

BRONX 2018 MID-YEAR SALES REPORT

by Ariel Property Advisors | Released July 2018



Investment Sales
Capital Services
Investment Research

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212.544.9500

2018 MID-YEAR OVERVIEW

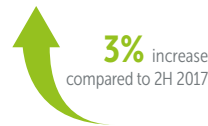
\$952MM

Dollar Volume



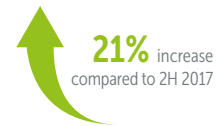
157

Transaction Volume



275

Property Volume



Dear Friends,

The Bronx investment sales market continues to be transactional with property volume rising since the second half of 2017. In comparison, the borough saw 157 transactions consisting of 275 properties totaling approximately \$952 million in gross consideration. These figures represent a 20% decrease in dollar volume and a 21% increase in property volume compared to the second half of 2017. This steep dip in dollar volume can be attributed to more transactions trading below \$10 million. In 2017, 20% of the transactions were \$10 million or above while in the first half of 2018 only 13% of the transactions are above that threshold.

The multifamily asset class continues to lead the way in The Bronx comprising 63% of the borough's dollar volume and 58% of the transaction volume. Multifamily price appreciation in the borough was significant, with price per square foot rising 13% compared to the 2017 average. Multifamily asset cap rates rose slightly by 6 basis points to 5%, the first time it's been at that mark since 2016, and gross rent multipliers rose from 11.89 to 12.51, a record high for that metric in the borough. Price per unit and price per square foot also saw record-breaking averages of \$192,000 per unit and \$221 per foot respectively. Putting this in perspective, this represents a 20% increase in both metrics since 2016 while cap rates have remained relatively steady.

After several years of rapid growth, the development and industrial market saw transaction volume fall year-over-year by close to 28%. However, the dollar volume for this segment was up 12% compared to the first half of 2017. The trend of the market for development assets has shown that demand has not declined rather the supply of available sites for sale has dramatically decreased. This deficiency of supply should be filled during the second half the 2018 as more owners begin to understand the Mandatory Inclusionary Housing provision that has been implemented in the recently passed Jerome Avenue District. Trades have already begun in the area, but many developers, specifically affordable housing developers, have begun heavily canvassing the area for new opportunities. It is expected that dollar volume in this asset class will dramatically increase in the second half of 2018 due to the reported contract of 101 Lincoln Avenue and 2401 Third Avenue by the Chetrit Group and Somerset Partners to Brookfield Properties for \$165 million, which translates to approximately \$127 per buildable square foot.

Large warehouse spaces are in high demand as we are seeing a big push for e-commerce facilities come to the Bronx market. This is seen in the Jet.com (the e-commerce site for Wal-Mart) lease of 1055 Bronx River Avenue to be used as a last-mile distribution facility. This is the first time Wal-Mart is aggressively trying to enter the NYC market and it is rumored that other retail giants like Amazon are also looking in the area for similar assets.

The commercial market in the Bronx saw the most significant increase out of any asset class as the dollar volume increased by 71%, followed

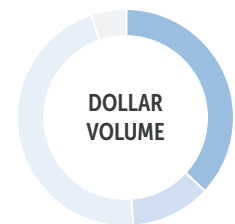
by transaction and property volume which increased by 25% and 68% respectively. The sharp rise in dollar volume can be mainly attributed to Chestnut Holdings \$46.5 million dollar purchase of retail assets throughout the Bronx.

In spite of the cost of capital increasing across the country, strong market fundamentals have maintained lender confidence, contributing to an increase in debt capital. Since Bronx multifamily real estate trades at higher cap rates, borrowers are still able to achieve more leverage than other markets in NYC. Eighty percent LTV, non-recourse loans are still very achievable in New York City's northern-most borough. The outlook for pricing, however, is mixed. Cap rates have been holding steady for the past year and should either stay flat or rise as the Federal Reserve is expected to raise rates two more times this year. Coupled with favorable public initiatives, demand for warehouses and development sites, we expect Bronx market activity to increase over the 2H18.

