



Ariel Property Advisors' Northern Manhattan 2014 Mid-Year Sales Report

August 11, 2014 - Front Section

Upper Manhattan investment property prices reached new heights in the first half of 2014, surpassing previous records seen during the peak in 2007, according to Ariel Property Advisors' Northern Manhattan 2014 Mid-Year Sales Report.

"Multifamily assets, which are experiencing tremendous demand throughout the city, are at the forefront of Upper Manhattan's pricing advances," said Michael Tortorici, vice president of Ariel Property Advisors. "Rising rents and low interest rates have pushed cap rates uptown to 4.58%, 100 basis points below the level seen in 2007, and it is not unheard of to see sub-3% cap rates for deals with tremendous upside."

The average price per unit in multifamily buildings also is significantly higher than the level seen in the peak year of 2007, with 1H14 seeing \$221,318 compared to \$194,038 in 2007. Gross rent multiples and the average price per s/f are also rising compared to 2007 but to a lesser extent, the former coming in at 12.4 in 1H14 compared to 12.2 in 2007 and the latter at \$257 compared to \$239 in 2007.

For the first half of this year, Northern Manhattan saw 179 total investment property transactions consisting of 243 properties totaling approximately \$911.930 million in gross consideration. This translates to a 10% increase in transaction volume, no change in the number of properties sold, and a slight 3% increase in dollar volume compared to 1H2013, which saw 163 transactions comprised of 242 properties totaling \$888.376 million in gross consideration. The Northern Manhattan 2014 Mid-Year Sales Report tracks all development, multifamily, industrial, and other commercial property sales over \$850,000.

Of the total investment property sales uptown, multifamily properties made up 69 of the dollar volume and 43% of the transaction volume. Multifamily transactions increased 8% to 79 in 1H14 compared to 1H13, and the dollar volume of those trades declined a slight 5% to \$630 million during this same period.

"While multifamily trades stabilized in the first half, the market is healthy as contract signings are robust, pricing is reaching new highs, and buyers are snatching up well-priced assets at a faster pace than ever," Mr. Tortorici said.

Victor Sozio, vice president of Ariel Property Advisors, added that development site sales also made big strides during this period. The dollar volume of development sites increased 31% to \$121.6 million in the 1H14 compared to 1H13, while transactions were relatively stable at 20.

The average price per buildable s/f for vacant land in all of Northern Manhattan was \$117 in the first half of the year, but the corner of 121st Street and Third Avenue in East Harlem sold for \$142 per buildable s/f, a Central Harlem site on West 126th Street sold for just under \$170 per buildable s/f, and Ariel Property Advisors recently closed a 75-foot-wide site in Washington Heights for over \$125

per buildable foot.

"The scarcity of newly constructed condominiums is driving development prices throughout Upper Manhattan to new heights and should continue to drive pricing in the near term," Mr. Sozio said. "Units in several new condo developments uptown are selling for more than \$1,000 per s/f, which is giving developers the confidence to aggressively pursue new projects."

A new condo development on 129th Street off of Lenox Avenue called Uptown 58 sold out 80% of its units in three weeks at prices over \$900 per s/f. Condos at the Adeline at 23 West 116th Street, between Lenox and 5th Avenues, are trading at prices north of \$1,200 per s/f, and condo developments along Frederick Douglass Boulevard, are continuing to see prices of \$1,000 per s/f and even higher for resales.

"Based on 2014 sales activity, particularly at the end of the half, we expect to see development site valuations jump over the balance of the year," Mr. Sozio said.

High-end user properties in Northern Manhattan continue to be in high demand uptown, and the first six months of 2014 ended with the average price per s/f at \$432, which is slightly lower than the level seen at the end of 2013 but still well above the peak 2007 price of \$395. But some values are higher than \$800 per s/f, which is a testament to Northern Manhattan's transformation into a premier residential destination.

With 74 transactions, the townhouse market took 41% of the investment property transactions uptown in the first half of the year and generated sales totaling \$114 million, a 59% dollar increase from the first half of 2013 and a 17% dollar increase from the second half of 2013.

A copy of Ariel Property Advisors' Northern Manhattan 2014 Mid-Year Sales Report is available at <http://arielpa.com/newsroom/report-APA-N-Man-mid2014-Sales-Report>.

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