



REAL ESTATE
ADVISORS

1Q21

BLOCK BY BLOCK

B6 Real Estate Advisors NYC Market Insights.

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



1Q21 - MARKET UPDATE

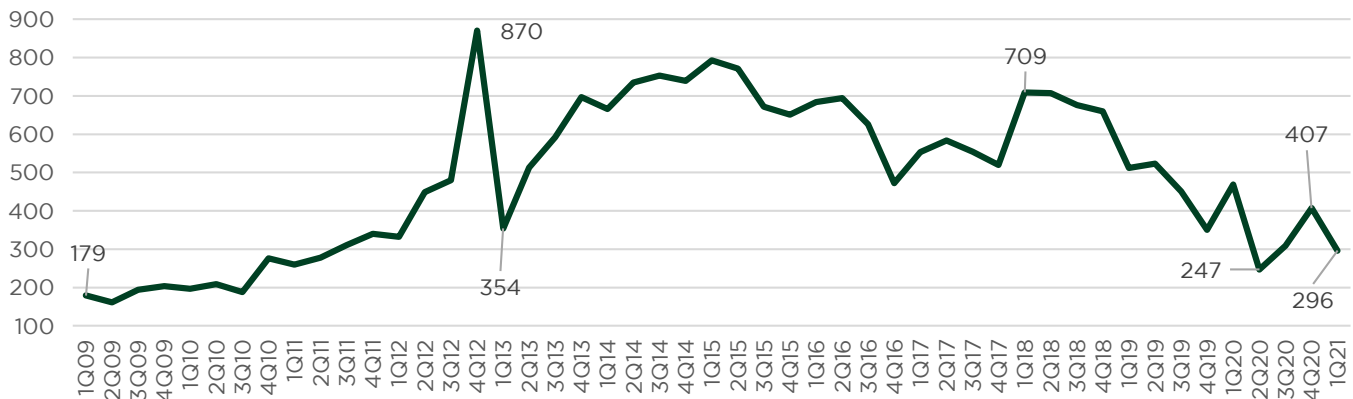
In Like a Lamb...

- NYC investment sales transactions are down 30% from 4Q20 and remain at historically low levels with only 2 sales over \$100 million.
- Price per square foot in NYC fell by more than 18% from year-end 2019, with the office sector falling more than 30% in the same time period.
- Manhattan investment sales at lowest total recorded since at least 2009 with only 50 transactions this quarter.
- We expect 2Q21 to replicate 1Q21 levels, but anticipate the second half of 2021 will approach the long-term average of over 400 transactions per quarter.

The New York City investment sales market started the new year with the same muted market-wide performance that it ended with in 2020. The year started with 296 sales completed in the first quarter for a total consideration of just \$2.38B citywide. While the first quarter was significantly off the average transactional volume of 461 sales, this was not surprising news. As we predicted at the end of last year, we expected the first quarter to deliver results similar to the last three quarters of 2020. While the subdued transactional volume was expected, the return of only \$2.3B in sales was unexpected as only 2 sales over \$100 million transacted in 1Q21.

While the first quarter's results left much to be desired, we remain confident that the second half of 2021 will see a return to the long-term transactional averages as the vaccine roll-out continues its momentum and businesses and people alike begin to return to the city.

NEW YORK CITY - QUARTERLY TRANSACTIONS



Source: B6 Real Estate Advisors

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Pricing Continues to Fall

As the investment sales market continues to be impacted by the effects of the pandemic, pricing for all core asset types[1] across the city fell to \$520 per square foot in the first quarter, a decrease of 3% from the end of 2020 and 18% from 2019. Multifamily assets dropped nearly \$100 per square foot from \$474 at the end of 2019 to \$376 in 1Q21. While this can be attributed largely to the impacts of the rent regulation laws in the city, it also highlights the shift of investor interest away from multifamily, particularly in Manhattan, to other asset types and smaller multifamily product in the boroughs.

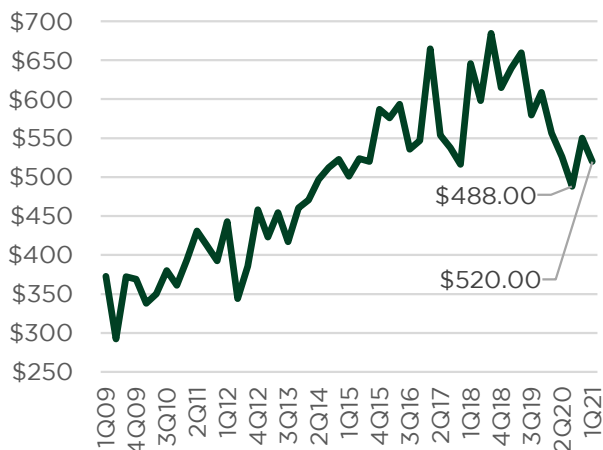
While multifamily has certainly impacted the overall price per square foot metrics across the city, the other core asset types have also seen declines in year-over-year pricing. Mixed-use assets have seen a 17% drop from the end of 2020 and office has seen an 18.5% decline since the end of last year. The average price per square foot for office properties has fallen nearly 30% since 2019 with few significant assets over \$500MM selling in the last year. Overall average price per square foot across the city has reverted to 2013-14 levels.