We look forward to our continued efforts in providing the Bronx community with the most informative and insightful market knowledge available. For further information regarding any of the enclosed properties, or to discuss real estate trends in general, please feel free to contact us at any time. We wish you all a healthy and prosperous second half of the year.

DOLLAR VOLUME COMPARISON BY SUB-MARKET

37%	Northwest Bronx	\$348,886,457
12%	Northeast Bronx	\$117,057,510
46%	Southwest Bronx	\$430,889,721
5%	Southeast Bronx	\$54,913,581
	GRAND TOTAL	\$951,747,269



TRANSACTION VOLUME COMPARISON BY SUB-MARKET

22%	Northwest Bronx	35
14%	Northeast Bronx	22
48%	Southwest Bronx	77
16%	Southeast Bronx	23
	GRAND TOTAL	157



REAL ESTATE TIMELINE / PRICING METRICS

\$221

\$ / SF - MF

\$191,929

\$ / Unit - MF

5.00%

Cap Rate - MF

12.69

GRM - MF

\$68

\$ / BSF - Development*

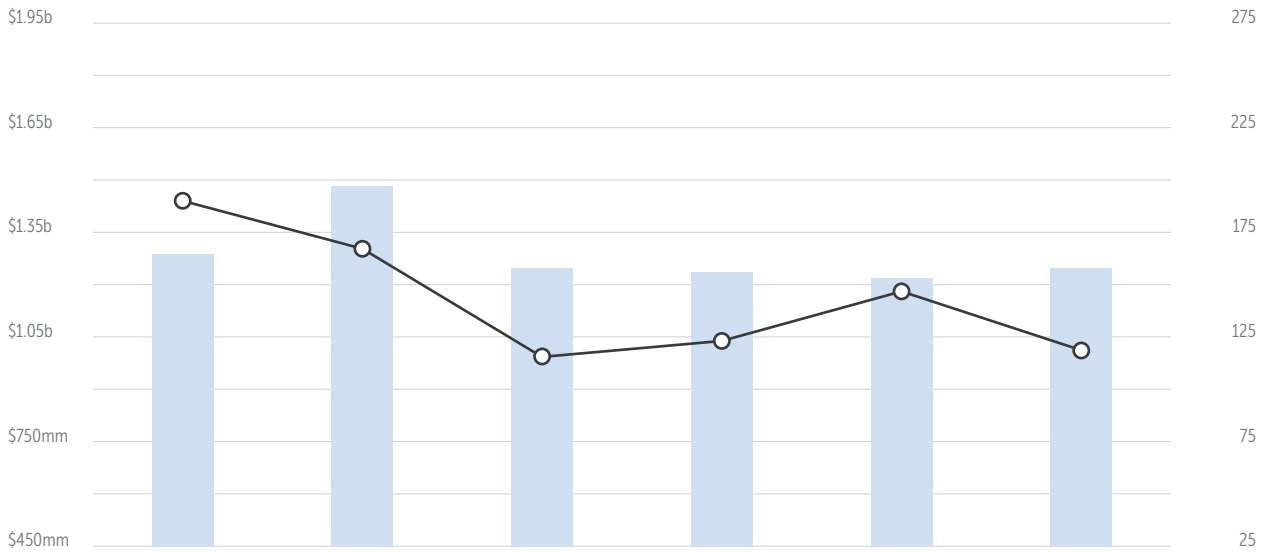
\$364

\$ / SF - Commercial

2018 Property Value Metrics

NORTHERN MANHATTAN 2015 - 2018 REAL ESTATE TIMELINE

Transaction Volume ● | Dollar Volume ○



	2H 2015	1H 2016	2H 2016	1H 2017	2H 2017	1H 2018
Trans Vol:	160	197	157	155	152	157
Dollar Vol:	\$1.42B	\$1.27B	\$941MM	\$1.03B	\$1.18B	\$952MM

PROPERTY VALUE METRIC COMPARISON (2013-2018)

