

Development Report 3Q19

Avison Young Tri-State Investment Sales

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Consistent with the broader NYC Investment Sales market, there were fewer sales of development sites in 3Q19. The number of NYC development site sales in 3Q19 dropped to 18*, down 47% from 34 transactions in 2Q19. This dip in activity is a result of fewer deals going into contract during the second quarter, possibly due to market uncertainty stemming from the June announcement of rent reform laws.

Despite the slowdown in activity, pricing metrics for land have only been slightly impacted. Land prices in the outer boroughs were consistent with activity seen earlier in the year. In Queens, for instance, the average price per BSF was \$279 in 3Q19, up 13% from an average price of \$247 per BSF in 2Q19. Those numbers include sales of sites located in Qualified Opportunity Zones which, if isolated, traded at a much lower average of \$172 per BSF, effectively bringing down the overall metrics for the borough. Despite the tax incentives associated with QOZ sites, the sites are typically located in less desirable areas that have lower projected rental rates and therefore lower residual values for the land.

**Residential development sites that sold for \$5 million and above*

In Brooklyn, the average price per BSF was \$308 in 3Q19, down 9% from an average price of \$339 per BSF in 2Q19. Likewise, those numbers include sales of several QOZ sites which, if isolated, traded at an average of \$293 per BSF.

Manhattan land values experienced the largest swing albeit with the smallest sample size in 3Q19; four sales totaling 520,000 buildable square feet with an average price of \$618 per BSF, marking a 15% slide from an average of \$724 per BSF in 2Q19 and a decline of 11% from the trailing four quarter average.

There was one development sale in the Bronx in 3Q19, recorded at \$154 per BSF.

Looking forward, we will closely monitor activity in the fourth quarter. If the dip in the third quarter was due to market uncertainty from the second quarter, then we should witness more deals close in the fourth quarter as a result of increased third quarter activity and a flight of capital from the multifamily sector into the development sector. Coupled with the flurry of activity that typically takes place around the end of the year, we are optimistic for a resilient close to 2019.

Manhattan Market Snapshot - 3Q19



\$321M

Total Dollar Volume

↓-51%*



4

Number of Sales

↓-70%*



520k

Total BSF

↓-86%*



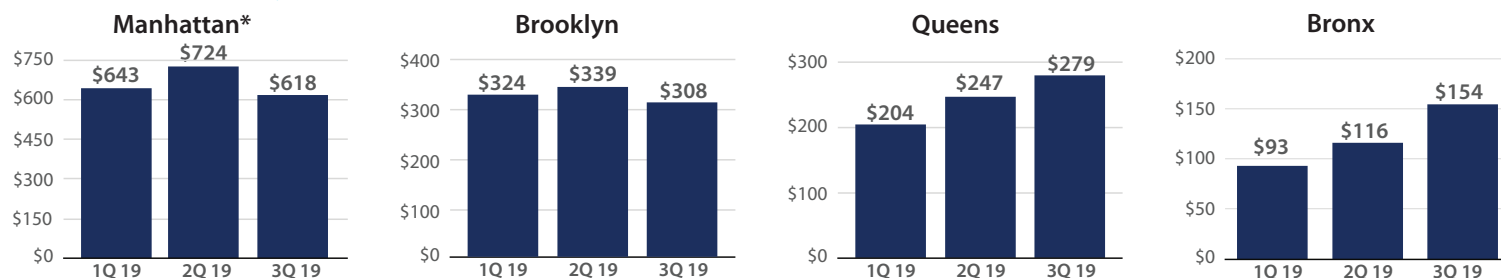
\$618

Average Price BSF

↓-11%*

**Percent change from trailing four quarter average*

Average \$/BSF by Borough, Transactions \$5 Million and Above



**Excludes Northern Manhattan*

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