Northern Manhattan 2022 Mid-Year Commercial Real Estate Trends

by Ariel Property Advisors

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Ariel Property Advisors

Investment Sales
Capital Services
Research

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2022 Mid-Year Overview

Volume 1H 2022 vs 2H 2021

-70% ↓ $433M Dollar

-17% ↓ 55 Transaction

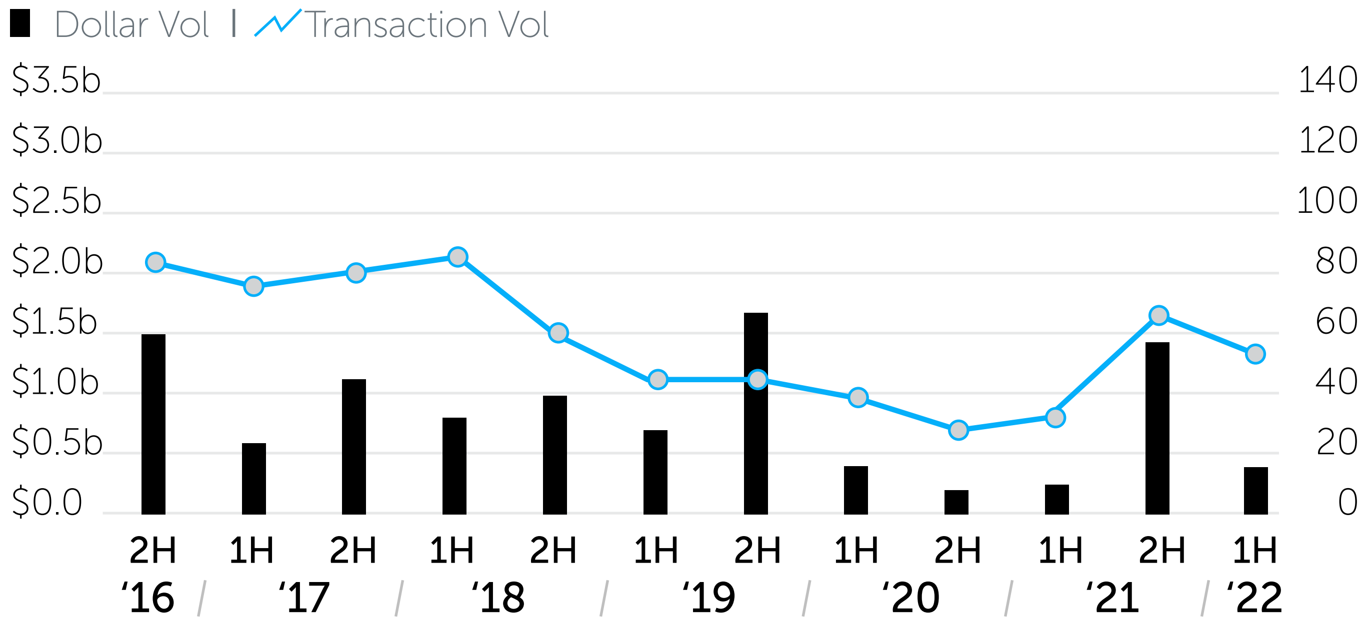
-33% ↓ 76 Property

Northern Manhattan investment property sales continued to recover on multiple fronts during the first half of 2022. Although dollar and transaction volume were down compared to a very transactional second half of 2021, activity and general sentiment rose significantly on a year-over-year basis.

Whereas the end of 2021 saw a few institutional-caliber transactions drive dollar volume, this half primarily consisted of small to mid-size multifamily transactions while only nine deals surpassed $10 million in gross consideration.

There is still much room for improvement. Over the last 10 years, on average Northern Manhattan has seen 76 transactions totaling $836 million per half. The 55 transactions totaling $433 million in gross consideration in the first half of 2022 are well below these figures, let alone the highs seen in the market peaks between 2014-2016.

