



REAL ESTATE
ADVISORS

THE
BRONX

MANHATTAN

QUEENS

2020

MARKET UPDATE & 2021 PREDICTIONS

B6 Real Estate Advisors NYC Market Insights.

A comprehensive data analysis providing macro
and micro market trends for NYC commercial real estate.



MARKET UPDATE

A Year Like No Other

2020 will be remembered as the year New York City commercial real estate weathered a storm like no other. Before COVID-19 impacted our daily lives, 2020 was expected to be a challenging year for commercial real estate due in part to rent regulation law changes in 2019, tax increases, and what promised to be a turbulent election cycle. The first quarter of 2020 got off to a promising start as transaction levels exceeded most of our early projections. However, everything changed in March when the city was forced into lockdown to combat COVID-19.

The ensuing months saw transaction levels dip to lows never before seen in the modern sales cycle, as the office and retail property sectors were severely impacted by shutdowns and the fallout from shuttered and struggling businesses. The impact of COVID-19 on the CRE sales market was evidenced during the second quarter when only 243 transactions were recorded across New York City, the lowest quarterly total since the Great Recession.

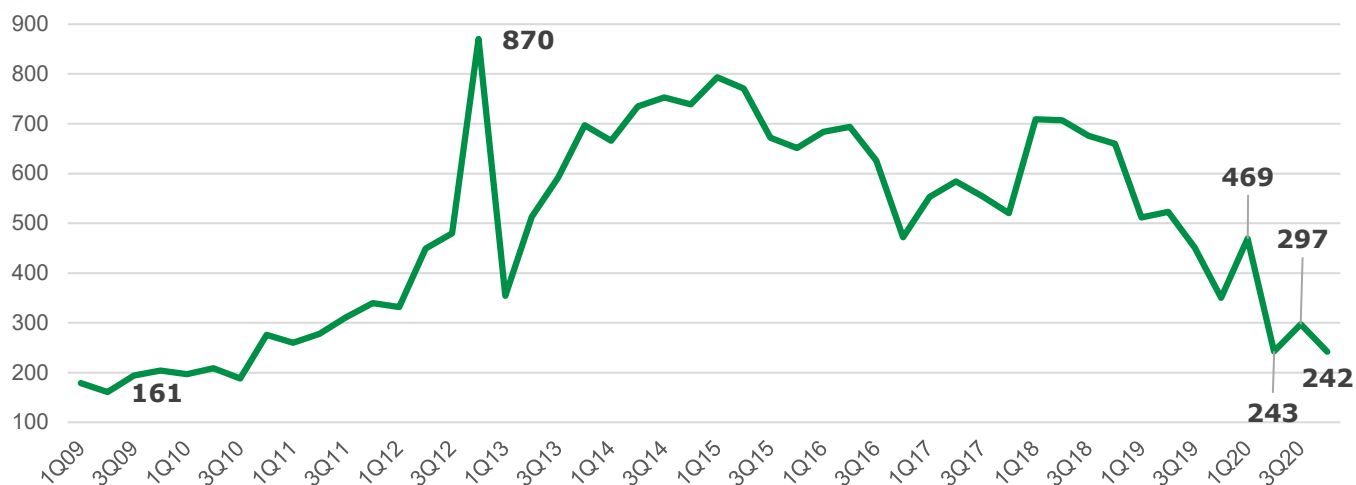
MARKET UPDATE

Transactions

New York City finished 2020 with 1,251 transactions driven in large part by 1Q20 pre-Covid transactions. Despite a positive start to the year, there was a 31% decline in transactions from 2019 and a 50% decline from the five-year average. From 1Q20 to 2Q20 transactions fell from 469 sales to just 243 sales, a 48% decline, and the second largest quarter over quarter drop in 40 years. The remaining quarters in 2020 saw activity levels hover around 250 transactions per quarter, providing evidence that the post-COVID market has reduced transactional output by nearly 50% when compared to the previous three years.

