

Bronx 2022 Year-End Commercial Real Estate Trends

by Ariel Property Advisors
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Investment Sales
Capital Services
Research

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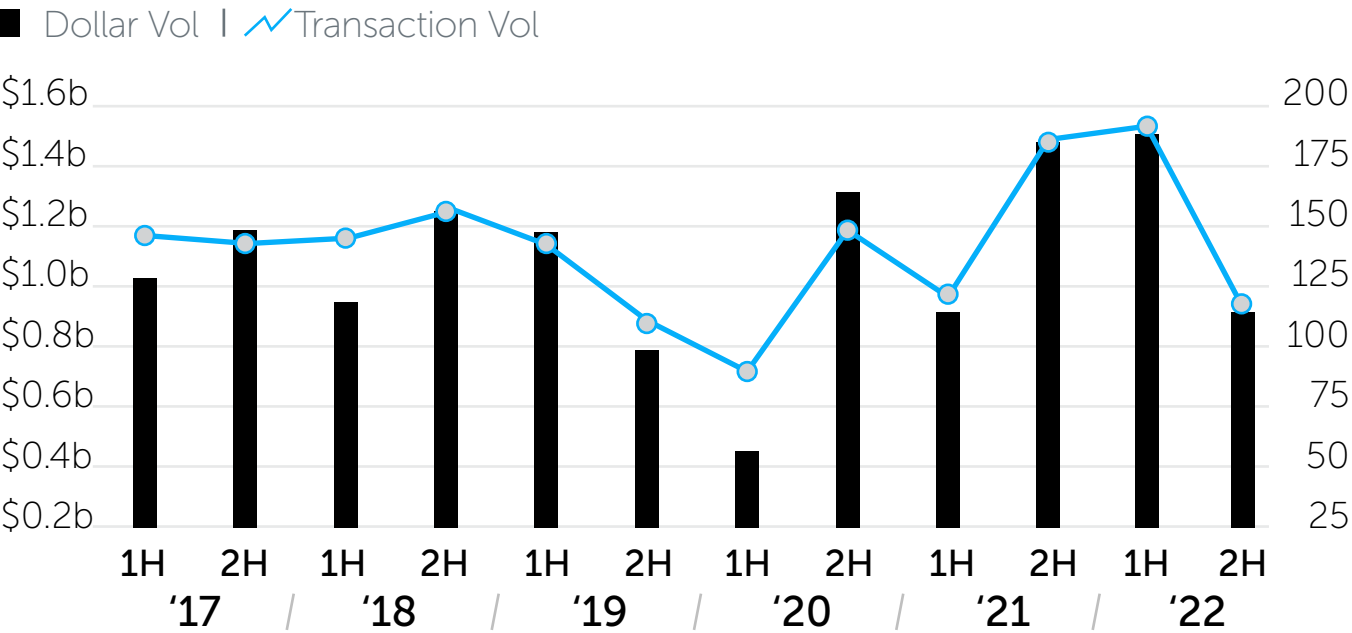
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2022 Year-End Overview

In 2022, the Bronx investment sales market experienced similar activity to 2021 with \$2.39 billion in gross consideration across 313 transactions. Looking back, 2022 recorded the highest amount of market activity in both dollar volume and transaction volume outside of 2015 and 2021. A theme exhibited throughout NYC, the first half of 2022 accounted for 63% of overall market activity both in dollar volume and transaction volume. Multifamily continues to be the most transactional asset class in the borough with \$1.2 billion across 144 transactions. Year-over-year commercial, office, and special purpose asset classes saw the highest increases in dollar volume, while development decreased.

Real Estate Timeline



Volume
2022 vs 2021

-1%

↓

\$2.39b

Dollar

2%

↑

313

Transaction

-8%

↓

465

Property

Dollar Volume Comparison

Product Type	2022	'22 vs '21	2021	'22 vs '20	2020
Multifamily	\$1,208,546,703	16%	\$1,043,017,051	81%	\$667,751,513
MF-MU 10+ resi units	\$1,103,002,987	16%	\$954,421,551	75%	\$630,979,787
MF-MU 6-9 resi units	\$44,497,698	25%	\$35,680,500	294%	\$11,288,726
MF-MU Small	\$61,046,018	15%	\$52,915,000	140%	\$25,483,000
Commercial*	\$235,176,731	5%	\$223,873,410	69%	\$139,266,605
Ind / WH / Sto**	\$431,038,513	-8%	\$470,160,165	101%	\$214,638,500
Development	\$328,973,481	-44%	\$592,256,245	-42%	\$566,346,866
Office	\$38,112,743	59%	\$23,935,000	208%	\$12,373,000
Special Purpose	\$153,239,325	173%	\$56,117,747	-7%	\$165,362,086
GRAND TOTAL	\$2,395,087,496	-1%	\$2,409,359,618	36%	\$1,765,738,570

*Commercial includes retail and hotel properties
**Ind / Wh / Sto: Industrial / Warehouse / Self Storage

2022 Year-End Outlook

The outlook on inflation and the resulting direction of interest rates will be a major driver of sales activity and pricing throughout 2023. We saw buyer sentiment turn sharply negative in late 3Q22 when it became apparent that higher interest rates were not bringing down inflation fast enough, leading most to believe both elevated inflation and elevated interest rates would be present longer than many had hoped.