Real Estate Timeline



Dollar Volume Comparison

Product Type	1H 2022	VS 2H'21	2H 2021	VS 1H'21	1H 2021
Multifamily	$301,547,322	-32%	$445,206,107	149%	$121,239,000
MF-MU 10+ resi units	$276,819,614	-34%	$418,025,239	132%	$119,439,000
MF-MU 6-9 resi units	$9,976,415	-50%	$19,845,000	N/A	$0
MF-MU Small	$14,751,293	101%	$7,335,868	720%	$1,800,000
Commercial*	$36,543,396	4%	$35,000,000	100%	$18,300,000
Ind / WH / Sto**	$20,433,962	-97%	$671,600,000	34%	$15,200,000
Development	$71,233,585	-60%	$177,031,025	-19%	$87,507,953
Office	$1,924,528	N/A	$0	N/A	$0
Special Purpose	$1,245,283	-99%	$128,565,000	N/A	$0
GRAND TOTAL	**$432,928,076**	**-70%**	**$1,457,402,132**	**79%**	**$242,246,953**

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

2022 Mid-Year Outlook

At this juncture, the near-term outlook for investment property sales is rather murky as the market grapples with positive and negative factors. On the one hand, most of the Covid-related vacancy and economic uncertainty has abated, as seen with the strong recovery in residential rentals and condominiums and a continued, albeit more gradual, recovery in retail/commercial rents.

On the other hand, inflation is at a multi-decade high and interest rates are rising sharply. The New York State government injected further uncertainty by allowing the Affordable New York Program (421a) to expire this past June and there is little clarity on what, if any, tax abatement program to support multifamily rental development will replace it. This will likely have a negative impact on development site sales.

Given this picture, our sense is there will be markedly more investment property sales than in the lackluster years of 2020 and 2021, but accelerating beyond that will be challenging until the economic and regulatory environment is more clear.

Pricing will be choppy depending on the asset class. Barring a change in the rent laws, free market multifamily properties should be resilient vis-à-vis rising rates because revenues will continue to appreciate. Asset prices of rent-regulated properties are particularly vulnerable to drastic rate hikes. Supply and demand dynamics should lead to modest improvement in development site pricing over time, but more drastic improvement requires a resolution to the Affordable New York program.

Transaction Volume Comparison

Product Type	1H 2022	VS 2H'21	2H 2021	VS 1H'21	1H 2021
Multifamily	37	-10%	41	131%	16
MF-MU 10+ resi units	24	-20%	30	60%	15
MF-MU 6-9 resi units	5	-38%	8	N/A	0
MF-MU Small	8	167%	3	700%	1
Commercial*	5	400%	1	67%	3
Ind / WH / Sto**	1	-50%	2	0%	1
Development	10	-44%	18	-17%	12
Office	1	N/A	0	N/A	0
Special Purpose	1	-75%	4	N/A	0
GRAND TOTAL	**55**	**-17%**	**66**	**72%**	**32**

