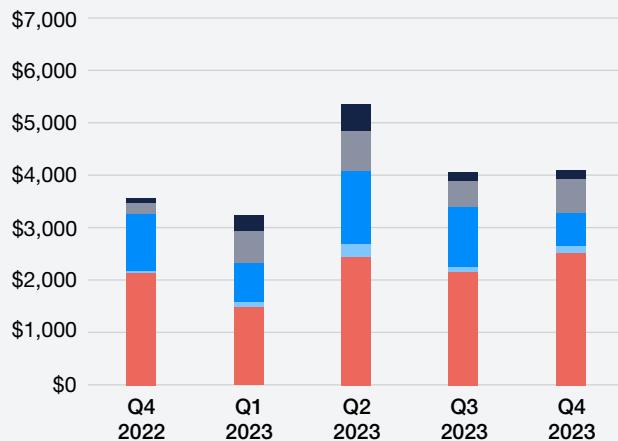
Average Price/SF
\$549

+3% ↑ vs. Q3 23 -13% ↓ vs. Q4 22

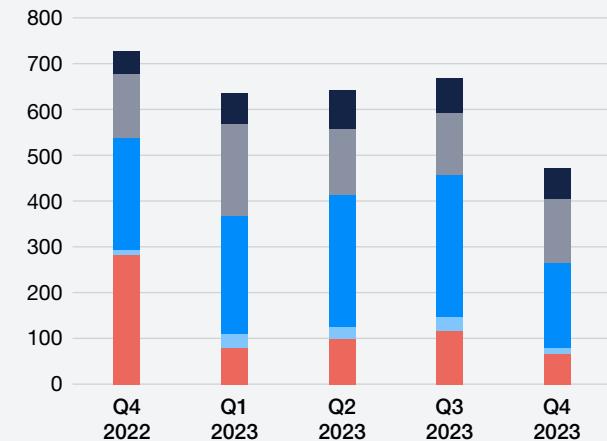
Q4 2023 / MARKET REPORT

Analysis By Borough

DOLLAR VOLUME



PROPERTY COUNT



| | Q4 2022 | Q1 2023 | Q2 2023 | Q3 2023 | Q4 2023 | QoQ | YoY |
|-------------------|-----------------|-----------------|-----------------|-----------------|-----------------|------|------|
| MANHATTAN | | | | | | | |
| Dollar Volume | \$2,132,876,579 | \$1,477,643,663 | \$2,438,192,841 | \$2,143,824,156 | \$2,501,386,965 | 17% | 17% |
| Transaction Count | 87 | 72 | 82 | 84 | 64 | -24% | -26% |
| Property Count | 282 | 80 | 101 | 116 | 67 | -42% | -76% |

N. MANHATTAN

| | | | | | | | |
|-------------------|--------------|---------------|---------------|---------------|---------------|------|------|
| Dollar Volume | \$37,488,377 | \$106,781,768 | \$244,694,994 | \$100,290,339 | \$135,403,690 | 35% | 261% |
| Transaction Count | 11 | 19 | 24 | 19 | 10 | -47% | -9% |
| Property Count | 11 | 30 | 24 | 30 | 11 | -63% | 0% |

BROOKLYN

| | | | | | | | |
|-------------------|-----------------|---------------|-----------------|-----------------|---------------|------|------|
| Dollar Volume | \$1,068,618,456 | \$737,576,446 | \$1,369,140,443 | \$1,125,749,776 | \$631,547,054 | -44% | -41% |
| Transaction Count | 214 | 234 | 241 | 251 | 157 | -37% | -27% |
| Property Count | 241 | 255 | 287 | 309 | 183 | -41% | -24% |

QUEENS

| | | | | | | | |
|-------------------|---------------|---------------|---------------|---------------|---------------|-----|------|
| Dollar Volume | \$223,294,007 | \$598,407,607 | \$773,774,544 | \$496,557,816 | \$629,807,015 | 27% | 182% |
| Transaction Count | 112 | 146 | 123 | 102 | 109 | 7% | -3% |
| Property Count | 139 | 199 | 141 | 134 | 136 | 1% | -2% |

