



New York City is a long-term play - by Michael Weiser

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Investment Sales

Are you unsure about New York City? Shutdowns, potential second wave, empty office buildings, flight of wealthy New Yorkers to anywhere but here, no Broadway, Times Square empty, record low CRE transactions and on and on and on...Logic would dictate that COVID-19 is the straw that broke NYC's back. Well, we had a nice run.

Not so fast.

Yes, the signs have been pointing in so many different directions that it's hard to tell, is the recovery a V shape or a K shape, is there even a recovery? Who knows?

The economic engines have been rocked to their core and the real estate asset classes across the board have taken a historic hit. Nationally the office market is at a negative absorption rate in the tens of millions and there has been a flood of increase in subleasing listings. NYC hotel occupancy is down to below 50%. Retail is being decimated by low collections and vacancies that seem to increase by the day. The performance of NYC multifamily is mixed, with the luxury and free market being hit hard and rent regulated assets are a mixed bag. Affordable housing and those with government subsidies have become very desirable and are performing well. Additionally, storage and warehouses/distribution are, not surprisingly, doing very well in this environment. This is our current and hopefully, short-term reality.

Now to the long-term. New York in some ways may be dramatically changed forever. Some businesses, institutions and residents may never return. Without extreme fiscal discipline and making some serious cuts and/or federal assistance our operating infrastructure, particularly the MTA, will suffer and make NYC less desirable for both residents and investors. For some investors, looking outside of NYC will be the natural choice. However, crisis is usually the mother of invention. Even if NYC gets decimated and values drop through the floor, NYC is positioned to reinvent itself in ways that may seem unimaginable in the short term. For those in it for the long term investing in NYC now, while pricing is softening, and interest rates are advantageous is the way to go. The bones of New York City cannot be replicated anywhere. It is those bones that will eventually bring people and business back to NYC and will make for good odds on the side of anyone who is willing to play the long game on NYC!

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