*Commercial includes retail and hotel properties

**Ind / Wh / Sto: Industrial / Warehouse / Self Storage

Multifamily Highlights

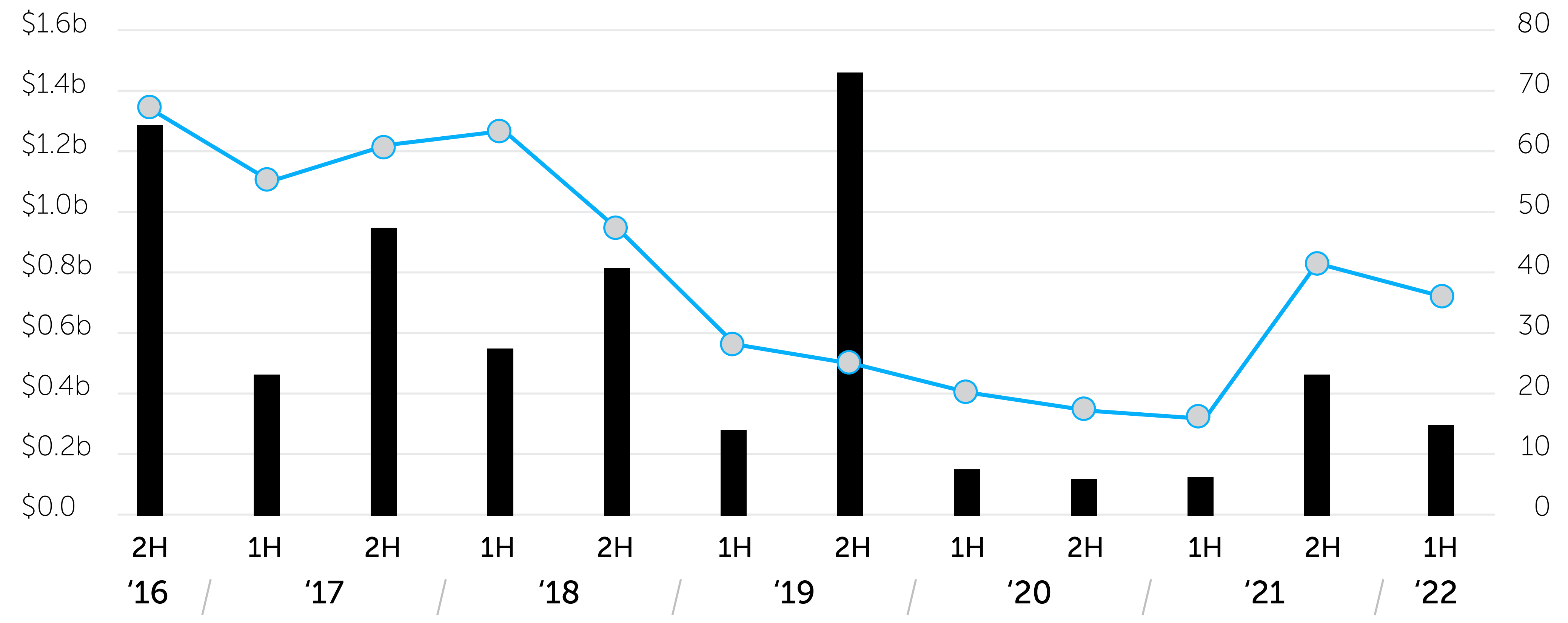
- For two consecutive halves, multifamily transaction volume has been above what we saw since the first half of 2019. This suggests that the sellers are more accepting of the multifamily pricing post-HSTPA.
- 1H22 cap rates improved by 30 basis points when compared to 2020 and 2021 figures, but remain over 100 basis points above pre-HSTPA levels.
- Marginal appreciation is evident on a rent multiple, price per square foot and price per unit basis.
- Rising interest rates are expected to soften these pricing metrics in the near term. Buildings that are predominantly free market that can benefit from the major rent increases being seen all over the city should be more resilient. However, rent-regulated properties with limited rent growth are particularly vulnerable.

Volume 1H 2022 vs 2H 2021

-32% ↓ **$302M** Dollar

-10% ↓ **37** Transaction

Real Estate Timeline



Property Value Metrics - Multifamily*

Year	2016	2017	2018	2019	2020	2021	1H 2022
$/SF	$361	$382	$376	$353	$321	$283	$299
$/Unit	$315,261	$320,729	$314,012	$307,738	$220,654	$214,364	$239,105
Cap Rate	3.95%	4.08%	4.06%	4.73%	5.25%	5.41%	5.10%
GRM	15.87	15.24	15.36	13.72	10.08	10.06	10.78

*reflects multifamily transactions of 10+ residential units

Featured Transaction

Washington Heights

Yeshiva University Washington Heights Portfolio 2022

Sale Amount:
$92,200,000
$/SF:
$240
Buyer:
Elysee Investment Corp
Seller:
Cammeby's International Group

