



REAL ESTATE  
ADVISORS

# 4Q21

# 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.



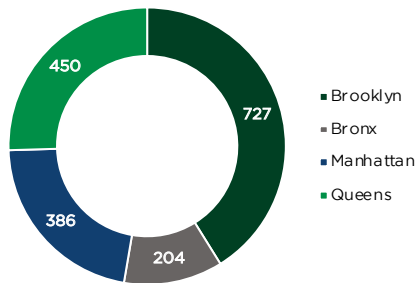
# NEW YORK CITY OVERVIEW

For the first time since the pandemic began, broker optimism about an investment sales market recovery in New York City began to materialize during the fourth quarter. As a result, the pace of transactions in the fourth quarter of 2021 accelerated to pre-pandemic levels, including a surge of larger deals in Manhattan that produced the largest quarterly dollar volume in New York City since the third quarter of 2016.

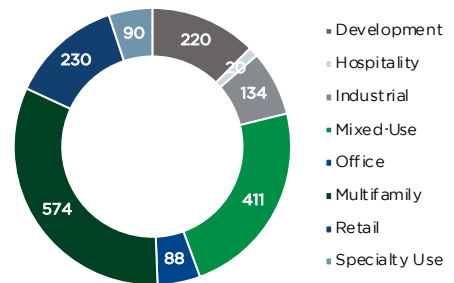
2021 finished with 1,767 transactions, an increase of 23% from 2020, with Manhattan up 34% and Queens up 40% from last year. Select property types saw significant

growth from the previous year, with the Multifamily sector surpassing 2020 levels by nearly 30% citywide. Dollar volume in 2021 was \$24.3 billion for the year, exceeding our year-end expectation of \$18 billion, with \$11.7 billion occurring in the fourth quarter alone. The \$11.7 billion in activity was an increase of 155% from 3Q21 and accounted for nearly half of all dollar volume for the year. Institutional properties (defined as transactions above \$100 million) in Manhattan and the boroughs contributed over \$12 billion in activity over the year across 40 transactions, including the notable sales of 7 Hanover Square, the Daily News Building, and 441 9th Avenue (Hudson Commons).

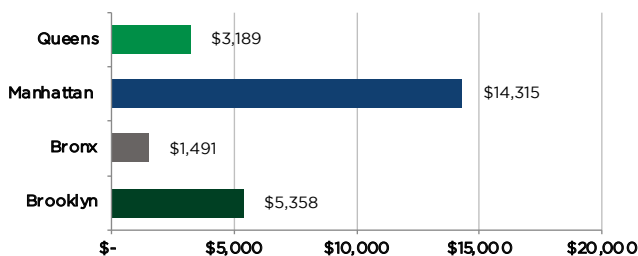
**2021 TRANSACTIONS BY MARKET**



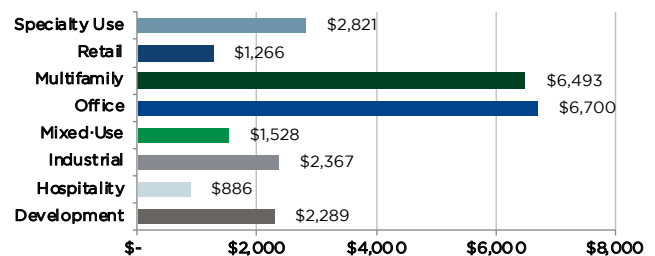
**2021 TRANSACTIONS BY PROPERTY TYPE**



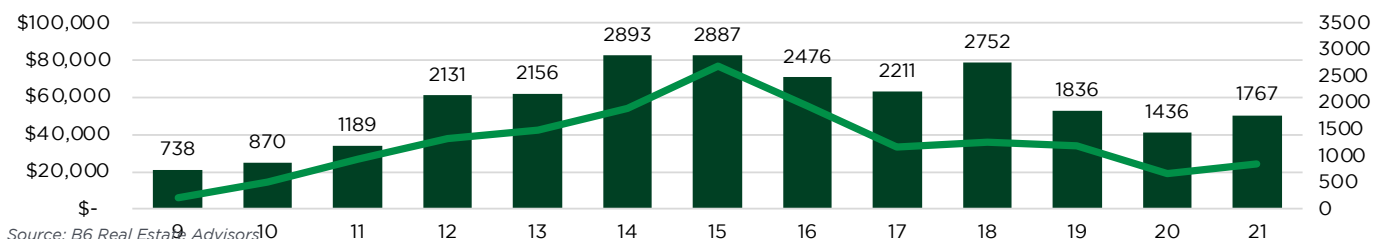
**DOLLAR VOLUME BY MARKET (IN BILLIONS)**