While declining prices are a laggard indicator highlighting the severe impact COVID has had on the property markets, there is a silver lining that should not go unnoticed. For the last 30 months, the bid/ask spread in the property markets between sellers and buyers has been significant and has been the primary reason for the lack of transactions leading up to 2020 and into the “COVID era”. It is clear from the pricing data that sellers are beginning to accept the current market and investors are willing to transact when pricing is more in line with their expectations.

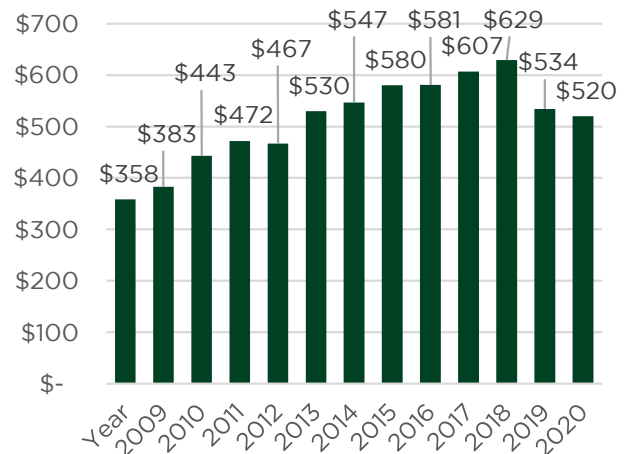
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NYC AVERAGE PPSF



AVERAGE PPSF



Source: B6 Real Estate Advisors

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Transactional Activity

The total number of transactions completed in the first quarter of 2021 totaled 296 across the Bronx, Brooklyn, Manhattan and Queens, [in line with our 4Q20 projections](#). We expect transactional levels in the second quarter to incrementally increase over the last quarter and a significant increase in transactions during the second half of 2021. Quarter over quarter, 1Q21 was down 30% from our revised 4Q20 numbers. Interestingly, an ACRIIS backlog issue resulted in nearly 100 transactions being added to the last 5 days of 2020. 4Q20's revision from 297 to 407 transactions in the closing days of 2020, pushed closings that would have likely closed in the first quarter of this year into the tail end of last year. We speculate that these transactions were pushed forward due to concern over potential capital gains increases from the newly elected Biden Administration.

On a market level, Brooklyn contributed the most transactions (143) for \$576MM, with the multifamily sector the most active with 54 transactions in the borough. Queens followed with 71 sales for \$323MM, Manhattan had 50 sales for \$1.96B and the Bronx rounded off the quarter with 32 sales for \$121MM. Manhattan's total of 50 transactions for a quarter is the lowest figure since at least 2009, when 52 transactions were recorded in the first quarter.

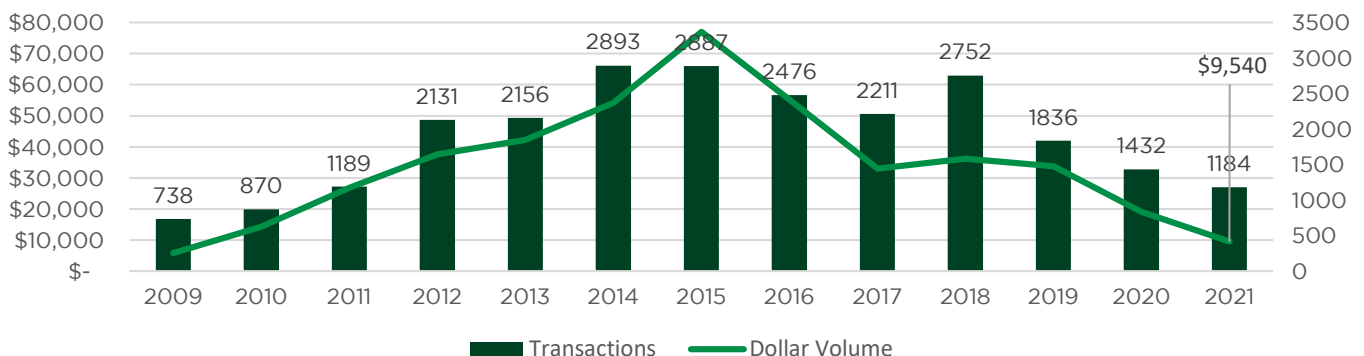
Total consideration for dollar volume in the first quarter was just \$2.96B across the boroughs, down 50% from 4Q20, 69% from 1Q20 and 9% from 2Q20. The lack of dollar volume highlights the lack of institutional sales over \$100MM that have occurred during the "COVID era". Of the sales in 1Q21, only 2 exceeded \$100MM, and of the 1,316 sales in 2020, only 27 were above \$100MM.

