

Manhattan 2022 Mid-Year Commercial Real Estate Trends

by Ariel Property Advisors
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Investment Sales
Capital Services
Research

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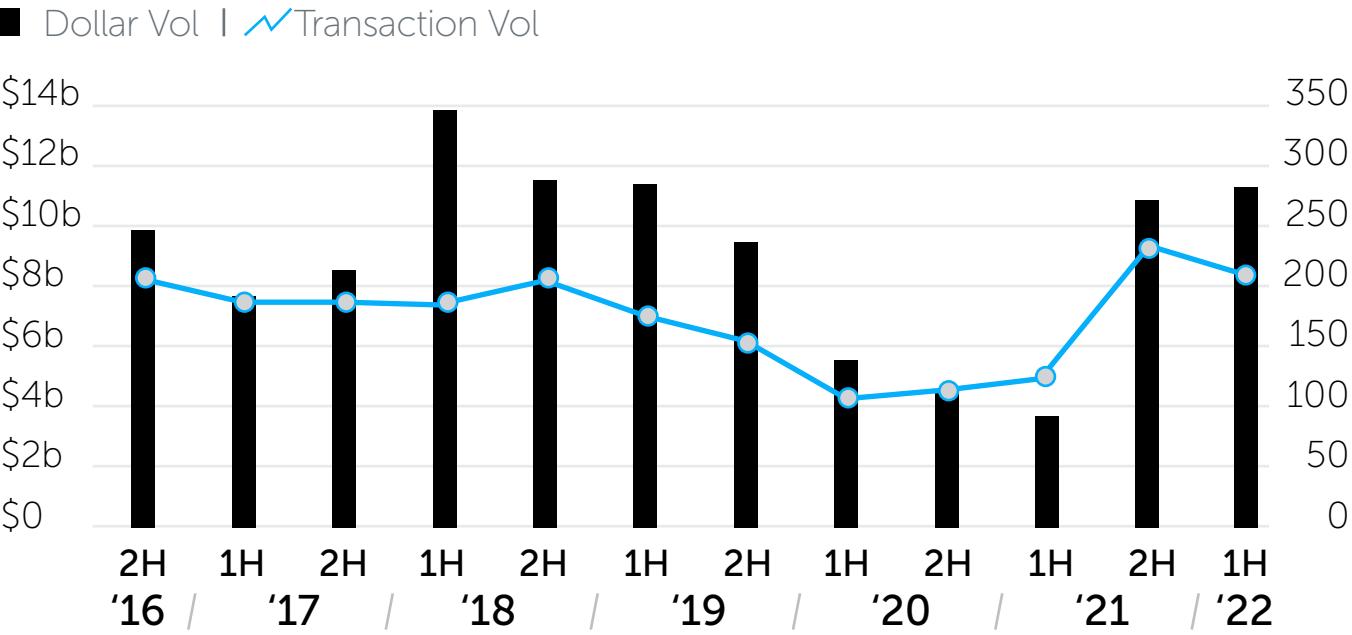
Table of Contents

4	Market Overview	→	14	Development Highlights	→
6	2022 Mid-Year Outlook	→	16	Macro Economic Overview	→
8	Multifamily Highlights	→	18	Forbes Contributions	→
10	Commercial Highlights	→	20	About Us	→
12	Office Highlights	→	22	Ariel's Listing Activity	→

2022 Mid-Year Overview

During the first six months of 2022, the Manhattan investment sales market saw a slight decrease in transaction volume although aggregate spending remained robust as the market came off of a strong finish in 2021. While each asset class saw year-over-year gains, only the multifamily, commercial and special purpose asset classes showed significant increases in dollar volume in 1H 2022 compared to 2H 2021, indicating that each asset class is recovering differently in the post-Covid environment. Geographically, while 52% of the aggregate dollars were spent in Midtown East (\$2.99 billion) and Downtown West (\$3.09 billion), acquisitions were fairly balanced among the Manhattan neighborhoods with 206 total transactions.

Real Estate Timeline



Volume
1H 2022 vs 2H 2021

5%

↑

\$11.6b

Dollar

-12%

↓

206

Transaction

-25%

↓

271

Property

Dollar Volume Comparison

Product Type	1H 2022	VS 2H'21	2H 2021	VS 1H'21	1H 2021
Multifamily	\$4,400,697,249	78%	\$2,478,937,293	274%	\$1,176,844,996
MF-MU 10+ resi units	\$3,994,688,323	109%	\$1,912,718,421	330%	\$929,785,825
MF-MU 6-9 resi units	\$158,649,020	-37%	\$253,572,206	14%	\$138,904,671
MF-MU Small	\$247,359,906	-21%	\$312,646,666	129%	\$108,154,500
Commercial*	\$1,252,485,005	60%	\$783,608,122	87%	\$668,664,523
Ind / WH / Sto**	\$69,056,604	-97%	\$2,324,397,813	N/A	\$0
Development	\$568,488,679	-43%	\$995,463,681	64%	\$345,650,344
Office	\$3,879,734,243	0%	\$3,868,420,047	308%	\$950,292,403
Special Purpose	\$1,490,142,226	126%	\$658,081,250	175%	\$541,668,027
GRAND TOTAL	\$11,660,604,006	5%	\$11,108,908,206	217%	\$3,683,120,293

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

2022 Mid-Year Outlook

Manhattan, like the rest of New York City, continued its path to recovery from the Covid-19 Pandemic, exemplified in part by the large-scale movement of residential renters back to the market, and an overall increase of residential condo units. Various factors will continue to impact the investment market, such as the movement to return to the workplace, the Fed’s increasing interest rates, and overall rising expenses. Accounting for these factors, investors remain confident in the Manhattan market as evidenced by significant increases in year-over-year acquisition metrics across all asset classes.