**DOLLAR VOLUME BY PROPERTY TYPE**



**NEW YORK CITY TRANSACTIONAL ACTIVITY**



Source: B6 Real Estate Advisors

# MULTIFAMILY & MIXED-USE SECTORS

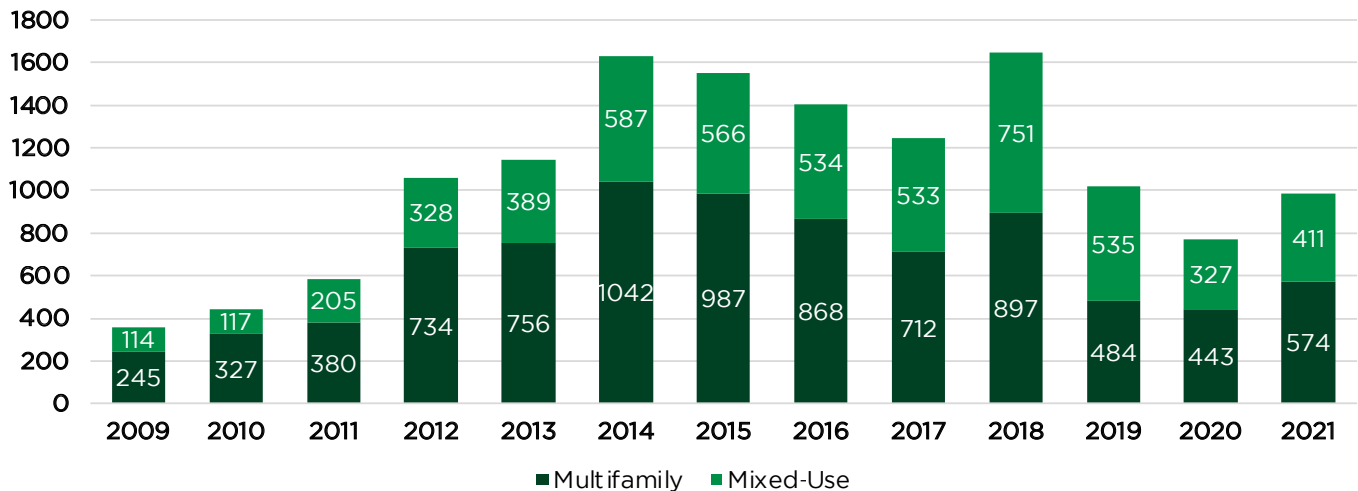
During 2021, the Multifamily and Mixed-Use sectors contributed 985 transactions citywide and \$8 billion in total consideration, an increase of 28% from the 770 transactions that occurred in 2020. Transactions within these sectors made up 56% of all transactions across the city. Brooklyn led all markets with 463 transactions, while the Bronx had 93, Manhattan 251, and Queens 178.

