AVISON YOUNG

Press Release

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Investment sales volume in fourth quarter sees uptick as dollar volume rises according to Avison Young fourth quarter 2019 report

New York City, NY – In the fourth quarter of 2019, dollar volume for all Manhattan sales totaled $5.2 billion, a 17 percent increase compared to the trailing four-quarter average, **according to Avison Young's Fourth Quarter 2019 Property Sales Report.** The quarter consisted of 80 sales, which equates to less than a one percent decrease for this period.

The fourth quarter of 2019 ended strong as 80 transactions closed, representing 30 percent of the year's total. A number of ground lease transactions purchased by Safehold helped boost the total dollar volume, accounting for $1.3 billion of the total. Excluding these transactions, the total dollar volume decreased by nine percent based off the four-quarter average.

"Despite all the reform which took place last year, the outlook for New York is bright as 2019 proved better than many predicted with the fourth quarter showing signs of growing positivity and momentum in the sales market, notes **James Nelson, Principal and Head of Avison Young's Tri-State Investment Sales Group.** "Tremendous leasing activity especially from the tech sector will not only drive the office market, but multi-family and retail as well."

These are the major takeaways from the **Avison Young Second Quarter 2019 Property Sales Report.**

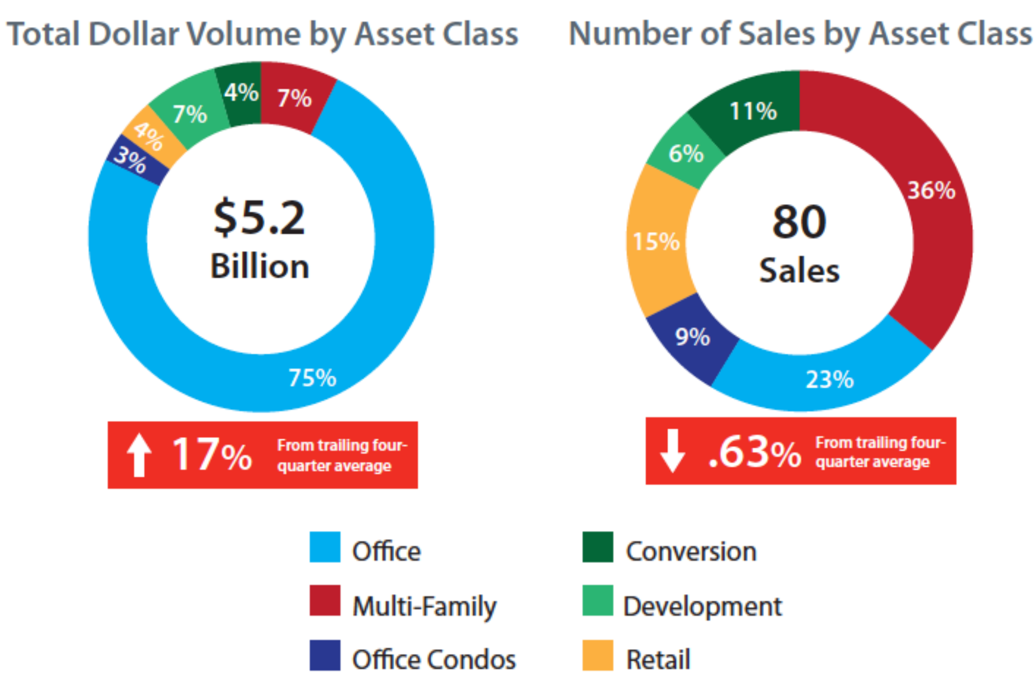
Office
The fourth quarter saw $3.9 billion in total dollar volume across 18 sales. When compared to the trailing four-quarter average, the fourth quarter's dollar volume and number of transactions increased by 88 percent and 71 percent, respectively. The average price per square foot declined 19 percent to $815 and the average cap rate of 4.75 percent increased by 37 basis-points. The leasehold sale of 195 Broadway from JP Morgan Chase to L&L for $800 million was the high point for the quarter and the structured transaction also included the sale of the leased-fee to Safehold for $275 million. For the year, the office market saw 45 office transactions totaling $9.5 billion in dollar volume, which was 16 percent and 27 percent off the 2018 totals, respectively.

Multi-Family
Regulated multi-family assets were given a major blow with the passing of the Housing Stability and Tenant Protection Act of 2019. Many investors are choosing other asset classes and geographies less susceptible to legislative risk. The 29 transactions for $381 million in the fourth quarter were the lackluster capstone to the slowest multifamily market in 10 years. In comparison to the fourth quarter of 2018, cap rates rose by 12 basis points to 4.32 percent, a signal of reduced risk appetite. The quarter's only transaction to breach $25 million was The Olnick Organization's purchase of 201 West 77th Street for $106 million which traded at a 2.5 percent cap rate, representative of the value-add strategy for the primarily free market building. The threat of additional regulation may continue to depress the multifamily market into 2020.

Retail
The retail market in the fourth quarter was steady with $187 million in total dollar volume, which is up a modest three percent compared to the trailing four-quarter average. Cap rates compressed slightly to 5.06 percent and the number of transactions nearly doubled to 12, however the relatively low number of trades reduces the significance. Retail transactions in today's market share a combination of qualities that may include below market rents, substantial frontage, prime locations and easy to back-fill layouts if a tenant vacates. Three transactions dominated the quarter--the $39.7 million sale of the retail condo at 285 Lafayette Street, the $35 million sale of the building at 429 7th Avenue and the $30 million sale of the building at 427 7th Avenue.

Development
The fourth quarter saw five sales totaling $361 million, a 55 percent decline in sales and a 10 percent decrease in dollar volume. The dollar per buildable square foot dropped nine percent to $606. The 2019 development market dipped to near 10-year lows, with dollar volume dropping around 65 percent off the 10-year average. According to a StreetEasy analysis published by the New York Times, about one in four condo units constructed since 2013 have remained unsold. This unexpected increase in inventory has led to developers offering incentives to buyers, cutting into their profits. A notable transaction for the quarter included hotel developer Sam Chang's purchase of 150 West 48th Street for $140 million.

To read the full report, please click here.



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