Market fundamentals have now recovered, but buyers and sellers are more cautiously pricing properties to account for elevated rates and the potential of a recession in the near term. This will likely drive prices down for income-producing properties in 2023. Sales volume, however, may actually increase as owners with loans coming due this year look to sell properties versus refinance, which would require them to accept higher interest rates and potentially pay down principal amounts.

We hope the legislature follows through on recent housing policy announcements by the NY State Governor Hochul and Mayor Adams. Despite improved market fundamentals, development site sales are hobbled by the higher interest rate environment. Clarity on a policy replacing the Affordable New York Program, efforts to streamline DOB operations, and fast-tracked rezoning initiatives are essential to improve development site transactions that ultimately lead to construction.

Transaction Volume Comparison

Product Type	2022	'22 vs '21	2021	'22 vs '20	2020
Multifamily	144	19%	121	76%	82
MF-MU 10+ resi units	89	10%	81	53%	58
MF-MU 6-9 resi units	28	47%	19	250%	8
MF-MU Small	27	29%	21	69%	16
Commercial*	50	-2%	51	22%	41
Ind / WH / Sto**	34	-8%	37	-19%	42
Development	64	-20%	80	14%	56
Office	7	17%	6	133%	3
Special Purpose	14	27%	11	0%	14
GRAND TOTAL	313	2%	306	32%	238

*Commercial includes retail and hotel properties
**Ind / Wh / Sto: Industrial / Warehouse / Self Storage

Multifamily Highlights

- Multifamily was the most transactional asset class in the borough accounting for 50% of the dollar volume and 46% of the transaction volume. The asset class saw an increase of 16% in dollar volume and 19% in transaction volume year over year. Furthermore, properties with 6-9 residential units saw the largest increase in transaction volume and dollar volume at 25% and 47%, respectively.
- For the first time since HSTPA passed in 2019, the Bronx multifamily sector has seen a positive increase in pricing metrics. Price per square foot increased by more than 13% from 2021, which is the highest it has been since 2018.
- The Bronx Project Based Section 8 Multifamily Portfolio and Development Site, brokered by Ariel Property Advisors, was purchased by a joint venture between Systima Capital Management, Gilbane Development Company, ELH Mgmt. LLC, and TerreAlto for \$107M, which translates to \$195 per square foot and \$225k per unit.
- A majority of the transactions occurred in the South Bronx, which accounted for a third of the total dollar volume and just under half of the transaction volume.

Volume
2022 vs 2021

16%

↑

\$1.21b

Dollar

19%

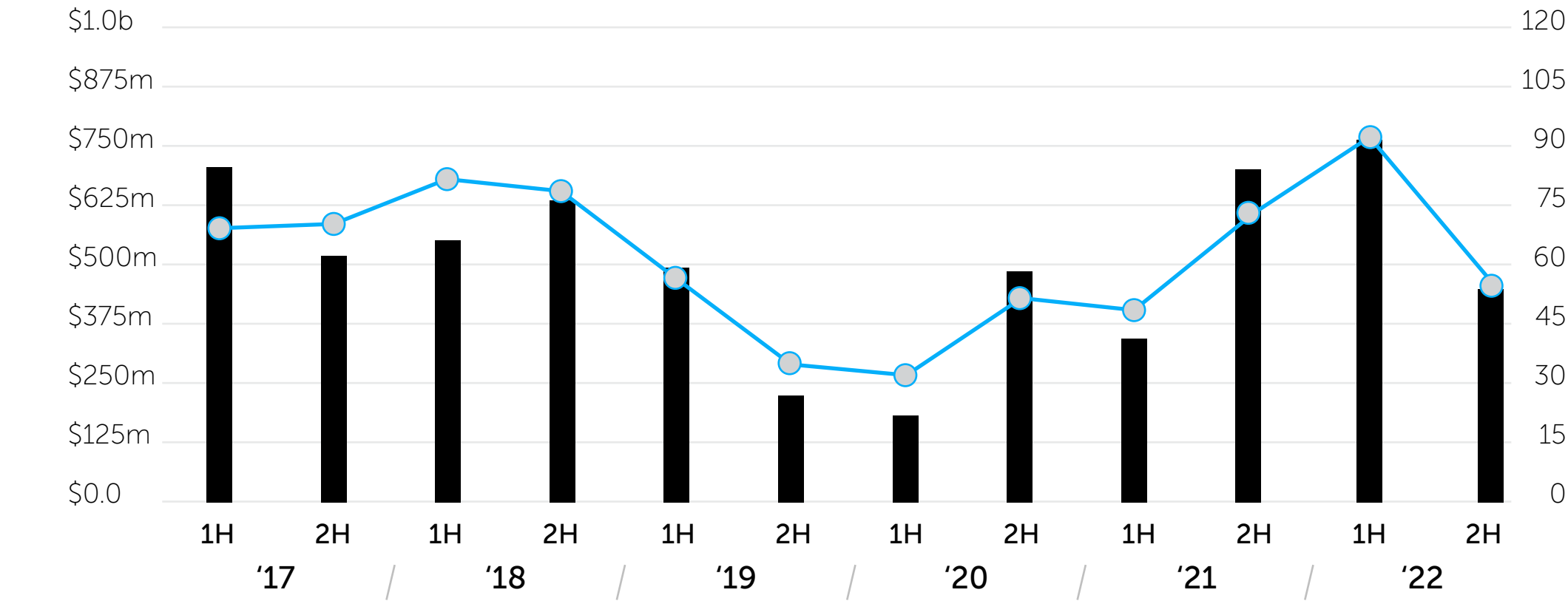
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144