Dollar volume was buoyed by several large sales and

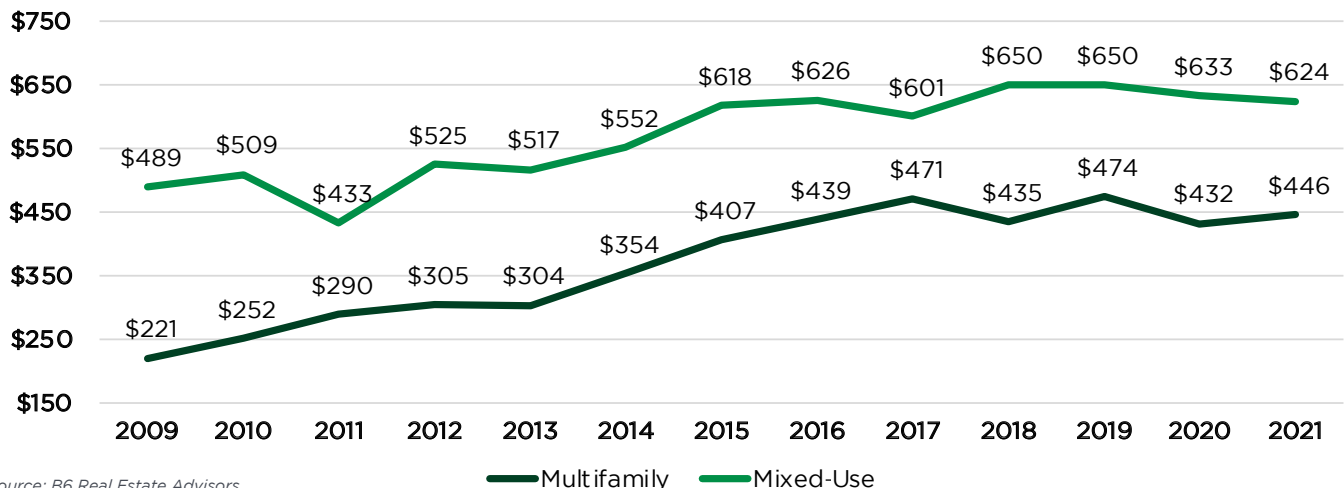
partial interest transactions, including 555 Tenth Avenue for \$800 million, 116 John Street for \$250 million, and 1134 Fulton Street for \$126 million as part of KKR's multifamily portfolio acquisition.

Multifamily pricing across New York City increased from \$432 to \$446 in 2021. Mixed-Use price per square foot dropped slightly from \$633 to \$624, in large part due to several properties that sold in 1Q21 for significantly below market averages.

**2021 MULTIFAMILY & MIXED-USE TRANSACTIONS**



**2021 MULTIFAMILY & MIXED-USE AVERAGE PPSF**



Source: B6 Real Estate Advisors

# OFFICE SECTOR

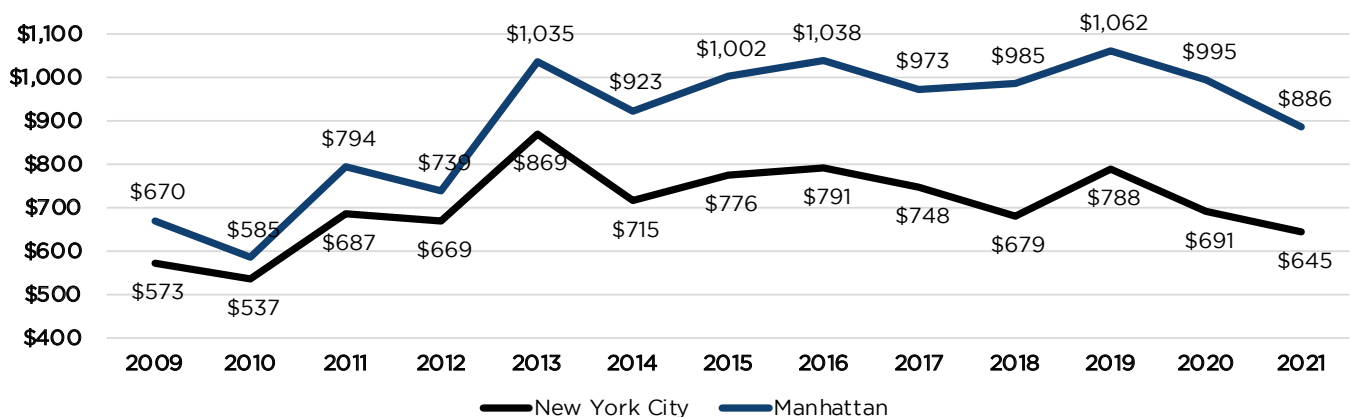
The office sector enjoyed a slight rebound from last year with 88 transactions across New York City for \$6.7 billion compared to just 69 transactions in 2020 for \$5.8 billion in total consideration. The increase in transactional activity can be attributed to a resurgence late in 4Q21, with 27 office buildings sold for \$4.2 billion.

Smaller office buildings, primarily outside of Manhattan, were responsible for 71 sales, while 17 transactions over the \$100 million mark were responsible for nearly \$5.5 billion of activity.