Sale Date: **3/4/2022**

Development Highlights

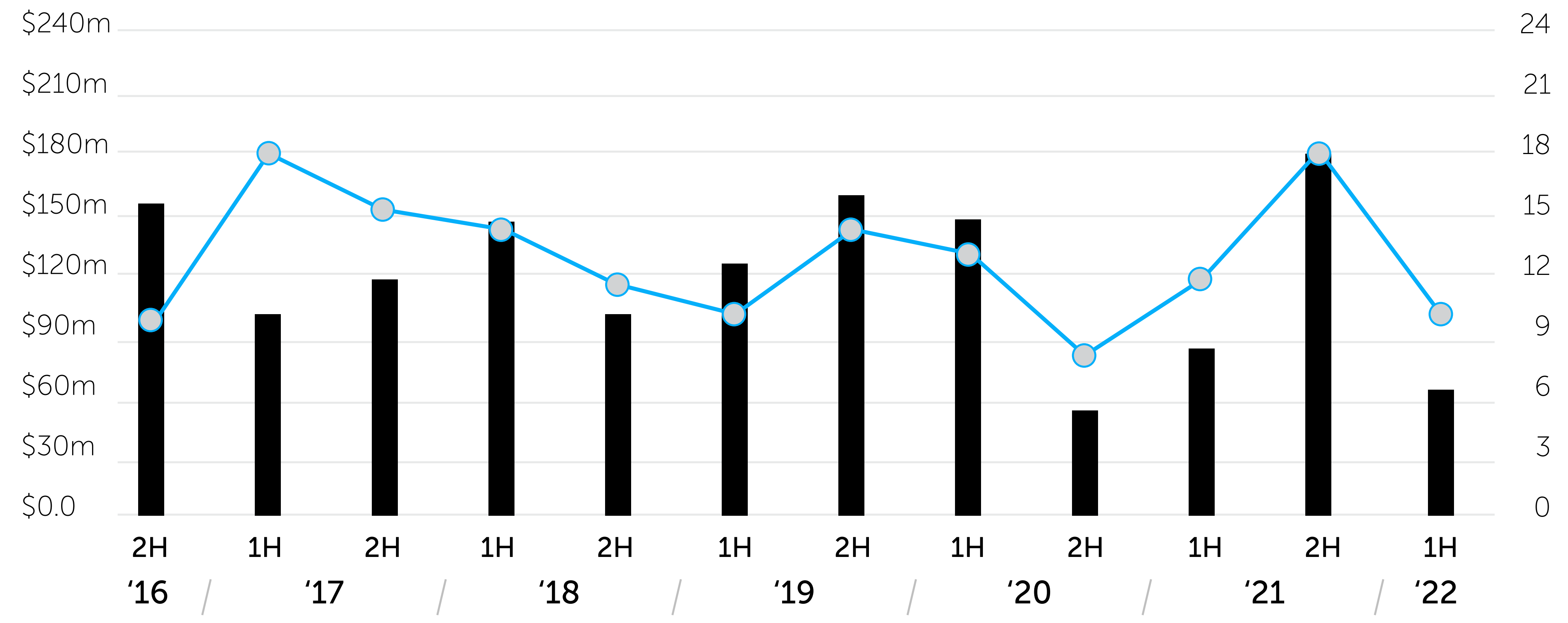
- 1H22 saw relatively light transaction and dollar volume despite improving market fundamentals
- The average price per buildable sq. ft. fell to $155—down from the year-end 2021 average of $176—but we attribute this to the relatively small sample size.
- Until it is resolved, the expiration of the Affordable New York (421A) tax abatement program will have a negative impact on development site sales volume.
- Improving market fundamentals should lead prices to hold or see modest appreciation over the balance of the year.

Volume
1H 2022 vs 2H 2021

-60% $71.2M
Dollar

-44% 10
Transaction

Real Estate Timeline



Property Value Metrics - Development*

Year	2016	2017	2018	2019	2020	2021	1H 2022
$/BSF	$228	$209	$218	$216	$169	$176	$155