Citywide, multifamily properties contributed 122 sales, mixed-use 60 sales, and development and retail clocked in with 35 and 31 sales respectively.

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NEW YORK CITY ANNUAL ACTIVITY



Source: B6 Real Estate Advisors

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...Out Like a Lion

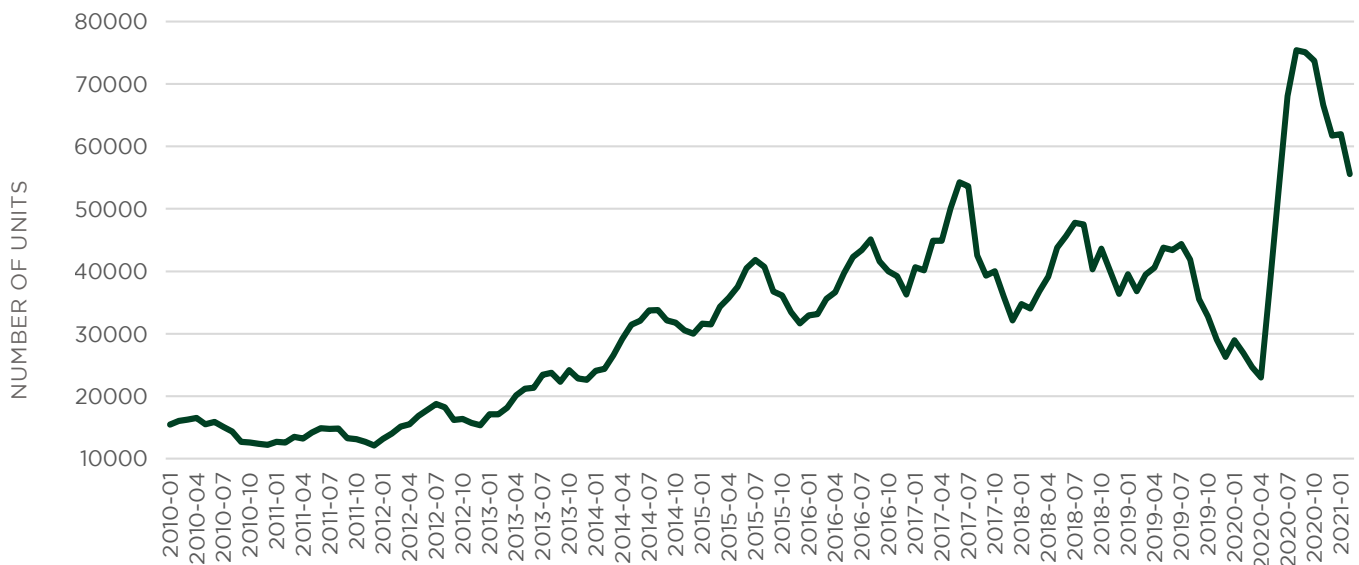
Despite a slow start to 2021, there is a tangible sense of optimism from real estate professionals in New York City. Increases in residential leasing velocity, employment statistics in NYC and COVID vaccine deployment will determine how quickly people return to working and living in the city. During 2020, roughly 400,000 residents fled to suburban communities surrounding the city, as well as states like Florida. Mass layoffs in almost all sectors resulted in a [20% unemployment rate](#) by the end of May 2020. Store closures, both temporary and permanent, resulted in nearly 40% of Manhattan's brick and mortar retail locations going dark, turning New York City into a modern-day ghost town.

The impact on real estate in the city, driven particularly by mass unemployment and flash migration, was felt not only in brick-and-mortar retail, but also in the residential leasing markets. Available inventory spiked to nearly 75,000 units in August 2020, compared to just 29,000 units on the market in January 2020, according to [StreetEasy data](#). Median asking price in January 2020 was \$2,900 and fell to \$2,500 citywide in November of last year, demonstrating the enormous pressure multifamily owners, investors and banks faced during 2020 when trying to value or underwrite assets.