INDICATOR	2013	2014	2015	2016	2017	2018
\$/SF - MF	\$106	\$123	\$160	\$184	\$196	\$221
\$/Unit - MF	\$93,723	\$108,554	\$137,007	\$163,290	\$175,503	\$191,929
Cap Rate - MF	7.44%	6.29%	5.55%	5.19%	4.94%	5.00%
GRM - MF	7.27	8.27	9.95	11.06	11.89	12.69
\$/BSF - Development*	\$36	\$44	\$60	\$64	\$63	\$68
\$/SF - Commercial	\$365	\$364	\$359	\$457	\$445	\$364

*reflects transactions of vacant land or equivalent development sites

OBSERVATIONS BY PRODUCT TYPE

Multifamily | The Bronx multifamily market saw increases across the board with 14% (dollar volume), 21% (transaction volume), and 40% (property volume) compared to 2H17. Demand continues to outpace supply in this asset class as multifamily pricing metrics experienced increases across the board. Compared to 2017, the average price per square foot rose 13% to \$221, the average price per unit rose 9% to \$192,000, and the average gross rent multiple (GRM) increased 5% to 12.51 from 11.89. Cap rates remained relatively steady increasing from 4.94% to 5.00%. The largest multifamily transaction thus far in 2018 was The Related Companies' sale of a 12 building, 368 unit multifamily portfolio for \$71,000,000. Other notable transactions include ABJ Properties purchase of Emerald Equity Group's 14 building, 288 unit portfolio for \$61,525,000 and the \$50,600,000 sale of Greenspan/Burg Portfolio, which translates to \$190,000 per unit and a reported 4.39% capitalization rate.

Development Sites | The Bronx development market accounted for 25% of borough's overall transaction volume among all asset classes in the 1H18. With the rezoning of Jerome Avenue officially underway, the Bronx will be seeing a significant uptick in demand for development opportunities similar to the 2016 market in the

2H18. The Jerome Avenue rezoning has reintroduced the affordable development with two separate options (1 or 3). The average price per buildable square foot increase 8% to \$68 per buildable square foot. 1331 Jerome Avenue was the first property sold in the new rezoning which was purchased by Atlantic Development for \$11,100,000 or \$67 a buildable square foot.

Commercial & Office | The commercial market in the Bronx saw the most significant increase out of any asset class as the dollar volume increased by 71%, followed by transaction and property volume which increased by 25% and 68% respectively. As the commercial market softens in most of the city, the Bronx is leading the way with a significant increase in demand for commercial properties. Furthermore, as the dollar, transaction, and property volume continue to rise, the price per square foot slipped 18% from 2017 compared to the 1H18 trading at an average of \$364. A notable transaction was Chestnut Holdings acquisition of a large retail portfolio play for \$46.5 million, where a majority of the 13 properties were low-rise retail properties with large development potential. The portfolio included 76,643 square feet as well as 353,543 square feet of air rights.

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	PROPERTY TYPE	1H 2018	% CHANGE 1H '18 - 2H '17	2H 2017	% CHANGE 1H '18 - 1H '17	1H 2017
DOLLAR VOLUME	Commercial	\$96,264,594	71%	\$56,236,220	49%	\$64,792,256
	Ind / Gar / Dev*	\$183,251,853	-45%	\$330,905,277	12%	\$163,064,054
	Multifamily	\$600,495,811	14%	\$526,495,842	-15%	\$710,422,768
	Office	\$2,781,818	-98%	\$117,974,210	-83%	\$16,200,000
	Special Purpose	\$68,953,193	-55%	\$152,331,238	-11%	\$77,517,222
	Grand Total	\$951,747,269	-20%	\$1,183,942,787	-8%	\$1,031,996,300
TRANSACTION VOLUME	Commercial	20	25%	16	11%	18
	Ind / Gar / Dev*	39	-19%	48	-28%	54
	Multifamily	92	21%	76	26%	73
	Office	1	-50%	2	-50%	2
	Special Purpose	5	-50%	10	-38%	8
	Grand Total	157	3%	152	1%	155
PROPERTY VOLUME	Commercial	37	68%	22	68%	22
	Ind / Gar / Dev*	79	-4%	82	-9%	87
	Multifamily	153	40%	109	42%	108
	Office	1	-50%	2	-50%	2
	Special Purpose	5	-58%	12	-50%	10
	Grand Total	275	21%	227	20%	229