**New York City
finished 2020 with
1,251 transactions.**

NEW YORK CITY QUARTERLY TRANSACTIONS



Source: B6 Real Estate Advisors

MARKET UPDATE

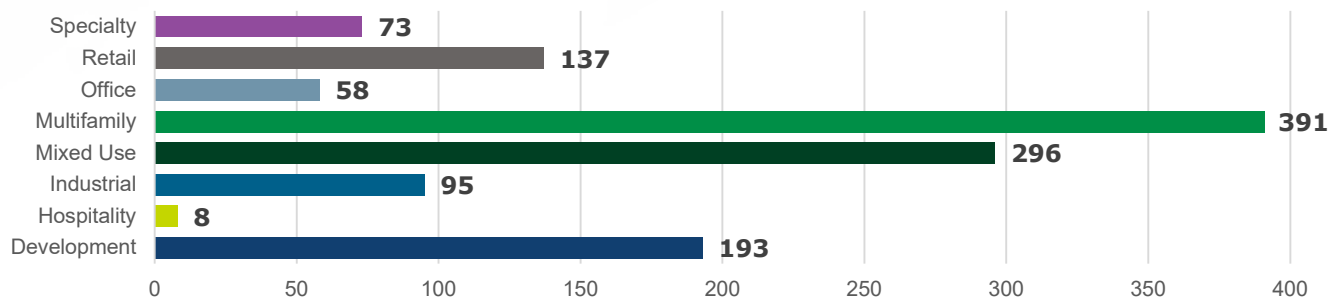
Transactions

On a market level, Brooklyn led all markets with 530 sales over \$1MM followed by Queens with 265. Manhattan had a total of 253 sales, and the Bronx ended the year with 203 sales.

Multifamily buildings were the most common property type sold with 391 total transactions across New York City, down 19% from 2019 and 56% from 2018. At the end of 2019, many felt there would be a significant increase in sales and leasing activity for industrial properties, as last-mile distribution and short-term warehousing facilities for e-commerce became more important. However, industrial sales failed to materialize and, like the rest of the market, finished the year 40% off 2019 levels. Interestingly, 193 development properties with at least 10,000 buildable square feet were sold in 2020, the only asset type that finished with more sales than the previous year.

Multifamily buildings were the most common property type sold with 391 total transactions across New York City, down 19% from 2019 & 56% from 2018.

TRANSACTIONS BY PROPERTY TYPE IN 2020



Source: B6 Real Estate Advisors

MARKET INSIGHTS

	MANHATTAN	BROOKLYN	QUEENS	BRONX	NYC
Transactions	253	530	265	203	1,251
Dollar Volume	\$11.3B	\$3.7B	\$1.4B	\$1.03B	\$17.5B
Price per SF*	\$843	\$505	\$459	\$288	\$535
Price per Buildable SF	\$421	\$284	\$210	\$125	\$255

*Price per SF includes: Multifamily, Mixed Use, Office, Retail, Industrial

Source: B6 Real Estate Advisors

MARKET UPDATE

Dollar Volume

Total consideration for dollar volume in 2020 was \$17.5B across the boroughs, a decline of 50% from 2019 and 77% from the all-time high of \$77B in 2015. The plunge in dollar volume highlights the lack of large office properties or significant portfolios sold in 2020. Twenty-seven sales over \$100MM took place, the lowest tally for sales in this price range since 2009. On a quarterly basis, the first half of the year recorded \$12B in sales, while the second half of the year saw only \$6B in sales. The third quarter of 2020 was the lowest dollar volume output since 2010 with only \$2.6B. The fourth quarter of the year totaled \$3B, including the sale of 460 West 34th Street for \$950MM by SL Green, representing one-third of the quarter's total production.