Transaction

Real Estate Timeline

■ Dollar Vol | ▲ Transaction Vol



Property Value Metrics - Multifamily*

Year	2016	2017	2018	2019	2020	2021	2022
\$/SF	\$184	\$196	\$213	\$193	\$182	\$172	\$195
\$/Unit	\$163,290	\$175,503	\$185,436	\$171,855	\$161,545	\$152,775	\$168,314
Cap Rate	5.19%	4.94%	4.94%	5.33%	5.74%	5.97%	5.85%
GRM	11.06	11.89	12.08	11.00	10.28	9.18	9.55

*reflects multifamily transactions of 10+ residential units

2H'22 Featured Transaction



Highbridge
Bronx PBS8 Multifamily
Portfolio And Development
Site

Sale Amount:
\$107,500,000
\$/SF:
\$195
Buyer:
**Systima Capital Management,
Gilbane Development Company,
ELH Mgmt. LLC and TerreAlto**
Seller:
Park Management Inc.

Sale Date: **12/9/2022**

Commercial Highlights

- The Bronx commercial sector recorded a 7-year high with \$235 million in sales across 50 transactions, a 5% increase in dollar volume from 2021 and a 69% increase over 2020.
- The average price per square foot stayed consistent with 2021 at \$532 per square foot, which is the highest ever recorded. The first half of 2022 outpaced the market average at \$559 per square foot.
- The pandemic shifted New Yorkers’ work and lifestyles, with less commuters to Manhattan and more support for local businesses in the outer boroughs. The Bronx saw a 5% increase in the number of local businesses from Q4 ‘19 and Q4 ‘21, according to a report from the New York City comptroller.
- Both dollar and transaction volume experienced one of the best years on record with a majority of the volume in South Bronx following the new developments along the river.
- 1031 Westchester Avenue & 1057 Southern Boulevard was purchased by Global Asset Management, Inc. for \$22.75 million. The portfolio’s location on the corner of two main retail thoroughfares and close proximity to the train helped achieve high income and supported a higher price per square foot of \$975.