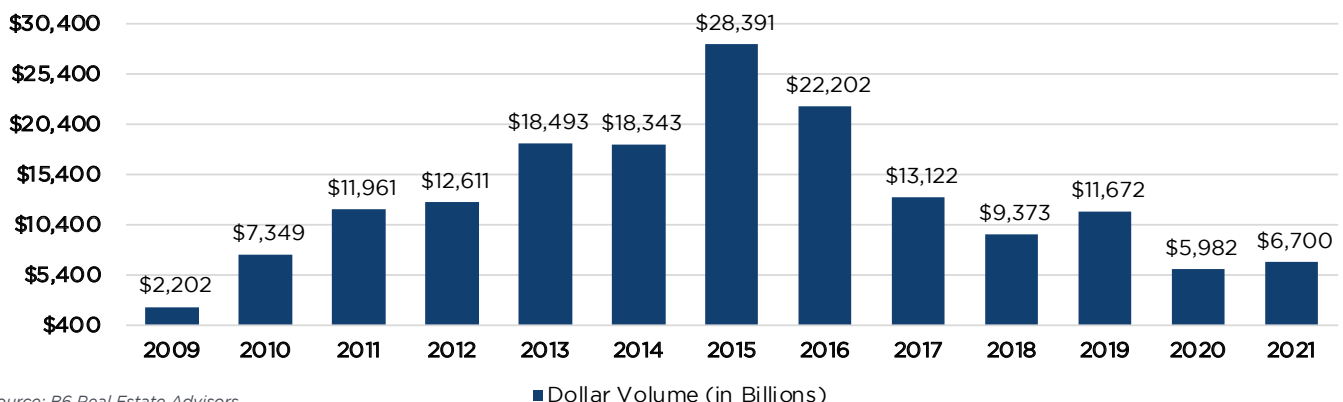
Pricing for office buildings across the city continued to fall from 2019 when the average price per square foot was \$788. 2021 averaged \$645 per square foot citywide and \$886 per square foot in Manhattan.

The office sales and leasing sector will continue to face pandemic-related headwinds. [Only 28% of workers return to the office on an average workday](#), and only 8% of workers returned to Manhattan full-time (5 days a week) as of Oct 2021. Newly elected Mayor Adams has encouraged workers and employers to return to office as soon as possible, [citing their vital importance to the ecosystem of New York City](#).