Transaction Volume Comparison

Product Type	1H 2022	VS 2H’21	2H 2021	VS 1H’21	1H 2021
Multifamily	127	-16%	152	49%	85
MF-MU 10+ resi units	70	-3%	72	56%	45
MF-MU 6-9 resi units	24	-27%	33	9%	22
MF-MU Small	33	-30%	47	83%	18
Commercial*	33	57%	21	83%	18
Ind / WH / Sto**	1	-67%	3	N/A	0
Development	16	-43%	28	60%	10
Office	24	4%	23	167%	9
Special Purpose	5	-38%	8	-17%	6
GRAND TOTAL	206	-12%	235	61%	128

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

Multifamily Highlights

- Multifamily remained the most transactional of all asset classes accounting for 37% of the aggregate dollar amount, 61% of total transaction volume, and 62% of total properties traded. The increased share of activity was buoyed in part by the large-scale movement back into New York City at levels last seen in 2016, despite the low office attendance figures.
- Booming rental rates have pushed pricing metrics to be the highest since the passage of HSTPA in 2019. Price per square foot increased by 12% and price per unit jumped by 22% versus 2021. Median rental rates were up 25% in May 2022 year-over-year according to the Elliman Report.
- Rent Guidelines Board voted in favor of a 3.25% increase for one-year leases and a 5% increase on two-year leases for all rent-stabilized apartments. This is the largest approved increase over the past 10 years.
- Notable transactions include:
 - A partnership of Stonehenge NYC and Stockbridge Capital Group acquired 354 East 91st Street, a 165-unit, free-market building, for \$128.2 million (\$779 per square foot)
 - A&E Real Estate acquired 140 Riverside Boulevard, a 359-unit building built in 2003, for \$265.65 million (\$722 per square foot)

