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Ariel Property Advisors releases Upper Manhattan 2010 Year End Sales Report

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Transaction volume for commercial real estate in Northern Manhattan increased 69% in 2010 compared to 2009, according to the Upper Manhattan 2010 Year End Sales Report released by Ariel Property Advisors. For the year, Northern Manhattan recorded 176 investment property transacÂ-tions totaling $622 million.

"While many have reason to find such increases as remarkable, several important caveats are worth noting," Shimon Shkury, president of Ariel Property Advisors said.

"First, this dramatic rebound comes off of the abnormal, financial crisis-stricken market of 2009, which experienced the lowest level of sales and dollar volume in at least 30 years. Even with this reÂ-covery, 2010 numbers are less than 2008 numbers so we still need significant increases in sales volume to reach a 'normal' market state."

Shkury said 80% of the transactions in Northern Manhattan were below $5 million. Also, the $125 million auction sale of Riverton Houses, accounted for about 20% of the total dollar volume. Without the Riverton Houses sale, the dollar volume of transactions in Northern Manhattan increased by only 70% for the year.

Positive signs cited in the report include banks taking more steps to unload underperforming assets, a stronger consensus for near-term economic growth, and more comparable sales lending clarity to prices.

While the firm is confident that volume will increase significantly in 2011 and 2012, prices are difficult to predict. Although rents are rising, landlords are contending with higher taxes, higher energy prices, and possibly higher interest rates due to the rise in the 10-year Treasury note rate and investors demanding higher risk premiums for their cash than during the bubble years.

The report breaks down transaction and dollar volume activity into three categories: multifamily, development sites, and user properties.

* Multifamily: In 2010, Northern Manhattan's multifamily class saw 75 transactions totaling $473 in gross sales, which represents a 74% increase in transaction volume and 148% increase in dollar volume with the Riverton House deal and 83% increase without it.

The number of trades and dollar volume was less than 2008 levels and under half 2007 levels, but Ariel Property Advisors estimates volume will continue to increase at a modest pace, and some portfolios may trade as the CMBS market recovers. Multifamily assets continued to show price declines in 2010 across all metrics except price per unit, though these declines were much less than those registered from 2007-09.

* Development sites: Twenty-six development sites traded in 2010 for a total of about $60 million, an 86% increase in transaction volume and 43% increase in dollar volume. Most of the sites traded were small because the average price per buildable square foot at $69 was low enough to allow

either near term development or land banking in anticipation of greater appreciation in the future.

* User properties: Upper Manhattan had a total of 70 user property transactions totaling $77 million in aggregate sales, a 68% increase in transaction volume and 72% increase in dollar volume compared to the previous year. On average vacant buildings in need of renovation traded at $217 per square foot, a 17% increase from 2009. The price per square foot for renovated user townhouses came in at $301 per square foot, a 7.5% increase from 2009 levels.

The 2010 Year-end Sales Report also features a unique Real Estate Timeline for the years 2007 through 2010 that highlights significant real estate deals, a snapshot of annual transaction statistics, and economic and political factors that influenced the industry during this period.

Additionally, the sales report includes an analysis of Northern Manhattan Market Fundamentals for condominium and rental properties, which will be analyzed in depth in the firm's Manhattan Residential Rental Report and Northern Manhattan Condominium Report.

* Condominium market: The average price per square foot for Northern Manhattan condominiums was $537 in 2010, a 6.6% decline from the previous year. However, sales in the second half of the year increased because several high-end developments on Frederick Douglass Blvd. came online and began selling out. Some of these buildings achieved prices exceeding $675 to $700 per s/f.

* Rental Market: Free market rental rates held steady at $26 per s/f in 2010 compared to 2009.

To request a copy of the full report, please go to www.arielpa.com, or email info@arielpa.com.