Volume
2022 vs 2021

5%
↑
Dollar

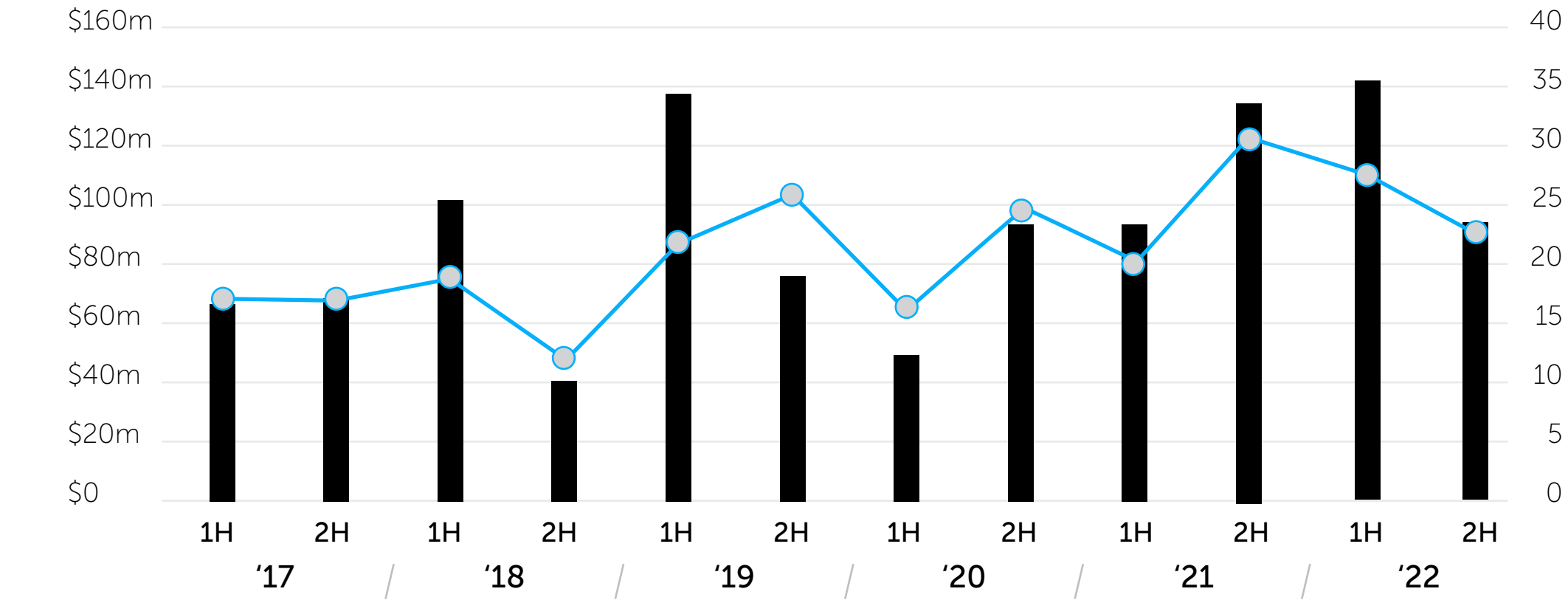
\$235.2M

-2%
↓
Transaction

50

Real Estate Timeline

■ Dollar Vol | ▲ Transaction Vol



Property Value Metrics - Commercial*

Year	2016	2017	2018	2019	2020	2021	2022
\$/SF	\$457	\$445	\$417	\$489	\$436	\$532	\$532

*reflects transactions of commercial buildings

2H'22 Featured Transaction



Longwood
1031 Westchester Avenue &
1057 Southern Boulevard

Sale Amount:
\$22,750,000
\$/SF:
\$975
Buyer:
Global Asset Management, Inc.
Seller:
Vanbarton Group
Sale Date: **7/13/2022**

Ind / WH / Sto Highlights

- The industrial sector declined 8% in both dollar and transaction volume. New York City’s tight supply of industrial space should keep leasing strong in 2023, according to CBRE.
- The gross price per square foot rose dramatically to its highest levels ever at \$421 per gross square foot whereas the price per lot SF dropped year-over-year. These metrics were skewed because of 2 sales that traded over \$1,000 per square foot. One sale in particular, 470, 480, 500, 502 Zerega Ave was purchased by Verizon for \$21 million, which translates to \$1,641 per square foot and \$178 per lot square foot.
- The drop in transaction volume and dollar volume year-over-year is thanks to decreased activity over the second half of 2022 due to the higher cost of debt.
- Amazon signed a 568k SF lease at 2505 Bruckner Boulevard, which was the largest industrial lease in NYC this year. The company will occupy half of the 1.07 million square foot building, allowing Amazon to service up to 9.4 million people in a 15-mile radius.
- Blackstone’s acquisition of two industrial buildings on Commerce Avenue for \$81.75 million (\$545/SF) was the largest industrial transaction year to date and further supports the flood of institutional capital coming into the industrial sector of the Bronx.