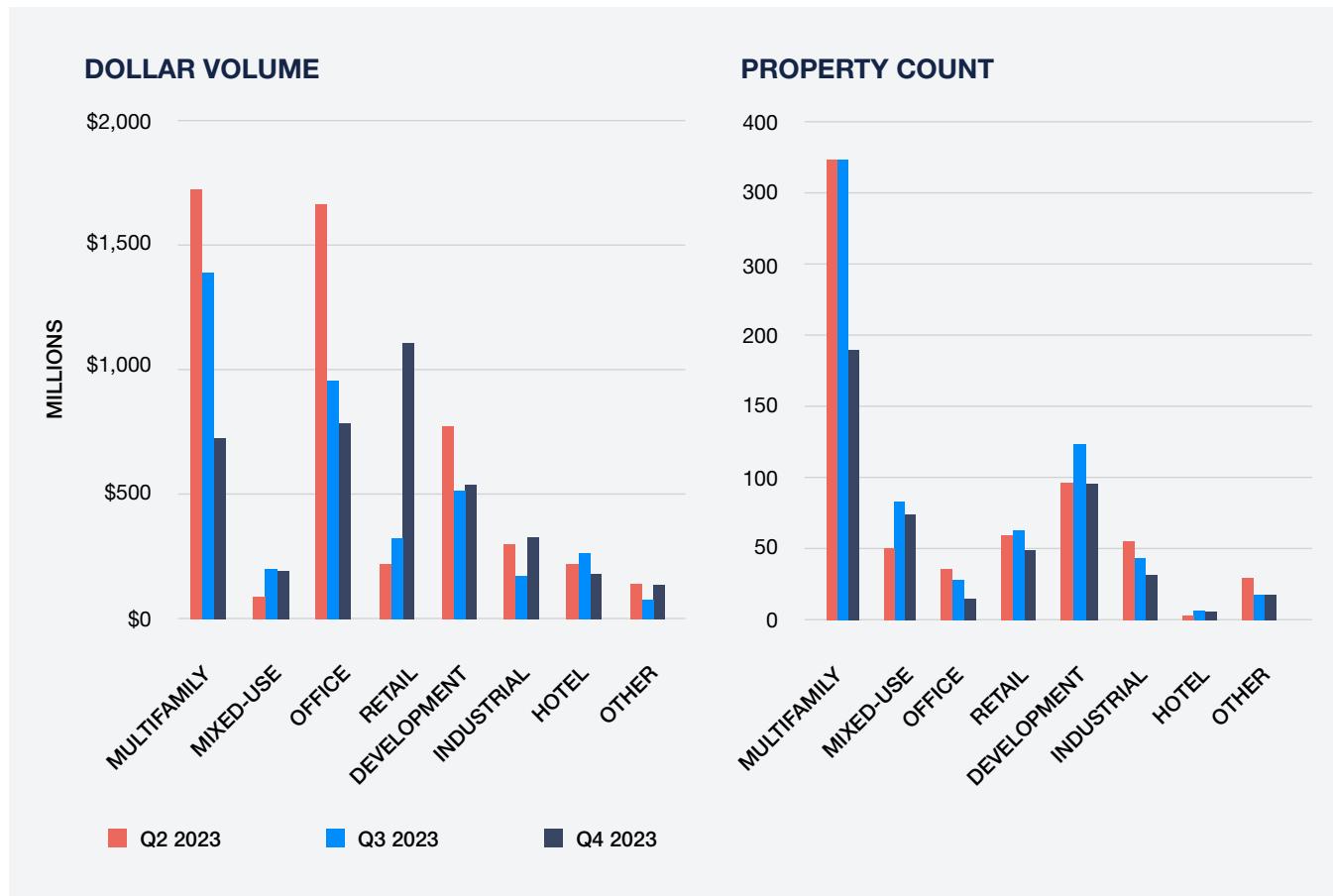
BRONX

| | | | | | | | |
|-------------------|--------------|---------------|---------------|---------------|---------------|------|------|
| Dollar Volume | \$83,247,000 | \$296,824,368 | \$504,762,695 | \$177,617,338 | \$172,833,310 | -3% | 108% |
| Transaction Count | 31 | 56 | 54 | 58 | 48 | -17% | 55% |
| Property Count | 48 | 67 | 83 | 75 | 65 | -13% | 35% |

NYC TOTAL

| | | | | | | | |
|-------------------|-----------------|-----------------|-----------------|-----------------|-----------------|------|------|
| Dollar Volume | \$3,545,524,418 | \$3,217,233,852 | \$5,330,565,517 | \$4,044,039,424 | \$4,070,978,034 | 1% | 15% |
| Transaction Count | 455 | 527 | 524 | 514 | 388 | -25% | -15% |
| Property Count | 721 | 631 | 636 | 664 | 462 | -30% | -36% |

