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By Peter Hausberg: Resurgence of office and hotel sales in Midtown West climbs toward pre-recession levels

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Office building sales more than doubled in 2011 to $5.7 billion from $1.8 billion in 2010 in Midtown West, the area that extends from 30th to 59th Sts., and Fifth Ave. to the Hudson River, according to Eastern Consolidated's just-released MetroGrid Report for Midtown West.

The report maintains that while there has been widespread development throughout New York City in the past 10 years, the concentration of new development in Midtown West has been unparalleled resulting in 35 new residential buildings, 14 new office buildings, 30 new hotels and 10 new retail buildings, as well as one industrial building.

Few would have believed that this area would be as viable as it has become. To see the plethora of residential developments, office, hotels and restaurants is remarkable given that so many avoided this neighborhood 10 years ago.

Among property types in Midtown West, new hotel and office developments are certainly the most noteworthy of late. Sales of hotels jumped this year to $1 billion, up from $425 million in 2010 and a low of $175 million in 2008, and a total of seven properties traded hands in 2011, compared to three last year.

Thirty hotels have been added to Midtown West's inventory since 2006, and another 14 hotels are planned or now currently under construction, following which more than 3,400 hotel rooms will be added to the inventory. That represents nearly 59% of all the hotel rooms under construction in Manhattan.

As for office building sales in Midtown West, in the second quarter of 2011, 25 transactions closed, as compared to 2010 when only 27 transactions were completed. The average price also increased to $435 per s/f, after having dropped below $400 per s/f for three years from a high of $500 per s/f in 2007. There have been 12 transactions in 2011 for more than $100 million, up from six in 2010.

According to Barbara Byrne Denham, Eastern Consolidated chief economist, "However, in the third quarter of 2011, the volume of property sales slowed in Midtown West, as a result of volatility in the stock market triggered by US debt ceiling talks and the European debt crisis. Ten properties have traded in the third quarter so far this year, down from 25 last quarter, and most have been recapitalizations. Trading volume typically decreases in the third quarter. We can expect to see trading increase in the fourth quarter, as the recapitalization trend continues, given low interest rates and the expectation that they will remain low for the foreseeable future."

The report indicates that multi-family sales in Midtown West were flat this year, and retail sales recorded much volatility because Times Square, containing some of Manhattan's most expensive real estate, is included in submarket. Overall, the report concludes that investors are bullish on the continuing growth and popularity of Midtown West. Given the success of Chelsea and the High Line, just south of the area, it was only a matter of time until the ripple effects from development in the

West 20's spilled over into the West 30s. Much of the redevelopment has taken place with the expectation that the number 7 train will be delivered on time in December 2013, and hotels are anticipating that the expansion of the Javits Convention Center will mean high occupancy levels. The Atelier, River Place, the Silver Towers, MIMA and the soon-to-open Atelier II have all attracted residents to venture westward, setting the stage for a vibrant, thriving community of homeowners, business people and tourists alike.

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