Volume
2022 vs 2021

-8%

↓

\$431M

Dollar

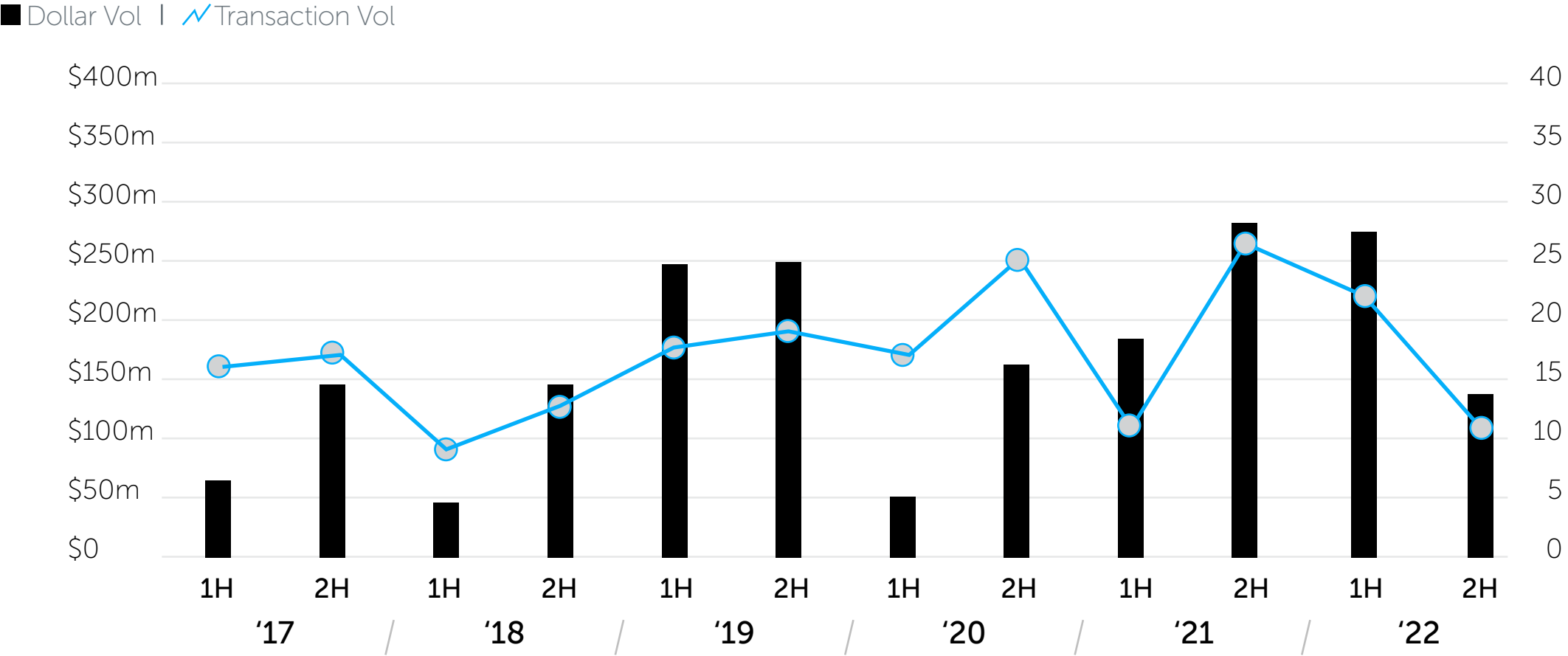
-8%

↓

34

Transaction

Real Estate Timeline



Property Value Metrics - Ind / WH / Sto*

Year	2016	2017	2018	2019	2020	2021	2022
\$/Gross SF	\$173	\$216	\$245	\$286	\$262	\$332	\$421
\$/Lot SF**	\$99	\$112	\$102	\$176	\$206	\$223	\$195

*Ind / Wh / Sto: Industrial / Warehouse / Self Storage
**\$/Lot SF applies only to properties where the gross building square footage is less than 50% of the lot square footage

2H'22 Featured Transaction

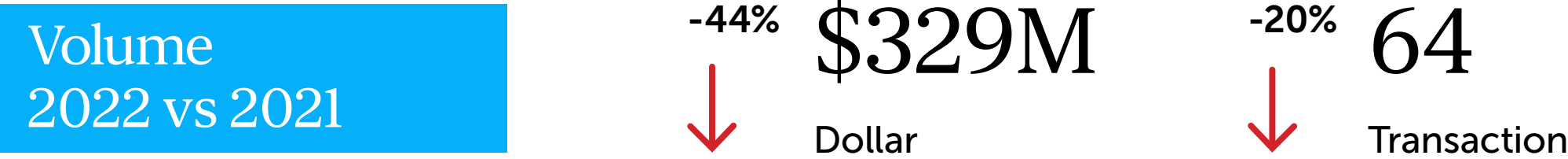


Port Morris
1100 Leggett Avenue

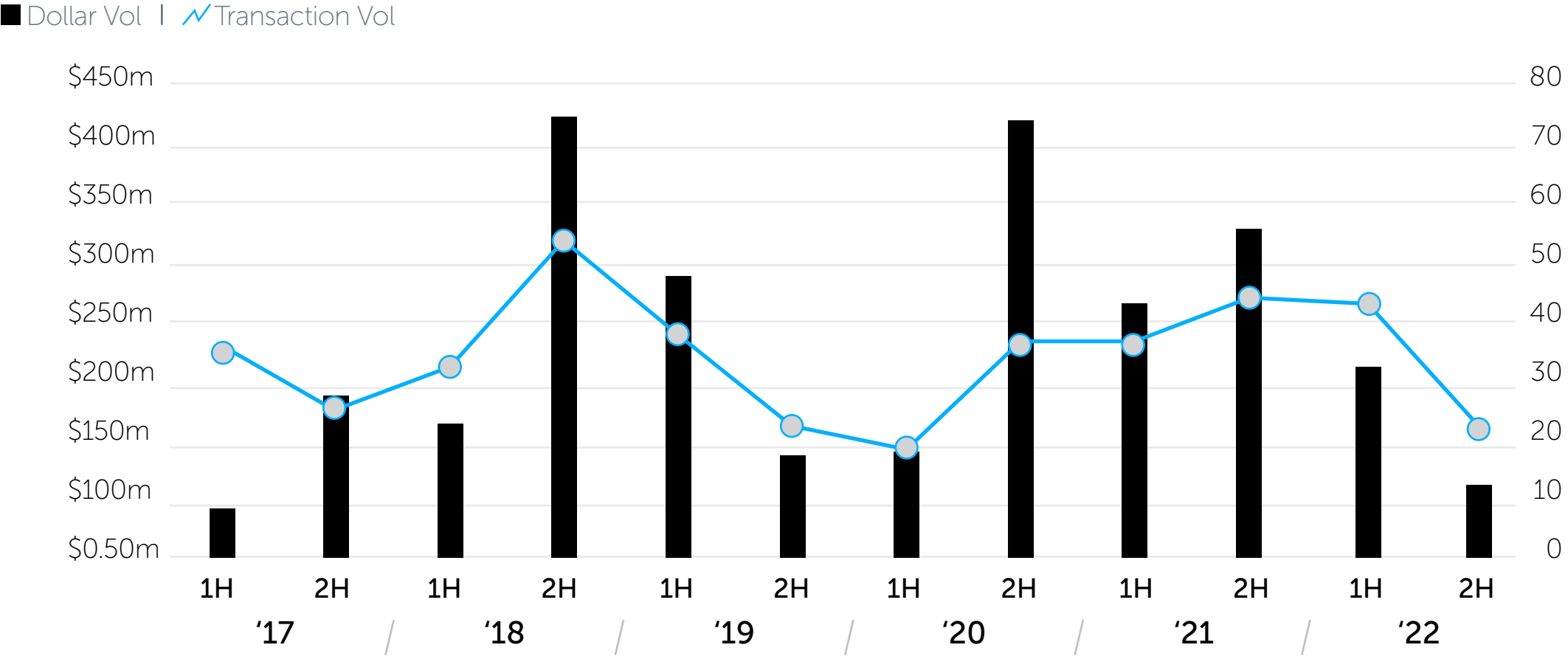
Sale Amount:
\$21,500,000
\$/SF:
\$359
\$/Lot SF:
\$359
Buyer:
Innovo Property Group
Seller:
1100 Leggett Ave Inc
Sale Date: **7/15/2022**