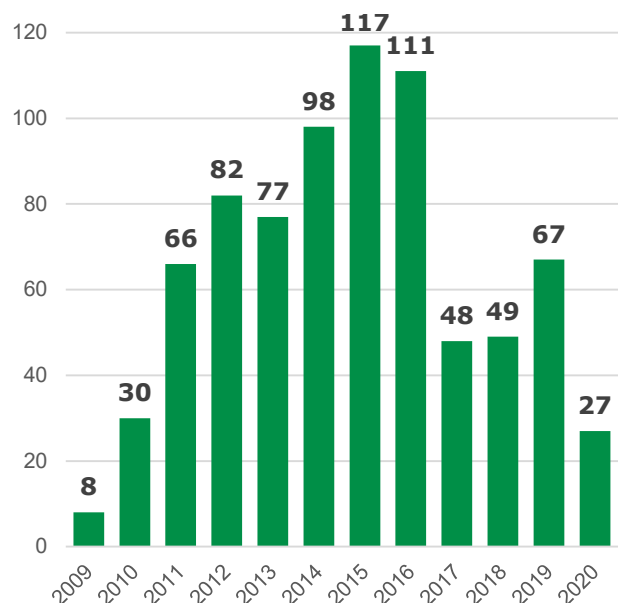
There was a 50% drop in dollar volume from 2019 and a decrease of 77% from the all-time high of \$77B set in 2015.

NYC ANNUAL SALES VOLUME



Source: B6 Real Estate Advisors

NYC TOTAL SALES OVER \$100MM BY YEAR



Source: B6 Real Estate Advisors

2021 PREDICTIONS

Looking Ahead

While we expect 2021 to see an increase of at least 30% in transaction activity compared to 2020, New York City faces many challenges that must be addressed in the near term. Lockdowns and efforts to curb the spread of COVID-19 have left massive shortfalls in NYC and the states operating budgets leading to questions about how NYC plans to recoup those losses. The MTA alone anticipates a need to reduce their budget by 40% with \$10B in federal assistance needed.

As the vaccine roll-out gains momentum and governments begin to focus on how to get workers back to offices, we anticipate the CRE sales markets will rebound significantly towards the summer of 2021.

Eviction moratoriums along with higher vacancy and concessions have left landlords with reduced revenue, impacting their ability to recapitalize their portfolios as risk appetites and property valuations from capital providers are likely to decrease as a result of COVID-19 in 2021.

While NYC faces many challenges ahead, we expect transaction levels at the start of the year to remain consistent with the last three quarters of 2020. However, as the vaccine rollout gains momentum and governments begin to focus on how to get workers back to offices, we anticipate the CRE sales markets will rebound significantly towards the summer of 2021.

We turned to our team of investment sales and capital advisory professionals to give us some further insights and predictions for 2021 and what we hope will be a better year. See below for how we fared with our 2020 predictions.

WHAT WE MISSED

Dollar Volume
+6.0%
Projected YOY Growth

2020 Actual
-48.0%
YOY Growth

Transactions
+11.0%
Projected YOY Growth

2020 Actual
-32.0%
YOY Growth

\$/SF
+0.0%
Projected YOY Growth

2020 Actual
-15.0%
YOY Growth

WHAT WE HIT

We asked our agents if there would be a continued turnaround in retail dollar volume in 2020. An overwhelming 78% declared there would be no turnaround in dollar volume.

2021 PREDICTIONS

Agent Insights

Pricing discovery will become easier in 2021

Our agents believe there is significant capital ready to deploy into the market, but pricing discovery remains one of the biggest hurdles to overcome. As more sales happen in the market during 2021, buyers will become more comfortable and look to begin deploying capital.

“

Buyers are figuring out their underwriting fundamentals, while owners are trying to understand the best way to position their portfolios in the near term.

”

**DJ JOHNSTON**

Partner, Sr. Managing Director
Investment Sales

**JERMAINE PUGH**

Director
Investment Sales

“

There are opportunistic buyers in the market waiting for the right signals to enter.