Analysis 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 | \$754,847,075 | -48% | -68% | 174 | -32% | 12% | 190 | -41% | 4% | \$509 | -8% | 5% |
| Mixed-Use | \$195,956,027 | -4% | -59% | 70 | -8% | -46% | 73 | -11% | -77% | \$576 | -11% | -10% |
| Office | \$818,954,659 | -18% | 830% | 12 | -50% | -45% | 13 | -43% | -41% | \$719 | 25% | 3% |
| Retail | \$1,049,560,094 | 237% | 713% | 38 | -5% | 0% | 44 | -21% | -2% | \$923 | 53% | -1% |
| Development | \$568,619,750 | 5% | 254% | 48 | -31% | -13% | 89 | -23% | 1% | \$322 | 21% | -45% |
| Industrial | \$344,297,899 | 87% | 104% | 26 | -7% | 0% | 30 | -27% | 0% | \$597 | -7% | 25% |
| Hotel | \$191,712,531 | -31% | 373% | 6 | -14% | 100% | 6 | -14% | 50% | \$627 | -6% | 44% |
| Other | \$147,030,000 | 71% | 8% | 14 | 0% | -46% | 17 | 0% | -48% | \$427 | -11% | -69% |
| TOTAL | \$4,070,978,034 | 1% | 15% | 388 | -25% | -15% | 462 | -30% | -36% | \$549 | 3% | -13% |

Top Highlighted Transactions

720 & 724 5TH AVENUE, MANHATTAN



Retail
Price: \$835,000,000
Date: 12/20/2023
SF: 167,769
Price/SF: \$4,977
Buyer: Prada

1710 BROADWAY, MANHATTAN

RUI HOTEL



Development
Price: \$172,800,000
Date: 10/05/2023
Buildable SF: 241,346
Price/BSF: \$716

3409 COLLEGE POINT BLVD, QUEENS

LIFE STORAGE



Self Storage
Price: \$72,000,000
Date: 12/01/2023
SF: 158,669
Price/SF: \$454

9958 66TH AVE, QUEENS



Multifamily
Price: \$48,000,000
Date: 11/30/2023
SF: 338,016
Price/SF: \$142
Total Units: 310
Price/Unit: \$154,838

625 MADISON AVENUE, MANHATTAN



Office
Price: \$633,000,000
Date: 12/4/2023
SF: 583,000
Price/SF: \$1,086

292 FIFTH AVE, MANHATTAN

LE MERIDIEN HOTEL



Hotel
Price: \$76,339,745
Date: 12/08/2023
SF: 78,211
Price/SF: \$976
Total Keys: 179
Price/Key: \$426,479

540 ATLANTIC AVE, BROOKLYN



Development
Price: \$38,000,000
Date: 10/05/2023
Buildable SF: 113,428
Price/BSF: \$335

100 CHRISTOPHER ST, MANHATTAN



Multifamily
Price: \$30,020,000
Date: 10/23/2023
SF: 21,849
Price/SF: \$1,374
Total Units: 40
Price/Unit: \$750,500

Debt Capital Markets

MACRO ENVIRONMENT

Although the Federal Reserve has yet to cut rates, we have seen some easing of yields which has resulted in lower all-in rates across the board. In addition to this positive movement, we are now expecting at least one rate cut in 2024, and possibly up to three. The 10Y Treasury dropped to approximately 4% and the 5Y Treasury is hovering within a similar range.

ISSUANCE AND LENDING CLIMATE

CMBS issuance is active and works best for borrowers who do not intend to create a depository relationship and are seeking to avoid personal guarantees.

Regional and community bank lending remains tight, with many institutions retaining in risk-off mode. Banks are requiring significant client deposits in order to fund transactions.

CONSTRUCTION FINANCING

The construction financing space remains active. Banks, however, have largely retreated from this space, which is now occupied by debt funds. Projects need to have strong untrended figures, as lenders are not underwriting to rental projections across all markets.

OUTLOOK

We expect market conditions to improve significantly in 2024. As rate stability comes into view and funding rates settle at a more palatable level, lending institutions will want to put a disappointing 2023 behind them by ramping up issuance levels.



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