



Investment Sales: Is \$1,000 per s/f for Manhattan multifamily buildings the new norm?

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More and more we hear multifamily sellers demand the quick self evaluated metric of \$1,000 per s/f for their properties. Setting aside the in-depth analysis to properly underwrite a deal, we are seeing this metric of \$1,000 as an achievable price point for multifamily properties in prime Manhattan. For example, I recently handled the sale of 350 West 18th St., which traded for \$10 million or \$1,014 per s/f. It previously traded for \$557 per s/f in 2006 and \$111 per s/f in 2000, so we can see the value has increased tenfold over the last 15 years.

It's interesting to have seen prices increase sharply for walk-up buildings in prime Manhattan over recent months, and there's no surprise as to why savvy owners now demand the once imagined \$1,000 per s/f price point. The charm of neighborhoods like the West Village, Greenwich Village, SoHo and Chelsea is closely tied to the density of walk-up buildings, which constrain the supply and inflate rental prices, and in turn, increases transaction values.

We've experienced what some would consider all-time highs for rental units in Manhattan, with a median monthly rent at \$3,380, up 2.4% from a year earlier, according to a recent report. It's clear that gross rents have increased and are factoring into this trend of \$1,000 per s/f.

Now there is also rent stabilization as a key variable to consider due to the most recent state and local regulatory constraints. Investors are wary of buildings that are a majority of rent regulated units, because even though the artificially low rents present greater upside potential, the uncertainty surrounding upcoming legislation is making free market status much more desirable. In the aforementioned 350 West 18th St., 77% of the apartments are free market status with an average monthly rent of \$2,300. In Chelsea, this property has considerably greater rental value yet to be achieved.

Where does this leave us? I believe we'll continue to see prices rise, but let's be realistic. Not every property will attract a buyer willing to assume the risk if all other factors don't point in the direction of value-add.

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