Volume
1H 2022 vs 2H 2021

78%
↑
Dollar

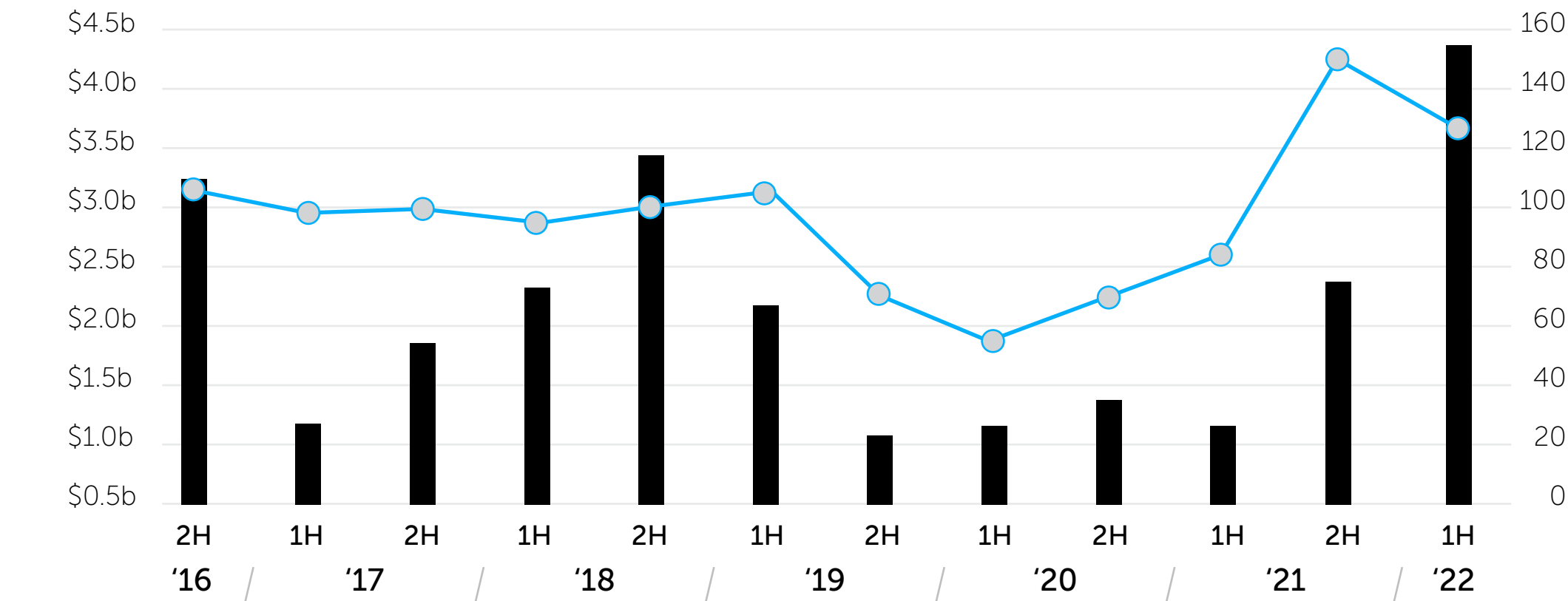
\$4.40b

-16%
↓
Transaction

127

Real Estate Timeline

■ Dollar Vol | ✓ Transaction Vol



Property Value Metrics - Multifamily*

Year	2016	2017	2018	2019	2020	2021	1H 2022
\$/SF	\$958	\$945	\$891	\$940	\$647	\$660	\$740
\$/Unit	\$675,522	\$669,315	\$693,251	\$758,217	\$490,607	\$452,380	\$552,798
Cap Rate	3.57%	3.61%	3.72%	3.98%	4.58%	4.56%	4.49%
GRM	20.53	19.49	18.35	16.01	14.25	13.53	14.68

*reflects multifamily transactions of 10+ residential units

Featured Transaction



Financial District
8 Spruce Street

Sale Amount:
\$930,000,000
\$/SF:
\$1,203
Buyer:
The Blackstone Group
Seller:
Brookfield Properties

Sale Date: **6/15/2022**

Commercial Highlights

- There was an increase in activity for commercial properties as investors sought opportunities in hotels due in part to a large increase in tourism. NYC & Company, the leading tourism organization, is projecting 56.7 million visitors to NYC in 2022, 85% of pre-pandemic levels.
- The year-over-year decrease in the average price per square foot for the asset class can partly be attributed to hotel properties trading at discounts due to the pandemic. Notably, 811 Seventh Avenue, a 51-story Sheraton hotel with 1,780 rooms, was sold for \$373 million (\$208k per key). The property was previously sold in 2006 for \$738 million.
- For retail properties, while asking rents have fallen due to the pandemic, the first quarter of 2022 showed a continued increase in retail leases for the third consecutive quarter amongst Manhattan’s major retail corridors.

Volume
1H 2022 vs 2H 2021

60%
↑
Dollar

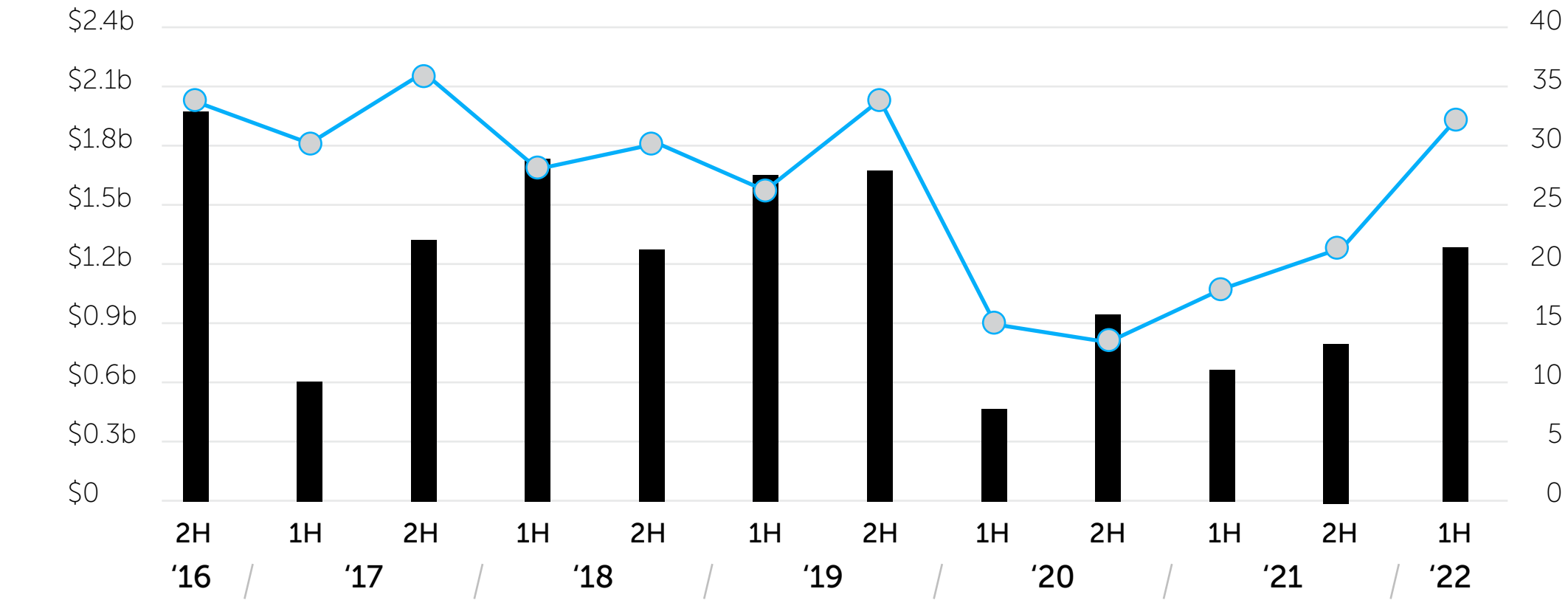
\$1.25b

57%
↑
Transaction

33

Real Estate Timeline

■ Dollar Vol | ▲ Transaction Vol



Property Value Metrics - Commercial*

Year	2016	2017	2018	2019	2020	2021	1H 2022
\$/SF	\$1,987	\$2,146	\$2,313	\$2,543	\$1,671	\$1,902	\$1,028

*reflects transactions of commercial buildings

Featured Transaction



Theater District
801 7th Avenue

Sale Amount:
\$373,000,000
\$/SF:
\$318
\$/Key:
\$208,031
Buyer:
MCR Investors LLC
Seller:
Host Hotels & Resorts, Inc.