*reflects transactions of vacant land or equivalent development sites

Featured Transaction

Inwood

401 West 207th Street

Sale Amount:
$25,000,000
$/BSF:
$119
Buyer:
Aini Assets
Seller:
Speedway LLC

Sale Date: **3/16/2022**

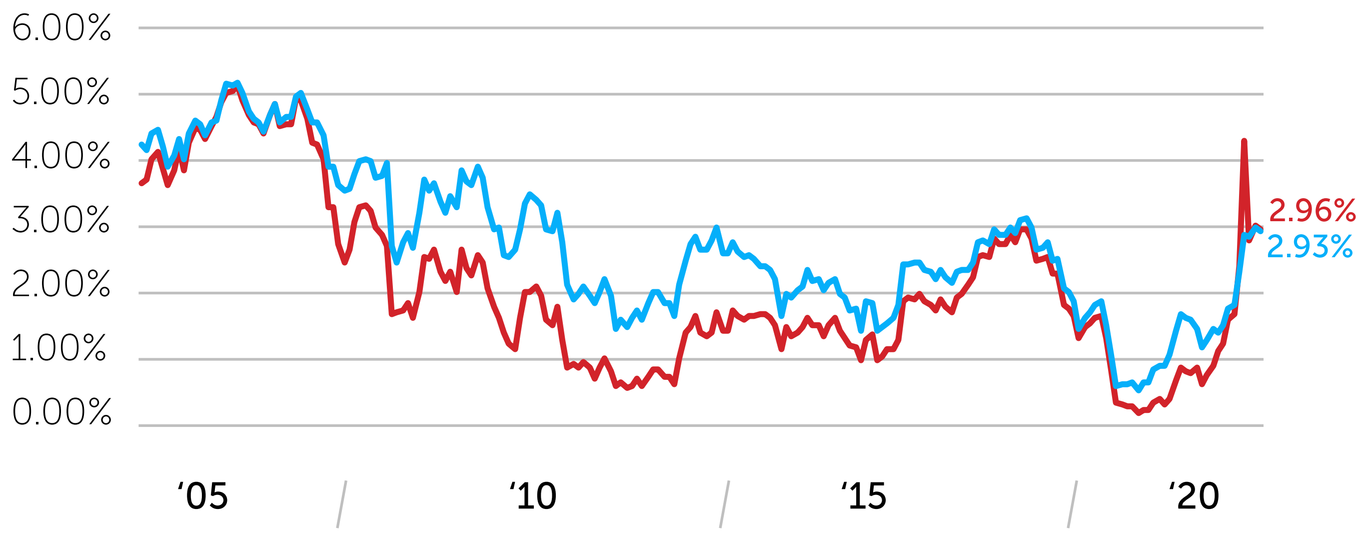
Macro Economic Overview

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

