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Eastern Consolidated's Manhattan Commercial Property Sales First Quarter Report

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After rushing to close deals before the "fiscal cliff" at the end of 2012, New York City commercial property volume, as anticipated, fell sharply in Q1 2013 to $6.9 billion, down from $14 billion in Q4 2012. But despite the dip, demand remains high - especially for hotels.

According to Eastern Consolidated's just released Manhattan Commercial Property Sales First Quarter Report, authored by Chief Economist Barbara Byrne Denham, nearly every property type recorded a decline in volume except hotel properties, which hit $778 million in dollar volume this quarter, surpassing Q4 2012's volume of $733 million. The uptick, Denham says, is a clear indicator of investor confidence in Manhattan's robust hospitality and tourism market.

"With tourism statistics climbing every year, hotels have become a prized investment," Denham said, noting that other asset classes like office, multifamily and development sites cooled during the quarter. "After the surge of sales at the end of 2012, owners remain very reluctant to list their properties because of the challenge they face for redeploying capital in a high-priced market. With that said, the market is very active as investors continue to pursue New York City commercial real estate with zeal."

While these results are preliminary, as a number of these transactions are not recorded by April, the report shows that the number of commercial property sales declined from 490 in Q4 2012 to 200 this quarter. Other report findings include:

Â· Three of the five hotel trades during Q1 2013 were for more than $100 million and all involved hotels with 170 or more rooms. The largest transaction was David Werner and Deutsche Asset & Wealth Management's purchase of Milford Plaza at 700-718 Eighth Avenue from Rockpoint Group and Highgate Holdings for $325 million, or $244,361 per key.

Â· Multifamily property sales declined significantly in the first quarter, dropping from $4.5 billion at the end of 2012 to $2.8 billion in Q1 2013. The majority of the activity was driven by the two Archstone transactions: Equity Residential and AvalonBay Community purchased two separate segments of the Archstone portfolio that had been held by Lehman Brothers. The Manhattan-based properties aggregated together accounted for $2 billion. Netting out the two Archstone sales puts the total multifamily volume at $826 million, the lowest quarterly volume since first quarter of 2011.

Â· The office market also saw a decline volume, falling from $4.5 billion in the fourth quarter to $2.7 billion in Q1 2013. Pushing up the average price up considerably was the Chetrit Group's $1.1 billion purchase of the Sony Building at 550 Madison Avenue from the Sony Corporation. The other significant sale was RXR Realty's purchase of 75 Rockefeller Plaza, which traded for a reported $500 million.

After breaking records at the end of 2012, retail property volume plummeted from $2.5 billion in Q4 2012 to $95 million in the first quarter, the lowest quarterly volume since 2010.

Daun Paris, president of Eastern Consolidated, said despite the declines, the commercial property sales market is "very active" and in-line with the average quarterly volume in 2011 and 2012. "The overall statistics do not reflect what we are seeing in the market, which is tremendous demand," she said.