Sale Date: **4/19/2022**

Office Highlights

- In-person office attendance was 42.5%, double the average a year ago, as employers and employees continue adjusting to new hybrid models.
- There is a general flight to quality office space, with rents on Class A new construction reaching a premium.
- Google’s \$2 billion purchase of St. John’s Terminal was the largest single asset transaction since the pandemic began. Other notable transactions include:
 - SL Green partnered with international investors on the acquisition of 450 Park Avenue South for \$455 million (\$1,532/SF)
 - RFR Holding acquired 475 5th Avenue for \$290 million (\$1,315/SF)

Volume
1H 2022 vs 2H 2021

0%

↕

\$3.88b

Dollar

4%

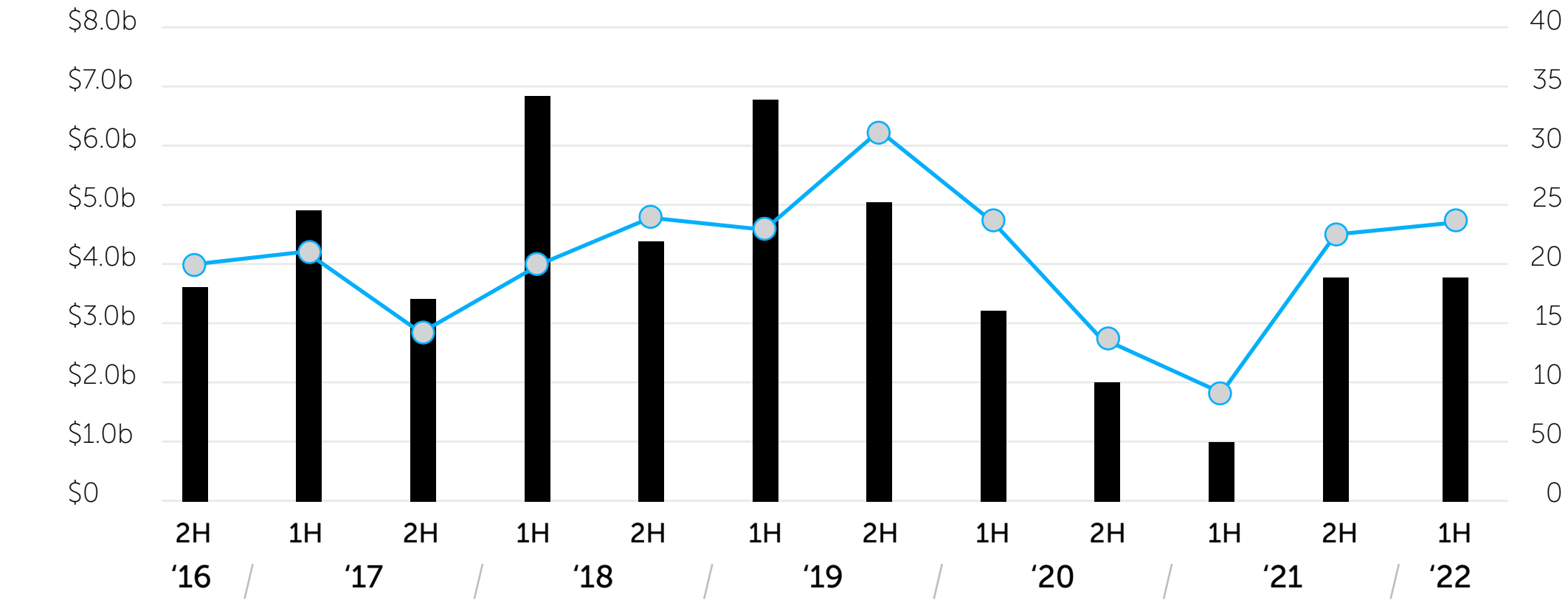
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24

Transaction

Real Estate Timeline

■ Dollar Vol | ▲ Transaction Vol



Property Value Metrics - Office pricing metrics

Year	2016	2017	2018	2019	2020	2021	1H 2022
\$/SF	\$1,217	\$950	\$888	\$1,045	\$1,106	\$1,036	\$1,182

Featured Transaction



SoHo
St. John’s Terminal

Sale Amount:
\$1,972,915,898
\$/SF:
\$3,123
Buyer:
Google
Seller:
Oxford Properties Group

Sale Date: **1/20/2022**

Development Highlights

- The 43% decrease in total transactions and 43% decline in aggregate spending in 1H 2022 compared to 2H 2021 can be attributed to various factors, including rising costs due to the overall increase in labor and materials affected by supply chain delays, inflation, and rising interest rates.
- The average price per buildable square foot remained stable from 2021 at \$482. Pricing, however, is still lower than in pre-pandemic years due in part to the softening of the residential condo market, as well as the factors noted above.