**OFFICE AVERAGE PPSF FOR NYC & MANHATTAN**



**NEW YORK CITY OFFICE DOLLAR VOLUME**



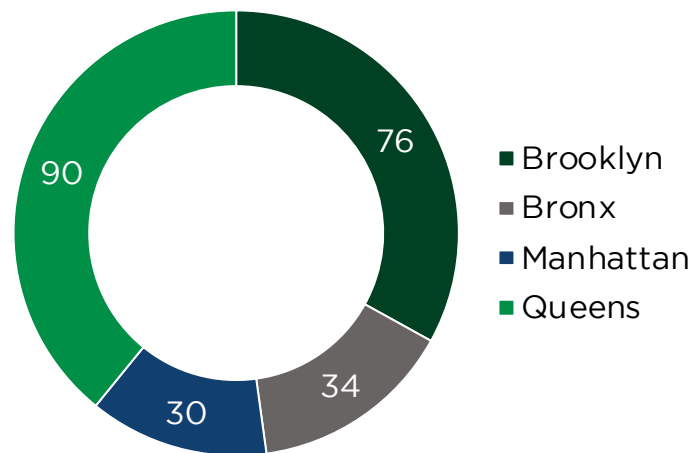
Source: B6 Real Estate Advisors

# RETAIL SECTOR

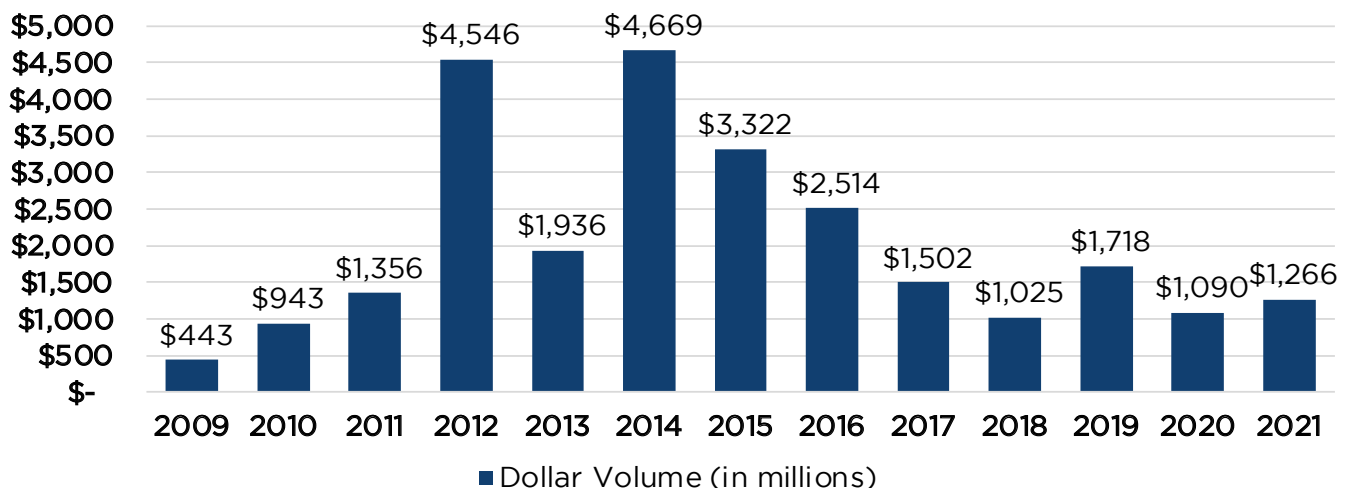
Retail property sales increased 44% from 2020, with 230 transactions in 2021. The majority of these retail transactions were small single-story street retail buildings in the boroughs with an average sale price of \$5.4 million. Queens led all markets with 90 transactions, followed by Brooklyn with 76 transactions. Dollar volume saw a modest year-over-year increase from \$1.1 billion to \$1.3 billion.

The average price per square foot increased 8% year over year, demonstrating the retail sector's resilience over the past 24 months. However, further retail success is dependent on workers returning to the office, especially within the office corridors in Manhattan, where foot traffic, tourism, and hotel occupancy from workers and entertainment venues remains most impactful.

**2021 RETAIL TRANSACTIONS BY MARKET**



**NEW YORK CITY RETAIL DOLLAR VOLUME BY YEAR**



Source: B6 Real Estate Advisors

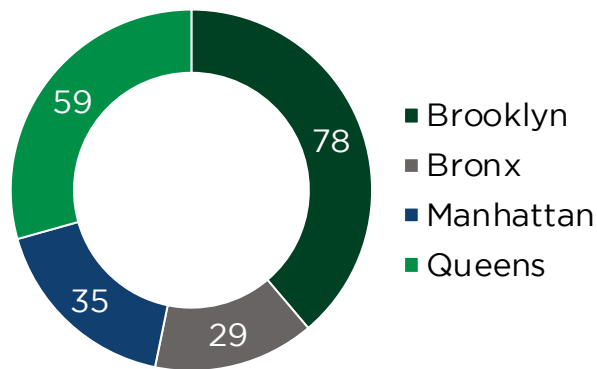
# DEVELOPMENT SITES

Development sites saw a slight decline in transactional volume, from 211 sales in 2020 to 201 sales in 2021. Dollar volume was also down from the prior year, with less than \$2.1 billion in total consideration marking the lowest output since 2011. No borough recorded more than \$1 billion in total consideration, as Queens led the way with \$725 million in sales over 59 transactions. Brooklyn led all markets with 79 total sales for \$615 million, while

