Slow but stable in Northern Manhattan investment sales market: Prices are holding firm - by Michael Tortorici and David Baruch

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Northern Manhattan comparable sales data from the first quarter shows a continuation of trends seen in 2016—transaction volume is down yet prices are holding firm. The biggest contributor is property owners that continue to pursue prices at or above 2015 levels. Surely, many properties are trading at elevated levels but the significant drop in transaction volume suggests that in order for sales volume to rebound, prices will need to correct.

Numerous factors justify both market pessimists and optimists. Pessimists can point to several market drivers leading them to be more cautious in underwriting assets or reaching on price. An influx of residential units citywide has slowed rental growth. Conventional banks are being more selective with their loans and the financing gap is being filled by more expensive financing options. And after many years of delays, interest rates are rising.

Optimists, however, also have several reasons that justify a continuation of elevated prices. Economies around the world, not just here in the U.S., are growing at a stronger pace than recent years. The economy is approaching "full employment" and wages are rising more consistently. New York remains a safe haven for international capital. And in Northern Manhattan specifically, several major developments have come online that will fuel continued growth in the local real estate market.

As the trades and the prices below show, the northern Manhattan multifamily market continues to be a top destination for investors from around the world.

For example, 265-273 West 146th St., a 100-unit 47,500 s/f walk-up portfolio in Central Harlem, sold for $23 million in March, over double the $11.1 million it sold for in June 2013. Pricing metrics were just as remarkable, with the price per square foot and price per unit for the property at $484 and $230,000, respectively.

Another impressive sale was at 109 East 102nd St. in East Harlem, a 45-unit 30,129 s/f multifamily property that sold for $14.7 million in January, fetching a price per square foot of $488 and a price per unit of $326,667. The property is located near the East Side 47 Portfolio, a $357.5 million sale handled by Ariel Property Advisors in 2016.

In addition, at 422 St. Nicholas Ave. in Central Harlem, a 10-unit 11,105 s/f property was sold by Ariel Property Advisors in January for $4.325 million, 29% more than the $3.35 million it sold for in September 2014.

One thousand dollars per s/f is increasingly becoming the floor—not the ceiling—for condominiums in Northern Manhattan. Resales at some of the area's most successful properties like The Adelaide and The Kalahari have topped $1,200 per s/f. In East Harlem, asking prices at 1399 Park Ave. – a new construction 23-story condo building with 72 units – are now listing for $1,250 per s/f.

With prices like this and with relatively few new condo projects coming online in northern Manhattan in the near term, unlike other areas of the city, developers have reasons to be optimistic in 2017.

Ariel Property Advisors recently represented the seller and procured the buyer for the sale of 336-338 East 112th St., a 50' wide, 22,159 s/f development site in the East Harlem section of Northern Manhattan. The property sold for $4.2 million, or $190 per buildable s/f—a value that's 73% higher than what it sold for in 2014.

Another notable development site sale this year includes 1516-1520 Park Ave., which sold for $10.25 million, or $242 per buildable s/f. The 50' wide property allows for 42,390 buildable s/f. Notably, ownership delivered the property with shovel ready plans.

Northern Manhattan is currently undergoing some significant transformations, with a major rezoning plan made by the de Blasio administration last year likely to be game-changer for East Harlem. The plan increases building density in major corridors, allowing buildings of up to 30 stories, a mix of retail and residential space, pedestrian, and transit improvements.

Though development site sales have been somewhat weighed down by the expiration of the popular 421-a tax exemption program in early 2016, that may be poised to reverse with the recent adoption of its replacement program, "Affordable New York." Its passage could prove to be a needed boon for rental housing development, which has had trouble competing with today’s high land costs that are being driven by condominium sales activity.

With the Second Ave. subway line now open, the sub-market is poised to see increased residential demand from those looking to avoid the looming shutdown of the L-train. The future looks bright for Northern Manhattan as we expect the region’s relative affordability versus properties below 96th St., along with its ever-changing landscape to continue to captivate the attention of both institutional and private investors.

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