



Letter of Intent - Office market continues to heat up

August 11, 2014 - Front Section

Sales of investment grade properties in N.Y.C. for the trailing 12 months totaled \$34 billion across all commercial asset classes. This amount represents an increase of 35% year-over-year. The key contributors to the flourishing N.Y.C. sales market: the lack of properties available, and the steady access to capital from both domestic and international lenders.

The driving force behind the boost in office investment were the trophy assets that recently traded, although the market peak in 2007 drummed up \$65 billion in total activity, we believe that the asset will continue to grow, with large investment groups taking advantage of the market and building new beauties such as 7 Bryant Park, and the tower that will soon be constructed on Vanderbilt by SL Green, who sees rents over the \$130 per s/f mark needed to substantiate the land purchase price. With prices jumping 20% since that fourth quarter of 2007 and with over 28% increase in the average price per s/f for all asset classes since the 1st half of 2012.

Second only to multifamily, the hot office market is seeing strong gains in pricing. The robust Midtown market had the largest number of sales of class A buildings in the first half of the year with eleven trophy property trades, as compared to only one in the downtown market. The average sales price recorded for Midtown market in the first half of 2014 was \$1,074 per s/f, 13% above the previous peak for Midtown class A average sales prices in 2007 when it reached \$947 per s/f.

There were 22 class B transactions completed in the first half of 2013 for an average price of \$670 per s/f. The previous peak level was reached in 2007, when the average for the year was \$608 per s/f, a 10% increase. Office is on the move, and for those who can take on the project, the numbers don't lie. The only thing holding us back? Inventory, or lack thereof.

Lee Silpe is the senior analyst at Berko & Associates, New York, N.Y.

New York Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540