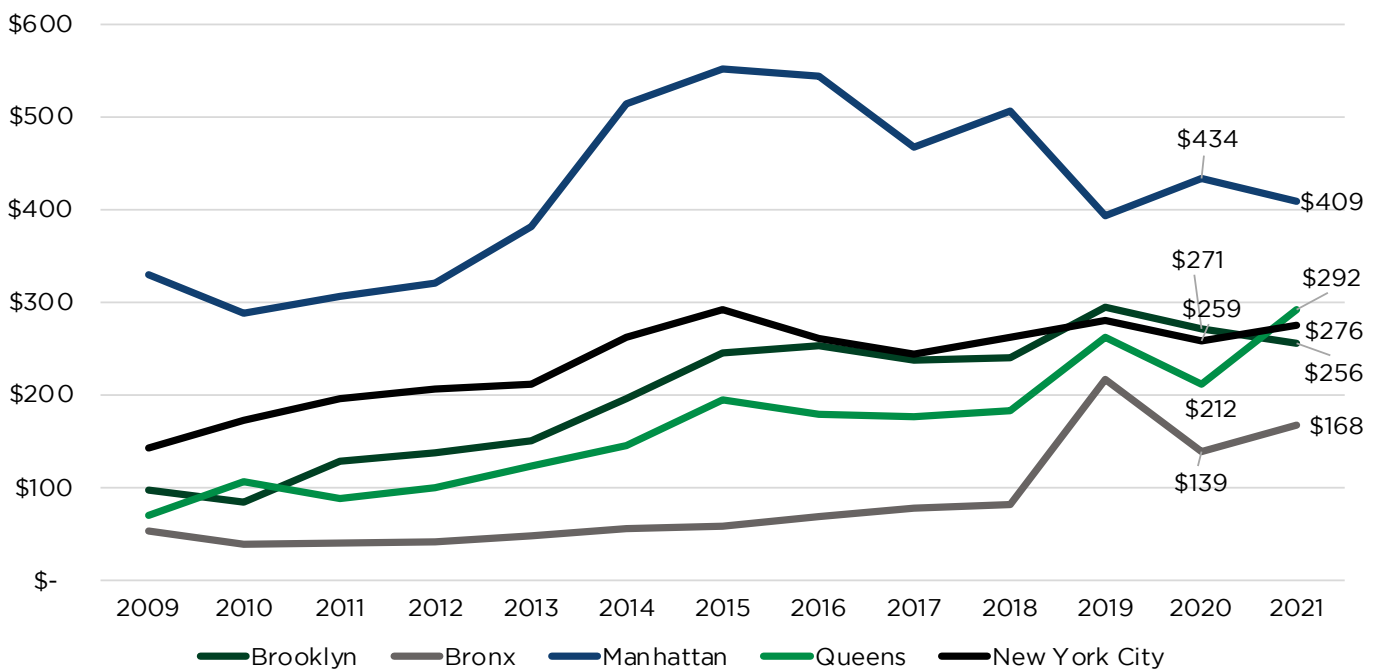
Manhattan accounted for 35 transactions for \$359 million and the Bronx posted 29 transactions for \$328 million.

Price per buildable square foot across the city rose from \$259 in 2020 to \$276 in 2021, thanks to increases in Queens and the Bronx. In Manhattan, price per buildable square foot retreated from 2020, dropping from \$425 to \$409.

**2021 DEVELOPMENT TRANSACTIONS BY MARKET**



**AVERAGE DEVELOPMENT PRICE PER BUILDABLE SF**



Source: B6 Real Estate Advisors

# OTHER PROPERTY SECTORS

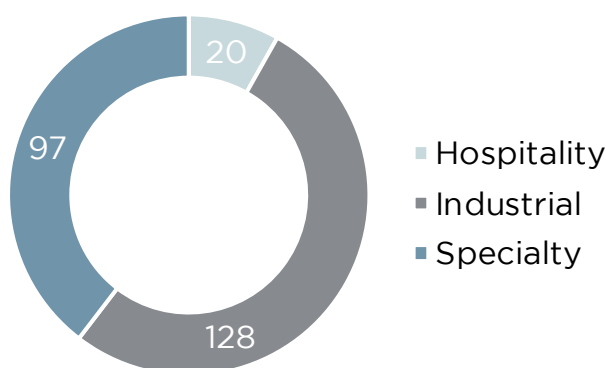
Of the other property sectors, Specialty Use in Manhattan saw a significant uptick in its usual dollar volume, prompted by [Edison Properties' sale of their Manhattan Mini Storage portfolio](#) to StorageMart for nearly \$3 billion in late 2021. That sale alone made up 27% of the fourth quarter dollar volume and 21% of Manhattan's total.