Development Highlights

- Development asset class dipped 44% in dollar volume and 20% in transaction volume year-over-year due to the expiration of the 421a and higher cost of debt.
- The first half of 2022 underwent \$211 million in gross development consideration between 43 transactions, which accounted for 64% of the total dollar volume and 67% of the total transaction volume over the course of the entire year. This disparity is a reflection of investors taking advantage of the Affordable NY/421a tax abatement before its expiration on June 15th, 2022.
- The price per buildable square foot of \$93 increased by 12% year-over-year and is the highest on record.
- New York City Mayor Eric Adams and Bronx Borough President Vanesa Gibson have voiced their support for the Bruckner Boulevard and the Throggs Neck rezoning. The rezoning was approved in 4Q '22, which will help facilitate the need for affordable housing developments.
- 138 Bruckner Boulevard, a 305k buildable square foot development site in Mott Haven, sold for \$35 million which translates to \$115 per buildable square foot. The site will be home to 480 luxury apartments and offer unobstructed water views. The South Bronx has seen significant investment activity and continues to attract modern renters.



Real Estate Timeline



Property Value Metrics - Development*

Year	2016	2017	2018	2019	2020	2021	2022
\$/BSF	\$64	\$63	\$72	\$81	\$87	\$82	\$93

*reflects transactions of vacant land or equivalent development sites

2H'22 Featured Transaction



Mott Haven
270 Walton Avenue &
315 Grand Concourse

Sale Amount:
\$23,300,000
\$/BSF:
\$133
Buyer:
Beitel Group
Seller:
Webster Real Estate Corp

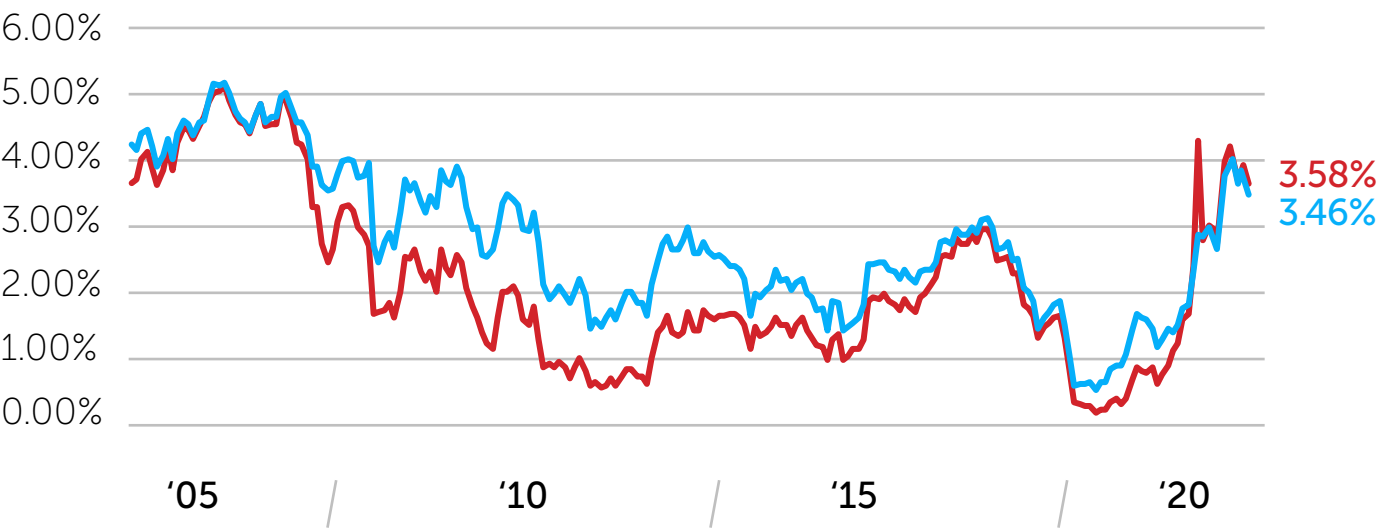
Sale Date: **11/23/2022**

Macro Economic Overview

A number of macro-economic indicators affect the bottom line of commercial real estate investments in New York City and, in turn, the pricing and demand for these assets during any given period. Ariel Property Advisors’ Research Division tracks national and local metrics to identify key market drivers influencing the real estate industry.