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NEW YORK CITY RENTAL INVENTORY



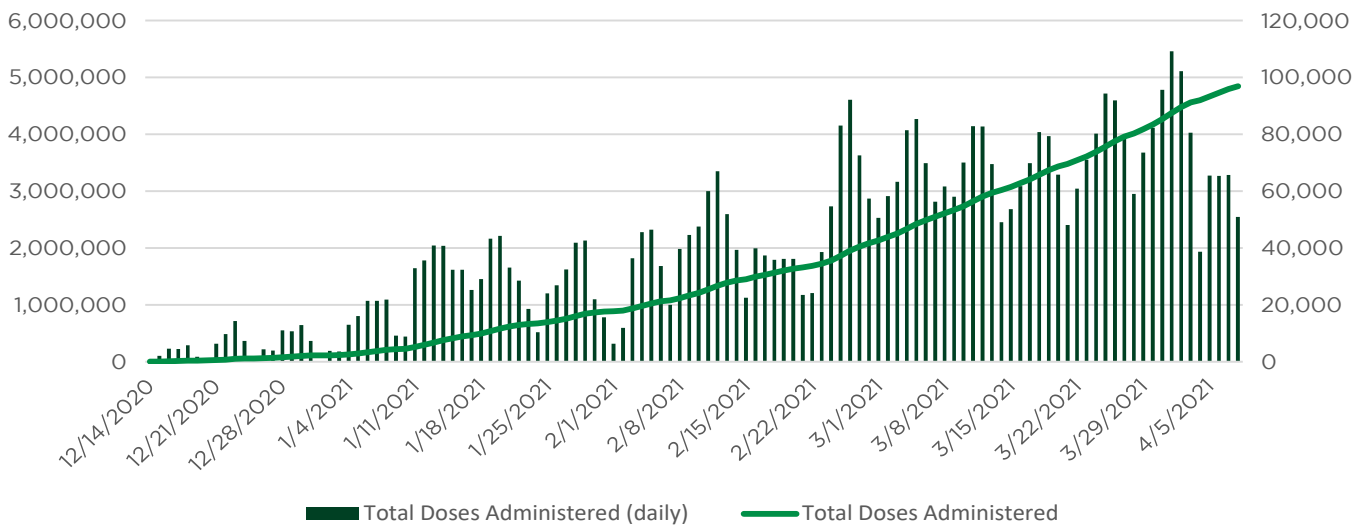
Source: StreetEasy Rental Inventory

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...Out Like a Lion

These external factors which contributed greatly to the market meltdown in 2020 have recently seen their indicators move into positive territory again, not only reaffirming New York City's resilience but its appeal to investors once more. In August 2020, 22% of all apartments on StreetEasy offered some form of concessions to renters. That has dropped to just 7% as people have begun moving back into the city and renting apartments again. In fact, data from Jonathan Miller via [the NYTimes](#) showed a 94% increase in rental activity from the same period last year. Unemployment in the city has dropped significantly from its peak in May 2020, hovering around 6% in March. Leisure, hospitality and retail jobs have been the most impacted, accounting for nearly 35% of total jobs lost in the beginning of 2021. Retail is expected to fully recover all lost jobs by September 2021, with leisure and hospitality [expected to recover their job totals](#) by August 2022. Currently, New York City has vaccinated 4.8M people with an average of nearly 50,000 people receiving their first dose per day, according to [NYC Health](#).

COVID-19 VACCINE ROLLOUT



What does the future hold?

What does this mean for commercial real estate, particularly the investment sales market? We believe activity will accelerate through the summer and into the third quarter with transactional activity returning to its long-term average of 400 transactions per quarter. Office properties will continue to be challenged as the entirety of the workforce will not return to their offices until 2022. We expect a hybrid work from home policy will be deployed across a large percentage of companies as businesses evaluate their current workspaces for the future and employees gradually become more comfortable with office life. Multifamily and mixed-use properties in particular will see the lion's share of activity, as vacancy rate decreases coupled with rental rate appreciation will make these properties more attractive to investors. This will stabilize the underwriting assumptions in these asset classes, further reducing the gap in the bid/ask spread.

In short, don't bet against New York City.

Source: NYC Health - City Immunization Registry

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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 March 15, 2021. 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:

- Multifamily: C1, C2, C4, C5, C9, D1, D2, D3, D5, D8, D9
- Mixed Use: K4 and all “S” classes (S0, S1, S2, S3, S4, S5, S9)
- Retail Buildings/Retail Condo’s: Select “K” classes (K1, K2, K3, K5, K6, K9) / select “R” classes (R5, R7, R8, RK)
- Office Buildings: All “O” classes: (O1, O2, O3, O4, O5, O6, O7, O8, O9) and RB
- Industrial Properties: All “E” classes (E1, E3, E4, E6, E7, E9), all “F” classes (F1, F2, F4, F5, F8, F9) and RW
- Development: G0, V0, V1, and other properties purchased for development determined on a case-by-case basis

[1] Core asset types are Multifamily, Office, Mixed use, Industrial and Retail

FOR MORE INFORMATION, PLEASE CONTACT:

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