”

The capital markets continue to be strong despite the economic environment and lenders continue to work with sponsors for creative solutions to capital needs heading into 2021, according to Joseph Tufariello, Partner, President of Capital Advisory.

“

Capital sources are getting better at understanding how to underwrite new loans. With significant capital available and pent up demand from both lenders and investors, I am optimistic headed into 2021.

”

**JOSEPH TUFARIELLO**

Partner, President
Capital Advisory

2021 PREDICTIONS

Agent Insights

There will be a significant increase in transactions during the second half of the year

Our agents believe transaction activity will revert back to the historical norms, which means an increase of roughly 30% from 2020 activity. When asked why, our agents responded:

“

In the second half of the year the market will begin to thaw - seller motivation will surface and people will begin trading more. Life has to move on, we've been on hold for 2 years.

”



PAUL J. MASSEY, JR.
Chief Executive Officer



CHRIS BRODHEAD
Partner, Managing Director
Investment Sales

“

I expect a pick-up in listings in the first quarter with closings beginning in the second quarter.

”

“

A continued lower interest rate environment will help with economic growth as we move through 2021.

”



JOSEPH TUFARIELLO
Partner, President
Capital Advisory

While transactions will significantly increase, our agents believe price per square foot will drop a further 20-30% in 2021.

2021 PREDICTIONS

Agent Insights

Agents are cautiously optimistic heading into 2021

While we remain optimistic 2021 will be a better year than 2020, there are many obstacles facing our clients as the regulatory and political environment continues to be harsh.

“ The outcome of the 2021 NYC mayoral election will impact HPD financing, which fuels the affordable housing market. Developers rely on this budget in order to construct affordable housing. Another hurdle for developers is the July 2022 expiring 421A Tax Abatement, which is fast approaching. ”



MITCHEL FLAHERTY
Director
Investment Sales



JERMAINE PUGH
Director
Investment Sales

“ Taxes and politics have made it more difficult for current owners to execute their business plans. ”

Agents also point out that an effective vaccine roll out is critical to getting workers back into offices and restarting New York City's economy.

“ If more people feel comfortable coming back to work that should be a boom not only for office leasing, but for hotels, restaurants & entertainment. ”



DJ JOHNSTON
Partner, Sr. Managing Director
Investment Sales

New opportunities will be created in 2021

With an estimated one-third of businesses in New York City closing, new opportunities for more creative entrepreneurs and restaurateurs may present themselves, as landlords look to attract diverse tenancy.

“ Innovative entrepreneurs may be willing to take greater risks and make the city landscape more interesting with new businesses and restaurants. ”



CHRIS BRODHEAD
Partner, Managing Director
Investment Sales

MARKET UPDATE

Methodology

All metrics presented in this report — Dollar Volume, Transactions, Price per Square Foot, and Price Per Buildable Square Foot — are based on closed sales that occurred before December 15, 2020. Only portfolios located within Manhattan, Brooklyn, Bronx, or Queens with a sale price of at least \$1,000,000 were included in our calculations. We consider the divide between the Manhattan and Northern Manhattan markets to be 96th Street on the eastside and 110th Street on the westside. Data comes from Reonomy, RCA, ACRIS, NYC Open Data, and our own data repositories.

We used the following definitions to record the property type of each transacted building:

- C1, C2, C4, C5, C9
- D1, D2, D3, D5, D8, D9
- K4 and all “S” classes (S0, S1, S2, S3, S4, S5, S9)
- select “K” classes (K1, K2, K3, K5, K6, K9) / select “R” classes (R5, R7, R8, RK)
- All “O” classes: (O1, O2, O3, O4, O5, O6, O7, O8, O9) and RB
- All “E” classes (E1, E3, E4, E6, E7, E9), all “F” classes (F1, F2, F4, F5, F8, F9) and RW
- GO, VO, V1, and other properties purchased for development

FOR MORE INFORMATION, PLEASE CONTACT:

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