



Strong fundamentals are driving the Northern Manhattan real estate market

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Record low interest rates, an improving job market, and rents that reached 2008 levels contributed to a stronger Northern Manhattan real estate market in 2011.

Our firm's research reports show across the board improvement uptown. Total commercial real estate transactions for multifamily, development, and user properties in Northern Manhattan increased 7.43% in 2011 compared to 2010. Additionally, average residential rents and condominium prices in Northern Manhattan in 2011 reached their highest levels since 2008 and 2007, respectively, while retail rents also improved.

Multifamily, Development Sites, User Properties

According to our firm's Northern Manhattan Year-end Sales Report 2011, the area saw a total of 188 commercial real estate transactions consisting of 226 properties and totaling approximately \$519 million in gross consideration, compared to 2010, which saw 175 transactions consisting of 211 properties totaling \$498 million in gross consideration. The report captures buildings with 10 or more units that sold for \$1 million or more.

Supported by demand that exceeded the available inventory and record low interest rates, multifamily property prices improved across a range of metrics, and accounted for 65% of the area's total dollar volume. Northern Manhattan's multifamily asset class saw 85 transactions consisting of 111 buildings sold for an aggregate consideration of \$341 million in 2011, compared to 2010, which saw 68 transactions consisting of 90 properties totaling \$348 million in gross consideration. For multifamily properties, the average price per square foot, which increased to \$173, and the average price per unit, which increased to \$147,938, rose to their highest levels since 2008.

Development site sales were scarce but those that did trade showed slight increases in the price per buildable s/f. For 2011, 15 development site transactions took place at a total consideration of \$55 million, compared to 2010, which saw 26 transactions for a total of \$61 million. Financing continued to be scarce for these properties, however, so it should be noted that the vast majority of these sales were done on an all cash basis. Our team, however, is strongly encouraged by this market's 2012 prospects since we have already put a number of development sites in contract that will close in the first half of this year.

In 2011, user property sales were very steady compared to 2010 figures. For the year there were 79 properties sold totaling \$82 million in gross consideration. These numbers are only slightly above 2010, which saw 77 buildings sell for approximately \$79 million in gross consideration.

Residential Rents,

Condos, Retail Rents

Our Northern Manhattan Fundamentals Report provides an overview of the area's residential and retail markets and is designed to give investors a better understanding of today's revenue drivers

affecting investment property values uptown. The report is based on a sample size of residential, retail, and condominium sites in Northern Manhattan neighborhoods.

After hovering around \$26 per s/f for several years, free market rents uptown averaged approximately \$28.73 per s/f in 2011, the highest level since 2008 and reflecting a broader trend of rental increases throughout the city. Rising rents have been driven by low vacancy rates, potential first-time home buyers opting to rent instead of buy, and the unemployment rate slowly but steadily declining. The majority of units throughout Northern Manhattan, however, continue to be rent regulated and on average, uptown rent regulated apartments operated at approximately \$17.13 per s/f in 2011.

Average condominium prices in Northern Manhattan increased to \$631,624 per unit in 2011, the highest level since 2007. Although the report noted that 30 condominium projects were stalled in 2011, developers have been buying up more development sites in anticipation of the higher demand to come.

Upper Manhattan retail rents also made progress in 2011 as the broader economy improved and more residents purchased high-end condominiums in the area. On average, the asking price for retail space uptown increased to \$67 per s/f during the second half of 2011, up from \$62 per s/f during the first half and higher than asking rents from 2008-2010. We're finding that residents moving to the area are supporting the new retail businesses opening uptown such as wine bars, yoga studios, and florists.

Moving forward, we see the positive trends that began in 2011 continuing in 2012. The major concerns for the commercial real estate industry uptown continue to be increasing New York City real estate taxes, rising oil prices due to political unrest in the Middle East, and financial turmoil in Europe being exported to the U.S.

Copies of our research reports are available at
<http://arielpa.com/newsroom/report-APA-2011-Sales-Report>,
<http://arielpa.com/newsroom/report-ArielPA-NM-Fundamentals-2011>.

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