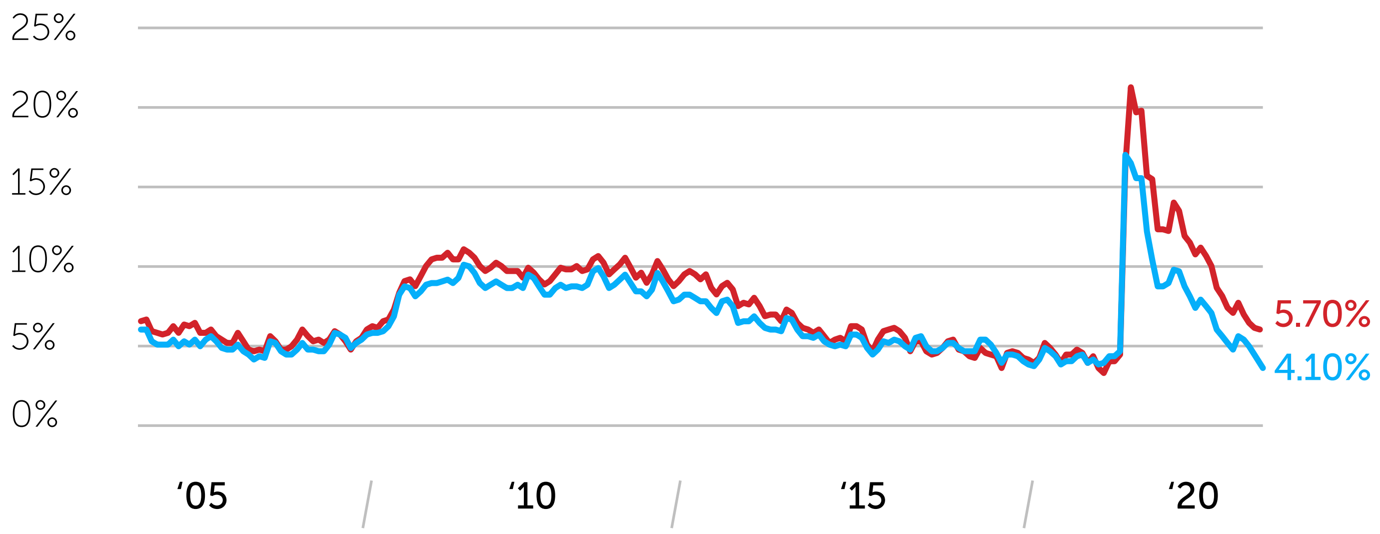


Source: U.S. Department Of The Treasury

Unemployment Timeline (As of May 2022):

NYS: 4.10% | NYC: 5.70% as of May 2022

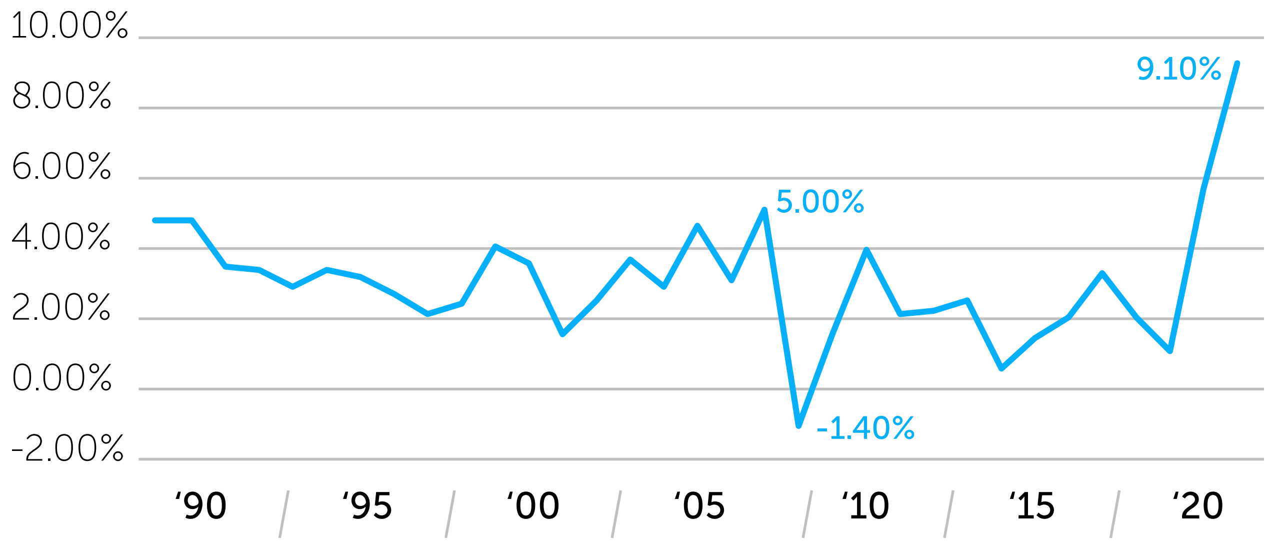
Unemployment Rate History | **NYS** & **NYC** (Not Seasonally Adjusted)



Source: Department Of Labor

Consumer Price Index (CPI):