Volume
1H 2022 vs 2H 2021

-43%

\$568M

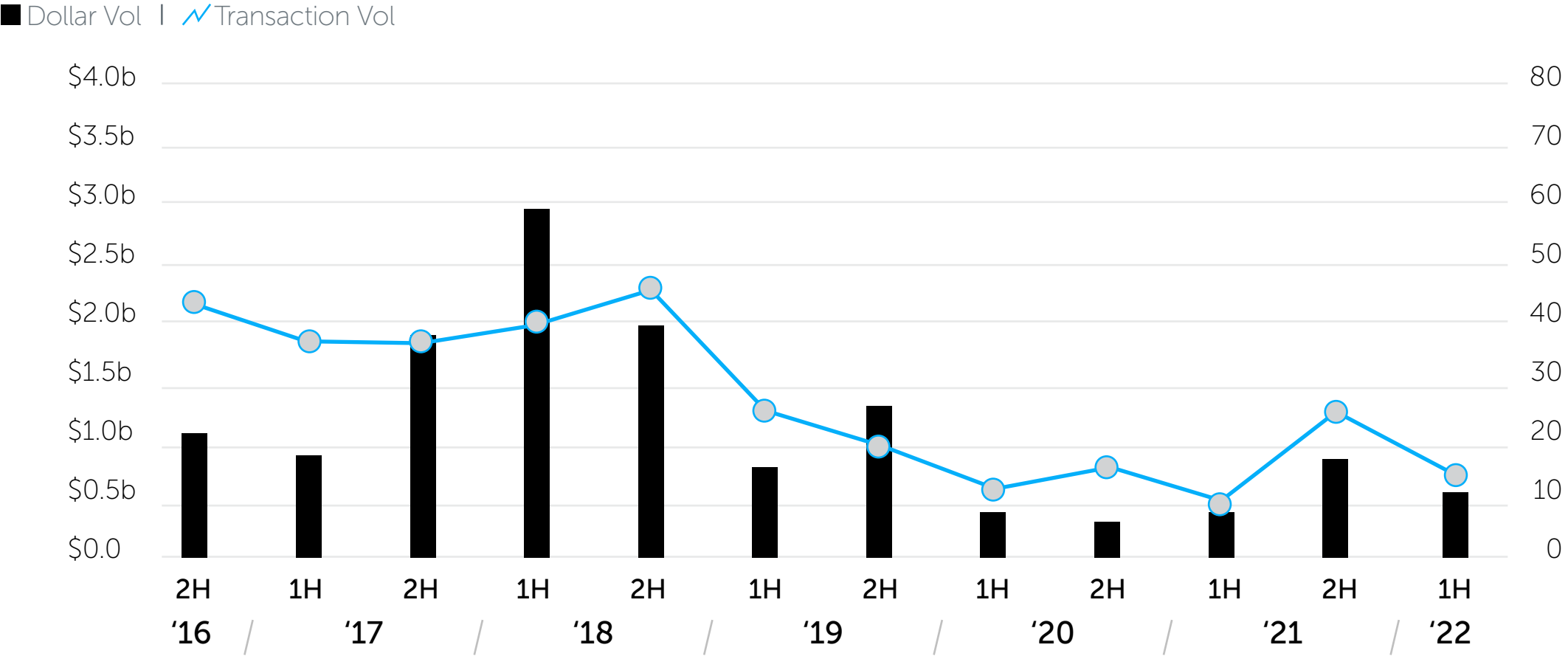
Dollar

-43%

16

Transaction

Real Estate Timeline



Property Value Metrics - Development*

Year	2016	2017	2018	2019	2020	2021	1H 2022
\$/BSF	\$640	\$682	\$691	\$598	\$469	\$471	\$482

*reflects transactions of vacant land or equivalent development sites

Featured Transaction



Upper East Side
1487-1493 1st Avenue

Sale Amount:
\$73,500,000
\$/BSF:
\$480
Buyer:
Cp VII 78th Street Owner LLC
Seller:
Hiyee Realty Corp.