*Ind / Gar / Dev: Industrial / Garage / Development

FEATURED TRANSACTIONS

Highbridge, Fordham,
Belmont
The Related Companies
BX MF Portfolio



Property Type: **Multifamily**
Sale Amount: **\$71,000,000**
\$/SF: **\$198**
Sale Date: **2/1/2018**

Fordham, Mott Haven,
Belmont
Emerald Equity Group
BX MF Portfolio



Property Type: **Multifamily**
Sale Amount: **\$61,525,000**
\$/SF: **\$236**
Sale Date: **3/27/2018**

Mount Hope, Williamsbridge,
Kingsbridge Heights
Greenspan/Burg
Bronx Portfolio



Property Type: **Multifamily**
Sale Amount: **\$50,600,000**
\$/SF: **\$194**
Sale Date: **3/20/2018**

Parkchester, Tremont,
Mount Eden, Highbridge
B&K Realty Bronx Portfolio



Property Type: **Commercial**
Sale Amount: **\$46,507,545**
\$/SF: **\$631**
Sale Date: **5/16/2018**

Kingsbridge
2973 Independence
Avenue

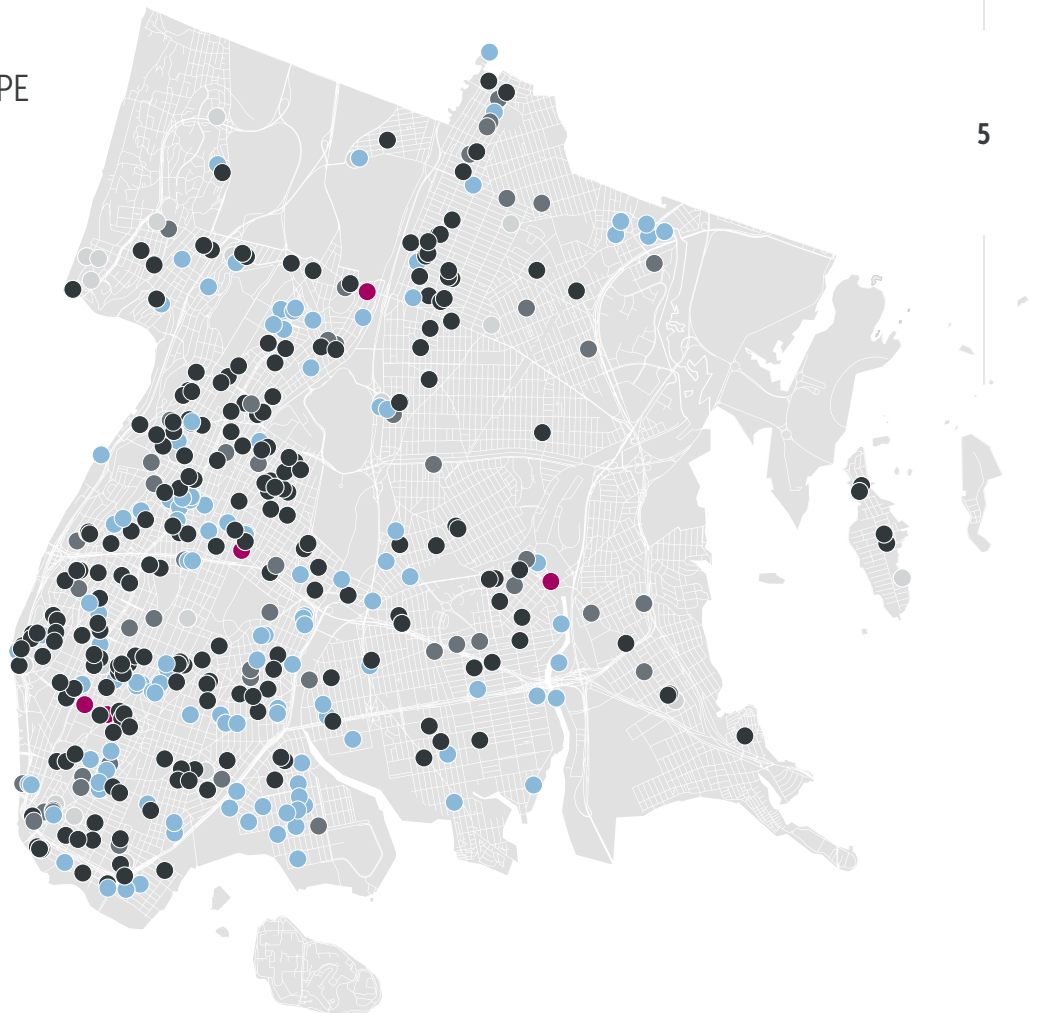


Property Type: **Special Purpose**
Sale Amount: **\$23,000,000**
\$/SF: **\$198**
Sale Date: **3/27/2018**

TRANSACTION MAP & OVERVIEW BY PROPERTY TYPE

LEGEND

- Multifamily
- Industrial, Garage and Development
- Office
- Commercial
- User
- Special Purpose



DEVELOPMENT PROJECTS IN PROGRESS

BOROUGH-WIDE PROJECT UPDATES

\$117,037,073

Total Dollar Value Traded

24

Total Transactions

57