Financing:

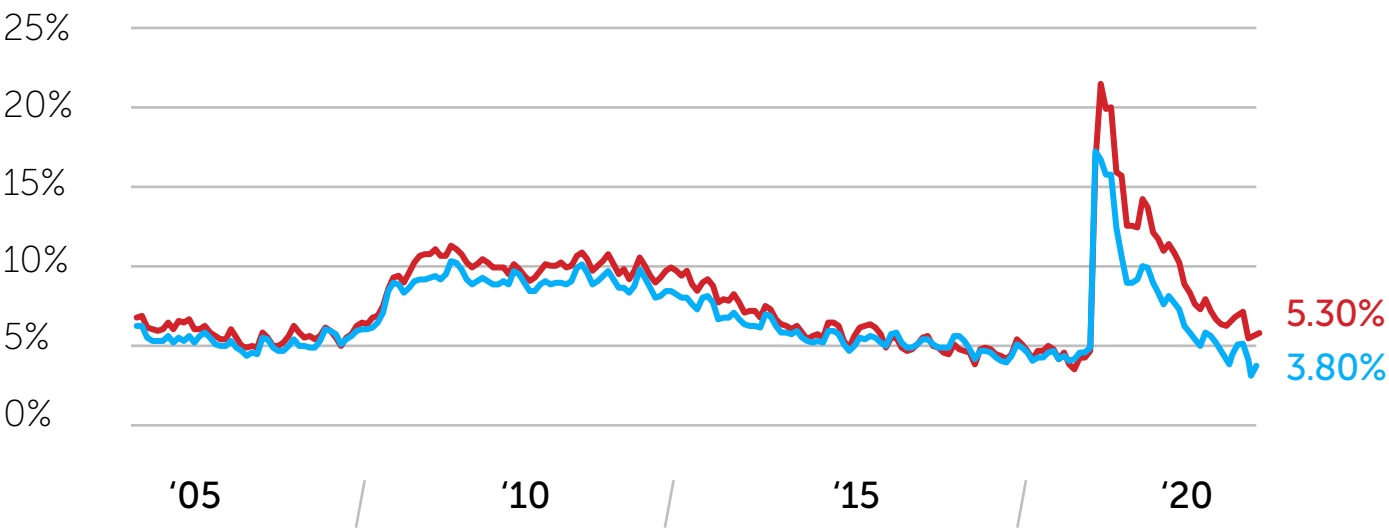
10-Year: 3.46% | 5-Year: 3.58% | As of January 24th, 2023
Treasury Yield Curve Rates 10-year | 5-year



Source: U.S. Department Of The Treasury

Unemployment Timeline:

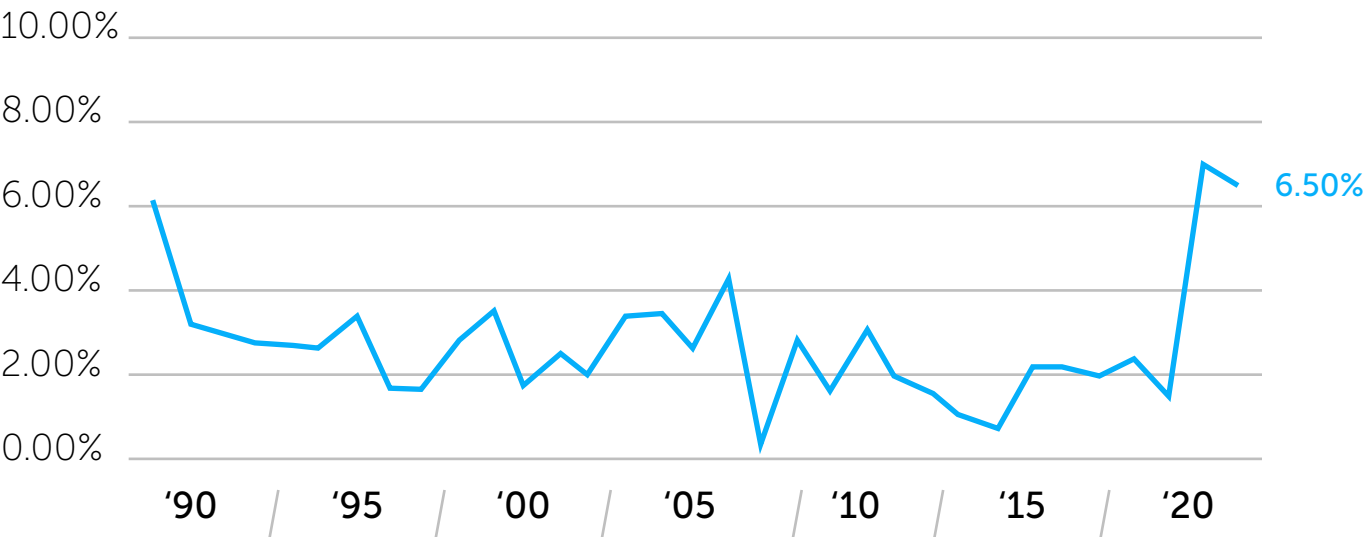
NYS: 3.80% | NYC: 5.30% | As of December 2022
Unemployment Rate History | NYS & NYC (Not Seasonally Adjusted)