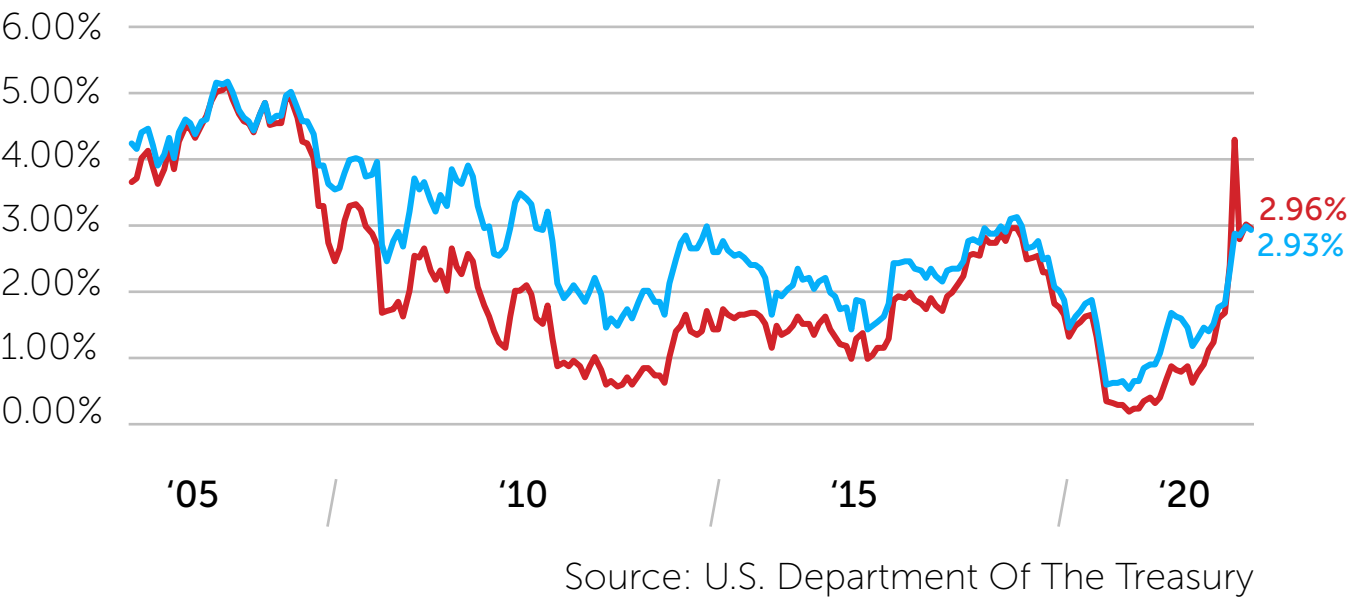
Sale Date: **1/6/2022**

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.

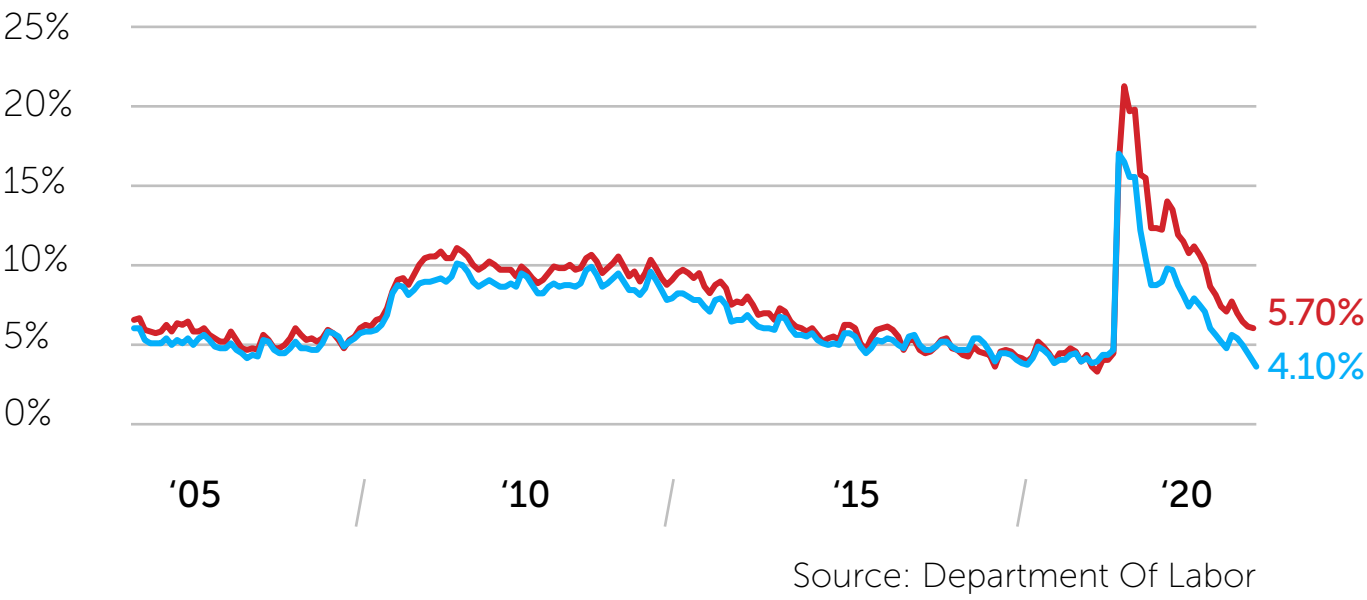
Financing:

10-Year: 2.93% | 5-Year: 2.96% | as of July 6th, 2022
Treasury Yield Curve Rates 10-year | 5-year