Total Properties Traded

1,652,759

Total BSF



JEROME AVENUE REZONING

Status: **Approved March, 2018**

Expected Completion: **2026**

Purpose: **Create and preserve 300,000 units of affordable housing**

Mandatory Inclusionary Housing (MIH) Requirement: **Option 1: 25% @ 60% of AMI or Option 3 Option 1: 20% @ 40% of AMI**



2401 Third Avenue

Developer: **Brookfield**

Status: **Concept**

Completion: **N/A**

Type: **Mixed Use**

Gross SF: **1,300,000**



Harlem Yards

Developer: **Galesi Group**

Status: **Concept**

Completion: **2022**

Type: **Affordable Housing & Stadium**

Gross SF: **500,000**



Bronx Commons

Developer: **WHEDco and BFC Partners**
 Status: **Construction**
 Completion: **2019**
 Type: **Mixed Use**
 Gross SF: **426,000**



445 Gerard Avenue

Developer: **Treetop Development**
 Status: **Preconstruction**
 Completion: **Within 3 years**
 Type: **Mixed Use**
 Gross SF: **245,327**



1240 Metcalf Avenue

Developer: **Phipps Houses**
 Status: **Preconstruction**
 Completion: **N/A**
 Type: **Multifamily**
 Gross SF: **219,546**



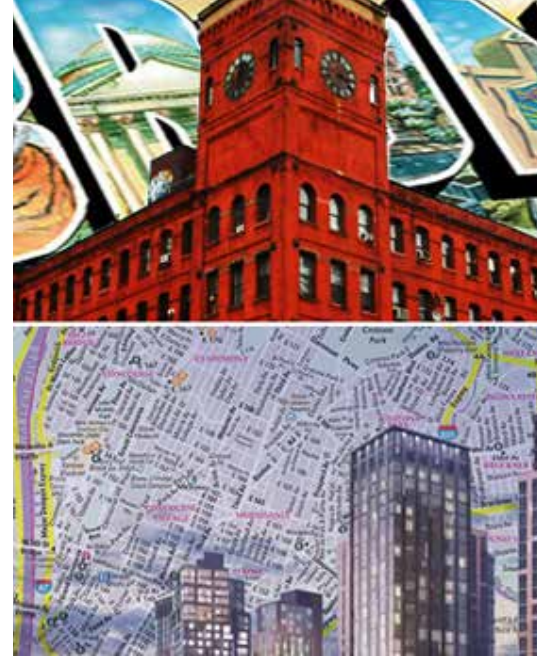
1159 River Avenue

Developer: **Madd Equities and Community Access**
 Status: **Preconstruction**
 Completion: **N/A**
 Type: **Mixed Use**
 Gross SF: **200,000**