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

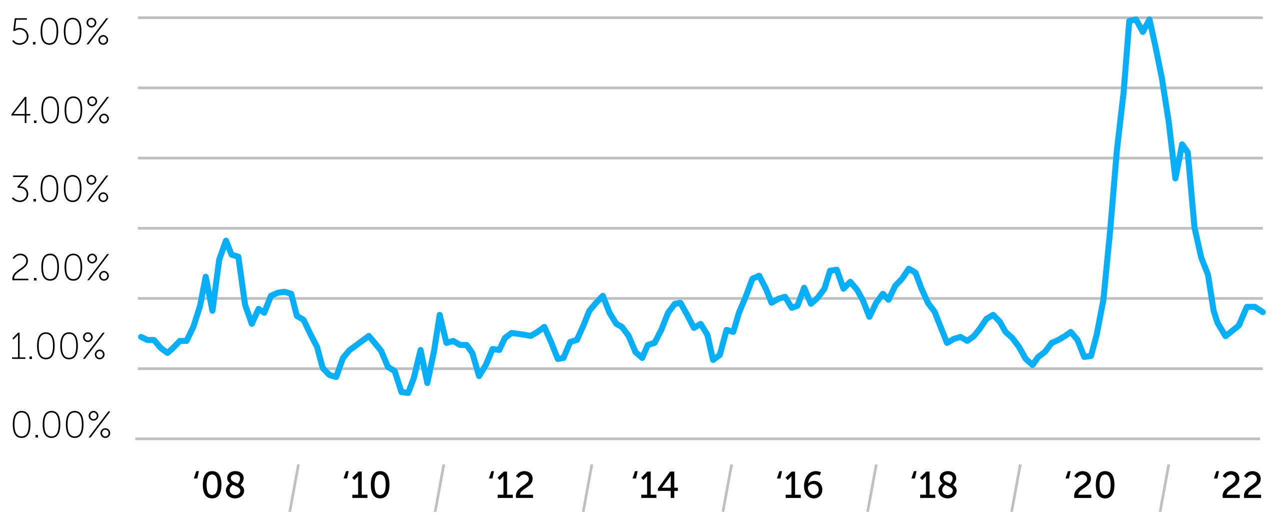


Source: U.S. Bureau Of Labor Statistics

Rental Market / Vacancy:

Manhattan Residential

Rental Vacancy 2008-2022



Source: Corcoran

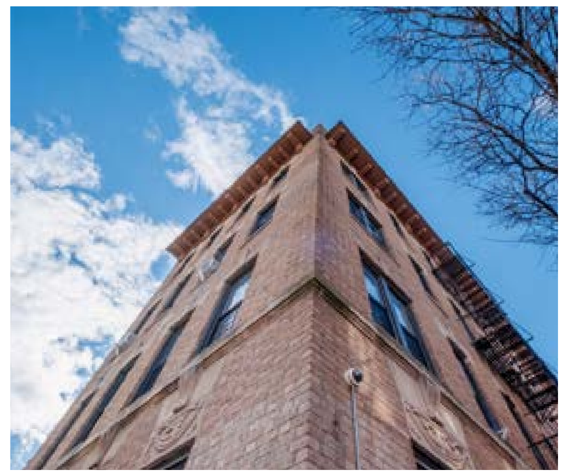
Thought Leadership Featured in Forbes

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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On Forbes Website
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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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Ivan Petrovic
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Paul McCormick
Partner / Sales
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Sean R. Kelly
Partner

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- Mark Anderson - East Harlem
- James Nestor - Washington Heights, Inwood, West Harlem
- Matthew Swerdlow - Capital Services

Manhattan

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

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

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
- Lawrence Sarn - Flatbush, East Flatbush, Borough Park, South Brooklyn, Bensonhurst, Sheepshead Bay, Bath Beach
- Benjamin Vago - Greenpoint, Williamsburg
- Matthew Dzbanek - Capital Services

Ariel's Listing Activity

Multifamily

82 Wadsworth Avenue & 650 West 177th Street

Washington Heights

For Sale: $7,650,000

Mixed-Use

270 West 153rd Street

Central Harlem

For Sale: $7,250,000

Development

161-165 West 132nd Street

Central Harlem

For Sale: $6,800,000

Multifamily

347 East 105th Street

East Harlem

For Sale: Please Inquire

Development

220-228 East 118th Street

East Harlem

For Sale: $6,400,000

Visit our Website
Or scan the code

Multifamily

302 West 114th Street

Central Harlem

IN CONTRACT

Multifamily

414-416 East 119th Street

East Harlem

For Sale: $4,200,000

Mixed-Use

2195 7th Avenue

Central Harlem

For Sale: $3,000,000

Multifamily

117 West 111th Street

Central Harlem

For Sale: Please Inquire

Commercial Building

1882 Park Avenue

East Harlem

For Sale: $1,900,000

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