Source: Department Of Labor

Consumer Price Index (CPI):

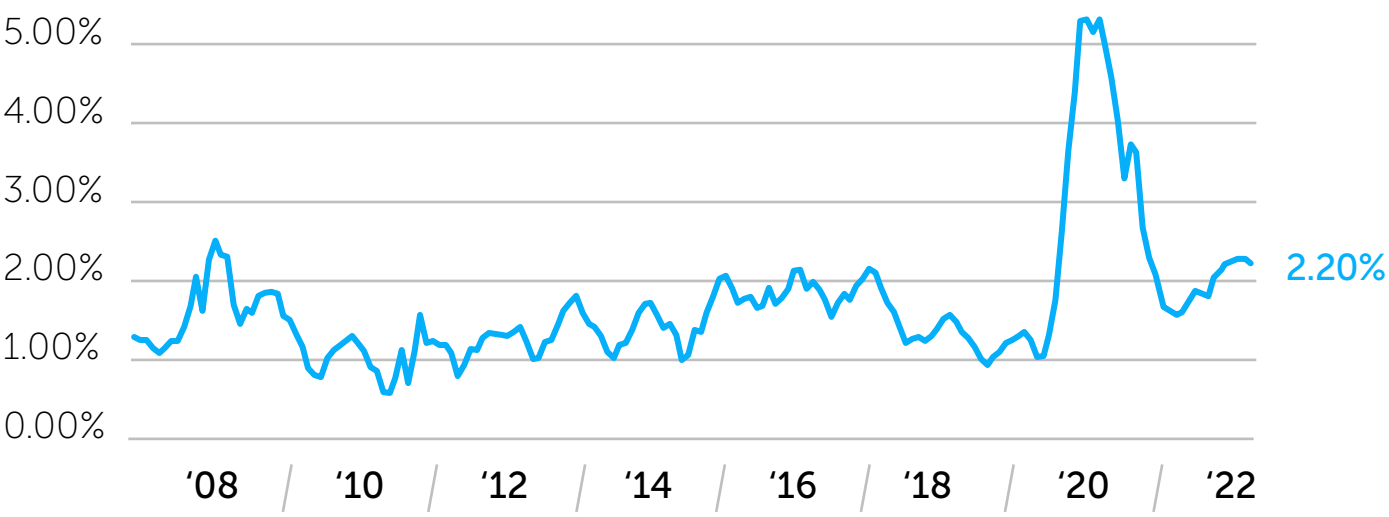
National CPI
Growth - December 2022 Y-O-Y



Source: U.S. Bureau Of Labor Statistics

Rental Market / Vacancy:

Manhattan Residential
Rental Vacancy January 2008- December 2022



Source: Corcoran

Thought Leadership Featured in Forbes

Ariel Property Advisors has been a regular contributor for Forbes. Here is the list of the five latest articles.



Sep 9, 2022
The Bronx Is Back: Institutional Money Is Chasing Yield

The Bronx saw record dollar volume and the second most transactions ever recorded with \$1.54 billion investment sales across 191 transactions, according to research produced by Ariel Property Advisors.



Oct 7, 2022
New York City Real Estate: Top Trends That Are Moving The Needle

New York City is once again demonstrating its resiliency. Office workers are returning, the workforce is growing, tourists are back, lunch hour lines are forming outside eateries, and trains and buses are filling up. The first half of the year the city saw \$22.1 billion in investment sales, slightly lower than the last six months of 2021 but significantly higher than all of 2020 and 1H 2021.



Oct 24, 2022
Brooklyn’s Investment Sales Reach \$5.56 Billion

Brooklyn’s investment sales totaled \$5.56 billion in 1H 2022, a slight dip of 8% from the record \$6.1 billion in 2H 2022, but up 213% year-over-year, according to Ariel Property Advisors Mid-Year Brooklyn Report.



Nov 9, 2022
New York City Multifamily Sales Totaled \$3.57 Billion In 3rd Quarter


Despite continuing economic headwinds, the New York City multifamily sector posted surprisingly impressive results during the third quarter, according to Ariel Property Advisors’ Q3 Multifamily Quarter in Review report.



Dec 13, 2022
NYC’s Perfect Storm: Rent Stabilized Opportunities in the Face of Mortgage Resets and Maturities

New York City owners of rent-stabilized apartment buildings are facing a perfect storm as a tidal wave of mortgage maturities and resets is fast approaching for properties purchased before the passage of the Housing Stability and Tenant Protection Act (HSTPA) of 2019.

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Geographic Coverage System

Ariel’s unique company structure, with separate divisions for Investment Sales, Capital Services and Research, ensures outstanding service for our clients. Whether it’s implementing a strategic marketing process, compiling a comprehensive Asset Evaluation, securing financing or providing timely market information, every assignment is served by a team of specialized professionals.

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