BRONX 2018 DEVELOPMENT* ACTIVITY BY NEIGHBORHOOD

LOCATION	TOTAL DOLLAR VALUE TRADED	TOTAL TRANSACTIONS	TOTAL PROPERTIES TRADED	TOTAL BSF
Allerton	\$4,300,000	1	12	78,600
Belmont	\$18,000,000	1	3	142,448
East Morrisania	\$2,350,000	1	3	40,000
Longwood	\$6,420,000	1	1	103,360
Morris Heights	\$1,275,000	1	3	22,177
Morrisania	\$6,575,000	3	6	111,673
Mott Haven	\$19,095,000	4	6	291,464
Mount Eden	\$11,100,000	1	1	164,981
Norwood	\$15,903,373	4	5	295,509
Parkchester	\$1,854,450	1	1	35,028
Soundview	\$5,000,000	1	1	66,000
Unionport	\$5,125,000	1	1	76,224
University Heights	\$6,730,000	1	5	40,032
Van Nest	\$999,000	1	3	7,244
West Farms	\$4,310,250	1	2	58,000
Williamsbridge	\$8,000,000	1	4	120,020
GRAND TOTAL	\$117,037,073	24	57	1,652,759

*Includes vacant land & conversion properties only



September - December '17

January - February '18

NEWS TIMELINE

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September 3 | The Bronx captured real estate investors' attention in the first half of 2017, becoming the only New York City sub-market to notch a rise in dollar volume versus the second half of last year, Ariel Property Advisors reported. Prices rose across the board in the borough, with gains particularly pronounced on multifamily assets.

October 15 | The South Bronx has been talked up as New York's next hot real estate market for years, but this hype has yet to translate into residential brokerages actually setting up shop in the neighborhood, according to real estate professionals, The Real Deal reported. Players in The Bronx real estate industry offered multiple reasons as to why there is a lack of local resi firms, ranging from the ease of getting to the neighborhood from other parts of the city to its relatively small amount of large scale housing developments.

December 3 | The Bronx continued to captivate real estate investors' attention in the third quarter, with prices on multifamily properties rising more than any other sub-market, Ariel Property Advisors reported. Prices are poised to move even higher, particularly in Morrisania, where the multifamily asset class typically offers high returns and steady cash flows.

December 17 | As the year comes to a close, let the flurry of predictions about the year ahead begin. First in line, StreetEasy's senior economist Grant Long who's got five predictions for New York real estate in 2018. Long predicts that the 2019 shutdown of the L-Train will have a greater effect on surrounding properties next year, however, he notes a silver lining related to transit: the NYC Ferry service is set to expand again in 2018, which could open up new opportunities in Manhattan and the Bronx.

December 24 | New York City finally saw a year-over-year gain in multifamily sales in October, although much of that growth was concentrated in Manhattan and the Bronx, The Real Deal reported. Overall, there were 38 transactions across 47 multifamily buildings in

the city during October that totaled about \$687 million, according to a new report from Ariel Property Advisors. That was a sharp increase in volume from 12 months prior, when many buyers and sellers proceeded with caution ahead of the presidential election.

January 11th | Gov. Andrew M. Cuomo recently announced the start of construction of three multifamily rental buildings with 138 affordable apartments in The Bronx called The Grand, New York Amsterdam News reported. The project is part of Cuomo's \$20 billion, five-year plan launched in FY 2017 to provide permanent supportive housing, affordable housing with on-site services that help formerly homeless and disabled tenants live in dignity in the community, by constructing and rehabilitating 100,000 units of affordable housing and 6,000 units of supportive housing.

February 14th | The Bronx is the new Brooklyn. Sort of. Following in the footsteps of Queens, Hoboken and Jersey City, the Bronx - especially the gritty, once scorched South Bronx - is attracting new interest from renters and buyers priced out of Brooklyn and other trendy areas, the Wall Street Journal reported.