Along with the retail and office sectors, the hospitality industry has suffered the effects of the pandemic. However, it seems there is cause for optimism in the property sales market with 20 hospitality-related

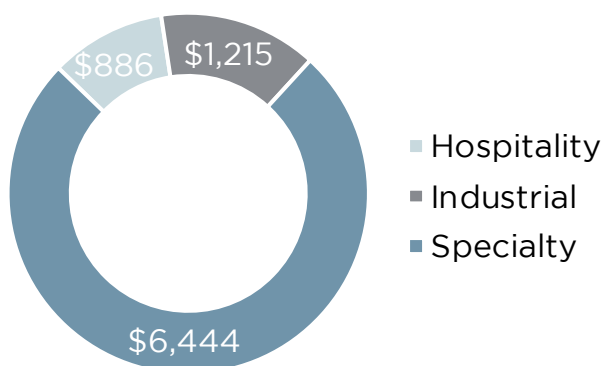
properties selling in 2021 for \$885 million, including Sam Chang's disposition of 350 West 39th Street and 100 Greenwich Street to Magna Hospitality Group and Concord Hospitality, respectively. In 2020, only eight hotels transacted for \$986 million.

Finally, the industrial sector saw 128 transactions across all markets for a total of \$1.2 billion. Brooklyn was responsible for 57 transactions totaling \$493 million. Queens saw 49 transactions for \$372 million, and the Bronx rounded out the Industrial sector with 22 transactions for \$350 million.

TRANSACTIONS BY PROPERTY TYPE



DOLLAR VOLUME (IN MILLIONS) BY PROPERTY TYPE



Source: B6 Real Estate Advisors



# WHAT'S ON OUR RADAR FOR 2022



**BOBBY LAWRENCE**  
Director  
Investment Sales

## GOOD CAUSE EVICTION

If this is not on your radar, it should be. Tenant activists are pushing to get legislation passed in smaller upstate cities (Albany, Newburgh, Hudson, Poughkeepsie, Ithaca) to gain enough momentum for statewide legislation. The bill would ultimately prohibit a landlord from evicting a tenant or denying lease renewal without 'good cause'. Details will matter, but investors are starting to price-in this legislation, especially for value-add deals if the current rent is well below market rate.

## PRICE PREMIUM FOR VACANT BUILDINGS

Buyers are starving for yield. The potential for Good Cause Eviction passing combined with a city that is already very tenant-favorable should make vacant buildings even more desirable—it will be interesting to see the premiums buyers allocate to them.

## EXPIRING 421A (AFFORDABLE NY) TAX ABATEMENT

The current tax abatement is set to expire in June 2022. The real estate market has generally cheered Governor Hochul's newly-proposed replacement program: Affordable Neighborhoods for New Yorkers. In exchange for permanently providing a designated percentage of rental units (dependent on project size) to tenants with incomes ranging from below 40% to up to 90% of Area Median Income, developers would receive complete tax exemptions for 25 years and partial exemptions for 10 years beyond that. Still, there remains considerable uncertainty around what the state legislature will do with the proposal in its current form. According to the Commercial Observer, the last time 421A expired (January 2016), developers had 7,781 permits approved for 299 projects the month before. Expect to see the same trend in 2022 and a significant drop in land transactions.

## INTEREST RATES AND INFLATION

In November, consumer prices jumped 6.8%, the fastest inflation spike since 1982. Views remain mixed on whether higher inflation is here to stay – if so, real estate historically has been a good hedge; however, we could see cap rate expansion as rates rise.

## NYC TRANSACTIONAL VOLUME

Transactions and dollar volume in 2022 will continue to climb back towards pre-pandemic levels. Thanks to some large institutional and entity-level transactions, the \$24 billion in activity exceeded our yearly expectations of \$18 billion. For 2022, we expect \$30 billion in activity from 2,100 transactions across the city as sellers and buyers become comfortable with the new norm. We expect a drop in the sale of development sites and ongoing momentum in large office transactions in the next year.

## GOWANUS REZONING

The 2021 passage of the largest rezoning in the de Blasio era is expected to result in 18,000 new residents, 8,200 new apartments, and 696,000 SF of new commercial space by 2035. Since the rezoning passed, and spurred on by the expiring 421A Tax Abatement, we have seen permits filed for 14 new buildings, totaling over 3,000,000 square feet of space and more than 3,500 new apartment units.

“

*Buyers are starving for yield. The potential for Good Cause Eviction passing combined with a city that is already very tenant-favorable should make vacant buildings even more desirable.*

”



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, 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 east side and 110th Street on the west side. 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

*Core asset types are Multifamily, Office, Mixed-Use, Industrial and Retail*

## FOR MORE INFORMATION, PLEASE CONTACT:

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