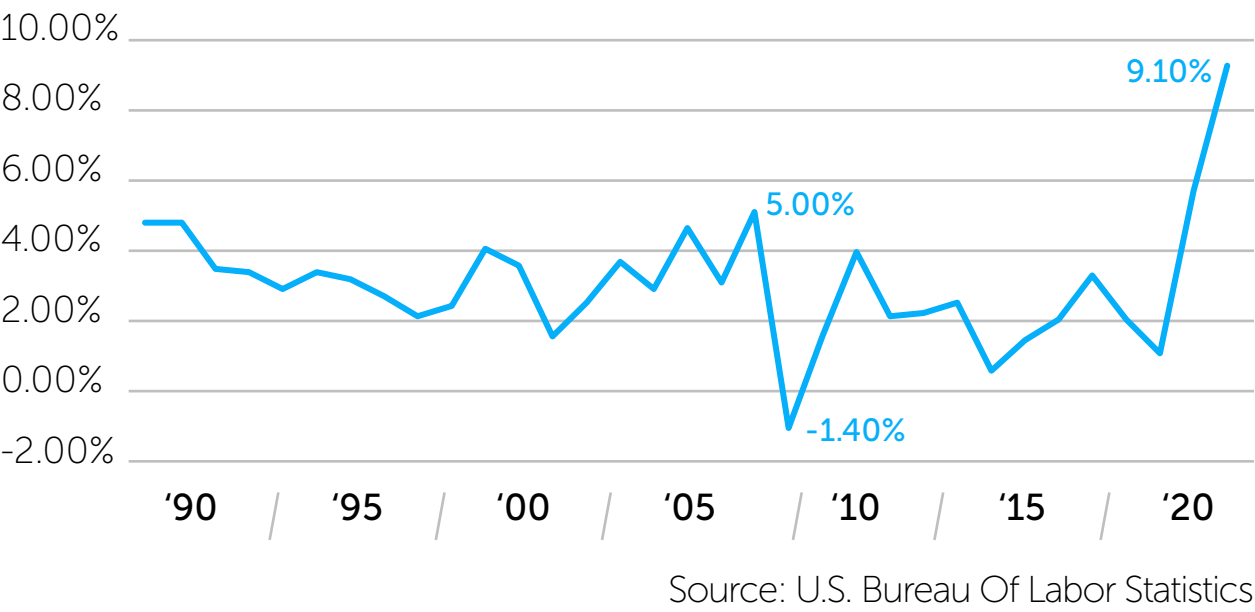
Unemployment Timeline (As of May 2022):

NYS: 4.10% | NYC: 5.70% as of May 2022
Unemployment Rate History | NYS & NYC (Not Seasonally Adjusted)



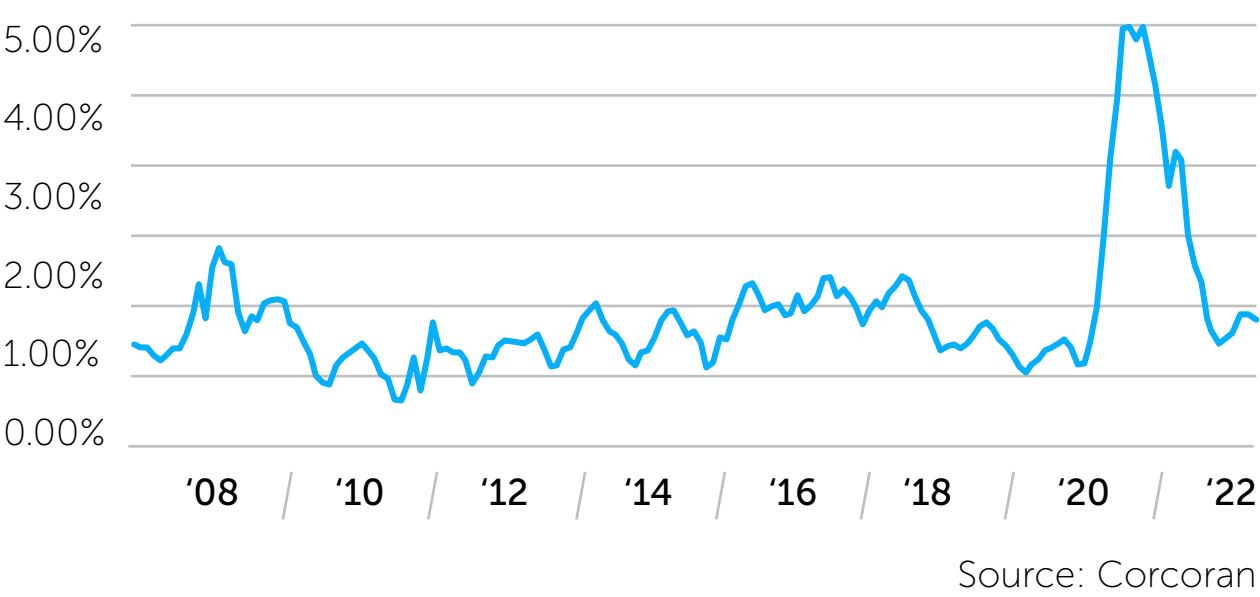
Consumer Price Index (CPI):

National CPI Growth -
Growth - June Y-O-Y



Rental Market / Vacancy:

Manhattan Residential
Rental Vacancy 2008-2022



Thought Leadership Featured in Forbes

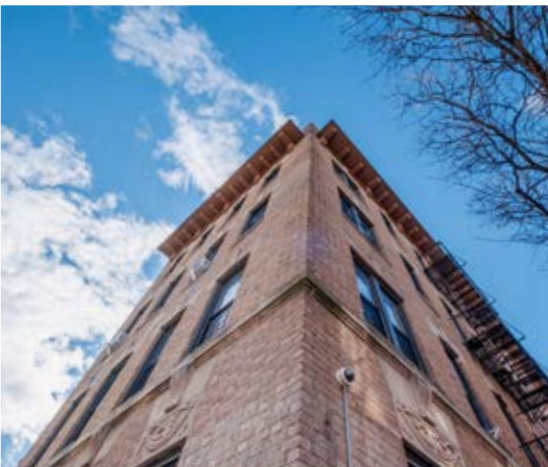
Ariel Property Advisors has been a regular contributor for Forbes. Below is a list of five latest articles that appeared in Forbes.