At the intersection of Bruckner Boulevard and the Whitestone Expressway, sedans and semis whizz past the site of a vacant, multi-level movie theater that is about to become one of New York City's largest fulfillment centers, CoStar Group reported. Square Mile Capital and Innovo Property Group are partnering on the repositioning of 2505 Bruckner Blvd., which is being brought to market by JLL. The site has been envisioned as an 850,000-square-foot, multi-level distribution center incorporating a ramp that will permit 53-foot trailers to load from the second floor - thus doubling shipping capability.

February 20th | Real estate investors were enamored with The Bronx last year as multifamily property prices notched the strongest gains of any sub-market, Ariel Property Advisors reported. Property values are



March - April '18

poised to move even higher in 2018 as buyers continue to set their sights on the high returns and steady cash flows offered by assets in the borough.

March 7th | The City Council signed off on a plan to rezone the area around Jerome Ave. in the Bronx to make way for thousands of new apartments, The Daily News reported. The neighborhood is the fourth to get a major zoning overhaul under Mayor de Blasio's affordable housing plan, and the first in the Bronx. The plan covers 95 blocks stretching from 167th St. to 184th St. and is expected to pave the way for 4,600 new apartments to be built.

April 3rd | In a boost for The Bronx, an upscale, nearly shovel-ready residential project along the South Bronx waterfront is being sold to Brookfield for around \$165 million, the New York Post reported. Assembled by the Chetrit Group and Keith Rubenstein's Somerset Partners, the 1.3-million-square-foot development will rise on both sides of the Third Avenue Bridge over the Harlem River, due south of Yankee Stadium.

April 4th | The northernmost borough surpassed \$2 billion in construction starts for the third year in a row, the Commercial Observer reported, citing Dodge Data & Analytics numbers released by the New York Building Congress. The Bronx also experienced a slight uptick in residential construction, with 5.3 million square feet of construction begun last year, up from 5.1 million square feet in 2016. And it accounted for 14 percent of New York City's residential construction in 2017.

April 18th | A pair of affordable-housing developers are proposing a \$2.2 billion mixed-use complex along the South Bronx waterfront, including 2,000 apartments, Crain's New York reported. Called Alexander Landing-for Alexander Avenue, which runs to the site-it would also have open space, a charter school, a medical facility, retail and parking. It was submitted to the Empire State Development Corp.

May - June '18

last year in the hopes that the Cuomo administration will give it the green light.

May 9th | It's been just three short years since Andrew Chung founded his development company Innovo Property Group, yet he is leading the charge in developing the biggest new industrial property in the Bronx-an 840,000-square-foot mega-distribution center, the Commercial Observer reported. And consider this: Chung graduated from The Bronx High School of Science. He has watched the area evolve through the decades as he rose to the level of partner at The Carlyle Group's real estate arm until he left to form Innovo.

May 15th | Last year was the Bronx's biggest for development since the Great Recession, Crain's New York reported. Builders developed 16 million square feet in the Bronx last year, the most the borough has seen in nearly a decade. Residential projects comprised nearly 80% of the added square footage, with commercial and institutional projects making up the remainder, according to a study from Bronx Borough President Ruben Diaz Jr.

May 21st | Nearly 4,300 units of subsidized housing were planned in the Bronx last year, the highest count recorded in the borough president's annual development report since 2009, amNew York reported. But none were slated for the most northern or eastern neighborhoods in community districts 8, 10, 11 and 12, from Riverdale to City Island and Throgs Neck.

June 18th | At an open house that was briefly disrupted by protest, the Department of City Planning revealed results from a community survey conducted as part of the Southern Boulevard Neighborhood study for a possible rezoning, City Limits reported. The survey stems from DCP's current Southern Boulevard Neighborhood Study, one of several neighborhood rezoning studies launched as part of city's affordable housing program.

