



## **Northern Manhattan investment sales market sees strong first half of 2015 (1H15)**

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Buoyed by rising market rents, record breaking condominium prices and a continued imbalance between available supply and surging demand, Northern Manhattan investment properties continued to trade at a robust pace during the first half of 2015.

Ariel Property Advisors' recently released Northern Manhattan 2015 Mid-Year Sales Report showed considerable year-over-year growth in dollar volume and pricing. For the half, there were 170 transactions consisting of 234 properties totaling approximately \$1.15 billion in gross consideration, which represents a 24% increase in dollar volume, despite a modest 7% decrease in transaction volume and a 10% decrease in property sales volume compared to the 1H14, which saw 182 transactions comprised of 259 properties totaling \$926 million in gross consideration.

The multifamily asset class performed particularly well, experiencing a 38% increase in gross dollar volume compared to the 1H14, with \$943 million. Compared to 2014 figures, the average price per s/f rose 19.5% to \$324, the average price per unit rose 13.6% to \$268,766 and the gross rent multiple average increased to 14.5 from 12.82. While rents continued to grow and interest rates remain low, the average cap rate for the 1H15 dropped only slightly to 4.44% from 4.56%. However, we continue to see transactions with significant upside sell for less than a 3% cap rate, as was the case in the sale of 225 Central Park North, a 58-unit elevator building which sold at a 2.42% cap rate for \$33 million.

Multifamily properties are experiencing increasing demand in Northern Manhattan, evidenced by the interest in a three building multifamily portfolio being marketed by Ariel Property Advisors. Located at West 141st St. between Lenox Ave. and Adam Clayton Powell Jr. Blvd. the property spans 156,870 s/f, has 144 residential units and is asking \$46.5 million.

Additionally, strong fundamentals and low interest rates continue to push prices higher, demonstrated by several 2015 recent re-sales of properties that traded 12-36 months ago. One example is 567 West 125th St., which sold for \$11.595 million in 1Q15 after trading for \$5 million in 2012.

Development site pricing also strengthened during 1H15, with the average price per buildable s/f reaching \$166, a 23% increase compared to the 2014 average. This comes as no surprise as the last half of 2014 closed with several properties trading near or surpassing \$200 per buildable s/f, offering the market tremendous momentum heading into 2015. Transactions that drove this increase include the sale of 685-95 Lenox Ave., a development assemblage offering over 60,000 buildable s/f that traded for \$198 per buildable ft. Over in East Harlem 1731-1733 Lexington Ave., a corner development site on East 108th St., sold for \$170 per buildable s/f in March. While the number of development site transactions in the 1H15 was light, a sharp rise in prices and a lack of available properties on the market suggests this can mostly be attributed to a lack of supply than demand.

With tight supply of developable land and relatively few new condominium projects in the pipeline, we believe record prices for development sites are likely during the second half. Rents remain healthy and condominium buyers are ready and willing to pay top dollar for new product amidst scarce supply.

Commercial and retail spaces have also been showing strong growth as the average price per s/f ticked up to \$654, surpassing the 2014 year-end average of \$496 per s/f and achieving a new high since the downturn. Sales illustrating this dramatic rise include a retail strip at 3556 Broadway in Hamilton Heights, which sold for over \$500 per ft. With continuously increasing retail demand, growing consumer confidence and a tight supply citywide, the outlook for this segment remains very positive.

Our outlook for the balance of the year remains positive for Northern Manhattan and the broader New York real estate market. Job growth remains consistent, the city remains a draw for capital as a "safe haven" investment, oil prices are low and supply continues to lag demand. While it is highly probable that interest rates will rise towards the end of the year, the consensus holds such increases will be more incremental than previously thought given the turbulent international economic environment.

To view Ariel Property Advisors' Northern Manhattan 2015 Mid-Year Sales Report in its entirety, please visit <http://arielpa.com/research/reports/>.

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