CPN Commercial Property News
CPNOnline
The Leading Resource for Commercial Real Estate Executives

Business Specialties Investments

Manhattan Sales Reach 25-Year Low: Report

May 29, 2009
By: Tonie Auer, Contributing Correspondent

After a rough 2008, Manhattan's property investment market has continued to take it on the chin thus far in 2009. Real estate sales in Manhattan reached a 25-year low in 2009's first quarter, according to a new report by Massey Knakal Realty Services.

“The No. 1 finding--that turnover in the first half is the lowest it has been in 25 years--is a major indicator of the market,” Massey Knakal managing director Kyle Mast told *CPN*. “Over the last 25 years, annual volume of sales was about 2.5 percent of total properties. That figure was at a high in 1998 with 3. 9 percent. The lowest was 1.6 percent in 1992 and 2003. These are cyclical, but the first part of 2009 has 0.7 percent. I don’t expect that to get lower.”

“We had a virtual paralysis after the dismantling of the credit industry in September with the collapse of the Lehman Brothers, Fannie Mae and Freddie Mac,” Mast said. “The credit markets froze in the fourth quarter.” This is the first period tracked that reflects the market mentality created by September's financial turmoil and the ensuing paralysis of the credit markets throughout the fall, he added.

Looking ahead to the rest of the year, annualized sales figures suggest that 2009 will see a 59 percent decline in total dollar sales volume and a 68 percent decline in the number of sales, Mast said.

“I’m confident moving forward in 2009 that sales volume will pick up. I don’t think it will get worse than it was in the first quarter because of the historical data over the last 25 years. I believe things will turn around. The only place to go from here is up and we’ve had an increase in contract execution in our office over the last 1.5 months.”

The report shows that the multi-family properties continue to be a prized asset class, Mast said. Of the 13 apartment buildings that traded in the first quarter, three were elevator buildings. More than half of the sales were under $5 million, and all but two were under $10 million. One to four family buildings showed some surprising numbers, with seven out of the nine sales that took place in the first quarter of 2009 occurring at above $1,000 PSF with the high PPSF being $3,220.

It would appear retail and mixed-use properties have experienced downward pressure due to the increased retail vacancy rate city-wide and many investors now expecting in place returns at or above 6 percent, Mast said. As a result, cap rates in this sector are up by about 150-200 basis points. The development market saw only three sales in the first quarter of 2009, two of which were sold to end users. For the most part, the market for development sites remains at a standstill, he said.