FEATURED MARKET ACTIVITY

BY ARIEL PROPERTY ADVISORS



**1031-1049 WESTCHESTER AVENUE
& 1057 SOUTHERN BOULEVARD**
Bronx, NY 10459

Location: **Morrisania**
Property Type: **Commercial Building**

FOR SALE: \$30,000,000



**101-109 EAST BURNSIDE AVENUE
& 2062 MORRIS AVENUE**
Bronx, NY 10453

Location: **Fordham**
Property Type: **Multifamily; Retail**

FOR SALE: \$16,000,000



2374-2378 GRAND CONCOURSE AVENUE
Bronx, NY 10458

Location: **Fordham**
Property Type: **Commercial Building**

FOR SALE: \$15,000,000



1417 LONGFELLOW AVENUE
Bronx, NY 10459

Location: **Morrisania**
Property Type: **Multifamily**

SOLD: \$9,875,000



4510 WHITE PLAINS ROAD
Bronx, NY 10470

Location: **Wakefield**
Property Type: **Commercial Building**

SOLD: \$3,725,000



4541-4551 FURMAN AVENUE
Bronx, NY 10470

Location: **Wakefield**
Property Type: **Commercial Building**

SOLD: \$3,600,000



1408 CROMWELL AVENUE
Bronx, NY 10452

Location: **Highbridge**
Property Type: **Development**

SOLD: \$3,400,000



1049 KELLY STREET
Bronx, NY 10459

Location: **Morrisania**
Property Type: **Multifamily**

SOLD: \$1,625,000



1737-1741 GRAND AVENUE
Bronx, NY 10453

Location: **Morris Heights**
Property Type: **Development**

SOLD: \$1,275,000

INVESTMENT SALES,
CAPITAL SERVICES &
INVESTMENT RESEARCH



EXCLUSIVE
MARKET
REPORTS



COMPLIMENTARY
ASSET
EVALUATIONS



QUALITY
BROKERAGE
SERVICES



ABOUT US

Ariel Property Advisors is an investment real estate services and advisory company located in New York City.

Our company is unique to the industry in that it is structured like an investment bank, with separate divisions for investment sales, capital services and research. This strategic approach to commercial brokerage services allows our professionals to deploy greater resources and provide consistent, seamless execution to every transaction.

We cover all major commercial asset types throughout the New York metropolitan area, but maintain a very sharp focus on multifamily, mixed-use, development, commercial and industrial properties.

From consultation through closing, our professionals are dedicated to achieving optimal results for our clients. Combining the insights of veteran brokers with the latest real estate market intelligence, we find solutions that meet the specific needs of both the client and the asset.

Cultivating long-lasting relationships with the real estate community is essential to the success of both our firm and our clients, so we encourage all market participants to use our company as a resource.

Contact us today for Asset Evaluations, listing information, financing opportunities or our latest market reports.

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OUR METHODOLOGY

Data collection:

- Property transfers are collected through ACRIS and Property Shark each week, vetted by research team, and cross-checked with news articles.
- Information collected from third party sites such as Costar and Loopnet, along with news articles from sites such as The Real Deal.
- Information from appraisers and brokers on sales not yet publicized.

Criteria:

- Minimum sales price of \$850k
- Does not include city transactions, internal sales, notes & ground leases

Projections:

- Sales are averaged on a per-day basis throughout the year, and projected as such
- The assumed ACRIS transfer lag time is 30 days -if final data collection is January 15, we are projecting the sales that will eventually surface from January 16-31.

Location Definitions:

- Manhattan - South of East 96th Street and South of West 110th Street
- Northern Manhattan - North of East 96th Street, North of West 110th Street
- The Bronx - Bronx Borough
- Brooklyn - Brooklyn Borough
- Queens - Queens Borough

If you would like to use or quote this report on the web, we ask that you quote the source as **"Bronx 2018 Mid-Year Sales Report by Ariel Property Advisors"** and link report from our website page arielpa.nyc/investor-relations/research-reports.



COMPLIMENTARY ASSET EVALUATION

Please call us at 212.544.9500 to request an Asset Evaluation

Whether you are considering selling your building or you just want to know the current market value of your property, we are available to provide you with a complimentary asset evaluation. Produced by the joint efforts of our investment sales and investment research teams, an Asset Evaluation will provide you with a thorough analysis of your investment property, and will detail our future marketing efforts on your behalf.