Jun 28, 2022

Mayor’s Plan Will Continue New York City’s Support For Affordable Housing Development

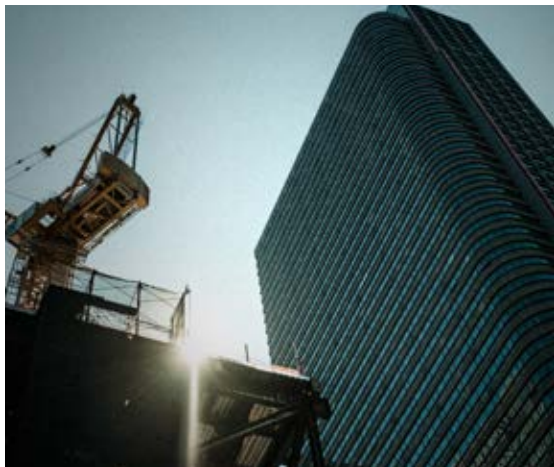
New York City Mayor Eric Adams recently released his affordable housing plan, Housing Our Neighbors: A Blueprint for Housing and Homelessness, and announced \$5 billion in capital funds, bringing the city’s investment to \$22 billion to build and maintain affordable housing over the next ten years.



May 31, 2022

Affordable Housing: Corporate America Can Be Part Of The Solution

E-commerce giant Amazon has launched a \$2 billion Housing Equity Fund to preserve and develop more than 20,000 affordable housing units across three major hubs—Puget Sound, WA, Nashville, TN, and Arlington, VA. .



May 17, 2022

The Sunset Of Rental Construction In New York City (At Least For Now)

Like many American cities, New York City’s demand for housing is staggering. In spite of state laws intended to hold down housing costs, rental prices have increased and low- and middle-income families are finding it even harder to find affordable homes.



May 2, 2022

Today And Tomorrow: A Tale Of NYC’s Multifamily Market

The first quarter of 2022 for the New York City multifamily market experienced robust growth with \$2.87 billion closed, well above the five-year quarterly average of \$1.90 billion, according to research from Ariel Property Advisors.



Mar 8, 2022

The New Queens And Kings Of New York City Real Estate

Brooklyn and Queens have been invigorated by tremendous investor interest and are in many ways more aligned in their market dynamics with the suburbs and middle American cities than with Manhattan.

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Manhattan

- Michael A. Tortorici - Downtown East
- Matthew L. Gillis - Upper East Side
- Howard Raber, Esq. - Midtown East

Brooklyn

- Sean R. Kelly, Esq. - Downtown Brooklyn, Fort Greene, Clinton Hill, Cobble Hill, Carroll Gardens, Boerum Hill
- Stephen Vorvolakos - Park Slope, South Slope, Windsor Terrace
- Dov Chein - Crown Heights, Prospect Heights, Prospect Lefferts Gardens

Bronx

- Jason M. Gold - South Bronx, Melrose, Mott Haven, Morrisania
- Daniel Mahfar - Belmont, Hunts Point, Fordham, Kingsbridge
- Eli Weisblum - [Capital Services](#)

Queens

- Alexander Taic - Long Island City, Sunnyside
- Dorit Pinhas - Ridgewood, Elmhurst, Maspeth, Middle Village, Woodside
- Matthew Davis - [Capital Services](#)



Ariel's Listing Activity



Mixed-Use
992-1000 Amsterdam Avenue
Upper West Side

For Sale: \$19,500,000



Development
18-20 East 13th Street
Greenwich Village

SOLD: \$11,900,000



Multifamily
350 West 110th Street
Upper West Side

SOLD: \$8,500,000




Development
140 Lexington Avenue
Kips Bay

SOLD: \$7,075,000



Multifamily
246 West 108th Street
Upper West Side

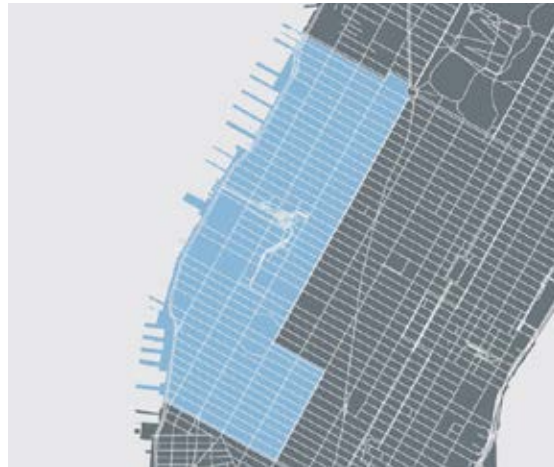
SOLD: \$5,800,000

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Commercial Condo
85 1st Avenue
East Village

For Sale: \$4,950,000



Development
Manhattan CB4
Inclusionary Air Rights
Clinton

For Sale: Please Inquire



Development
Inclusionary Air
Rights CB5 Manhattan
Murray Hill

For Sale: Please Inquire



Commercial Building
28 Water Street
Financial District

For Sale: \$3,800,000



Commercial Condo
158 West 23rd Street
Chelsea

For Sale: \$2,400,000

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