

New York City
Q4-2023
Market Report

HKS REAL ESTATE ADVISORS

126 5th Avenue, 15th Floor, New York, NY 10011
Office: 212-254-1600
hks.com

Q4 2023 Quarterly Recap

NYC INVESTMENT SALES

OVERVIEW

New York City investment sales sent out mixed signals in the 4th quarter. Transaction volume totaled \$4.07 billion for the period, roughly on par with the \$4.04 billion of Q3 2023 (QoQ) and higher than the \$3.55 billion of Q4 2022 (YoY). The number of transactions, however, declined sharply QoQ and YoY, with Manhattan and Brooklyn particularly affected. A handful of large transactions papered over the cracks to arrive at a reasonable dollar volume. This illustrates a market that is still not entirely healthy.

Volume-wise, Manhattan saw a slight uptick and other boroughs remained at similar levels as the prior quarter. The notable exception was Brooklyn, which saw its lowest volume since at least Q4 2021, when we began tracking data. As with previous quarters, this depressed deal volume illustrates the restrictive effect of recent monetary policy, though yields have begun to rally and markets are seeing the early stages of a thaw in activity.

SECTOR PERFORMANCE

Manhattan multifamily values have been declining in the last 24 months, albeit gradually. Average price per square foot (PPSF) stood at \$743 for the last 3 months, while average price per unit (PPU) was \$712K. These figures were \$821 and \$762K in the trailing 12-month period. Other borough price movements have been mixed.

Retail was the big winner this quarter, registering over \$1.04 billion in volume, largely driven by the blockbuster Prada acquisition on 5th Avenue. Multifamily volume was down 48% QoQ and 68% YoY as the bid-ask gap in the market persists and widespread loan extensions delayed a reckoning. City-wide transaction PPSF ticked up slightly from last quarter, likely boosted by the massive \$4,977 PSF Prada transaction.

MARKET DYNAMICS

The market is not entirely out of its multi-year slump, but significant optimism is returning. Though bid-ask spreads remain an issue, index rates have reached their likely end-state so the lending markets should begin opening up again somewhat.

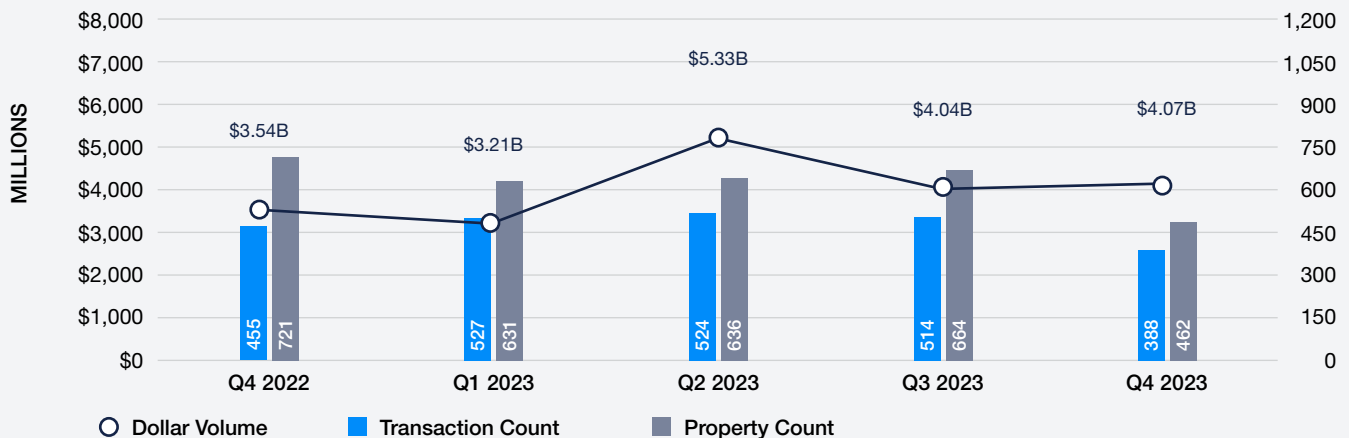
OUTLOOK

The Federal Reserve's recent rate pause and dovish forward guidance has been a major boost for the market. Our prediction of an early 2024 market rally remains in view as monetary conditions begin to ease and price visibility returns to the market. There is a strong probability of significant distress in the CRE ecosystem however, so opportunistic buyers should stay vigilant. As we have been saying for a few quarters running, this will create great opportunities for well-capitalized investors to acquire strong assets at attractive valuations.

2023 YEAR IN REVIEW

The full-year transaction volume for NYC investment sales came in at \$16.66 billion, well below the \$27.65 billion from the prior year (down 40%). This was the result of a wide bid-ask spread in the market caused by a sharp rise in funding rates, coupled with a lag in seller pricing expectations. Distress drove some transactions, but lenders cooperated with loan extensions or modifications, which prevented wider dislocation. Meanwhile, many would-be buyers took a wait-and-see approach, affected by ballooning cost of capital and anticipating better buying opportunities in the future.

NYC INVESTMENT SALES



Dollar Volume
\$4.07B

+1% ↑ vs. Q3 23
+15% ↑ vs. Q4 22

Transaction Count
388

-25% ↓ vs. Q3 23
-15% ↓ vs. Q4 22

Property Count
462

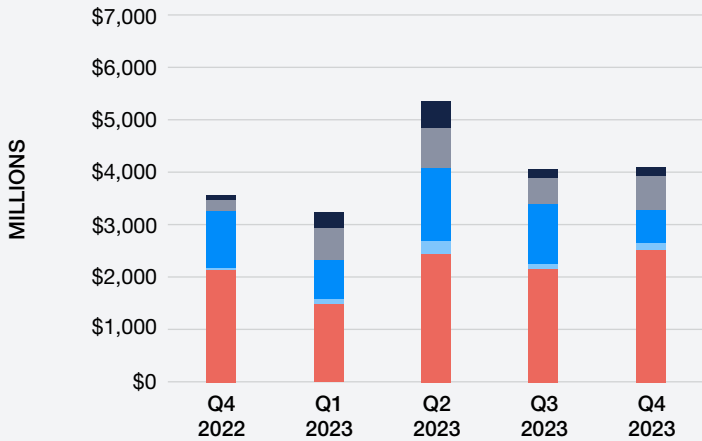
-30% ↓ vs. Q3 23
-36% ↓ vs. Q4 22

Average Price/SF
\$549

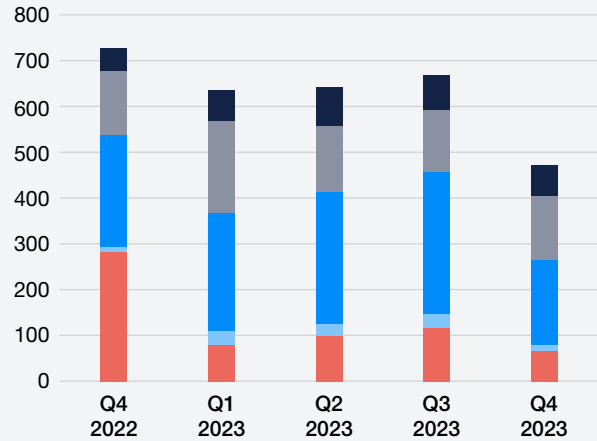
+3% ↑ vs. Q3 23
-13% ↓ vs. Q4 22

Analysis By Borough

DOLLAR VOLUME



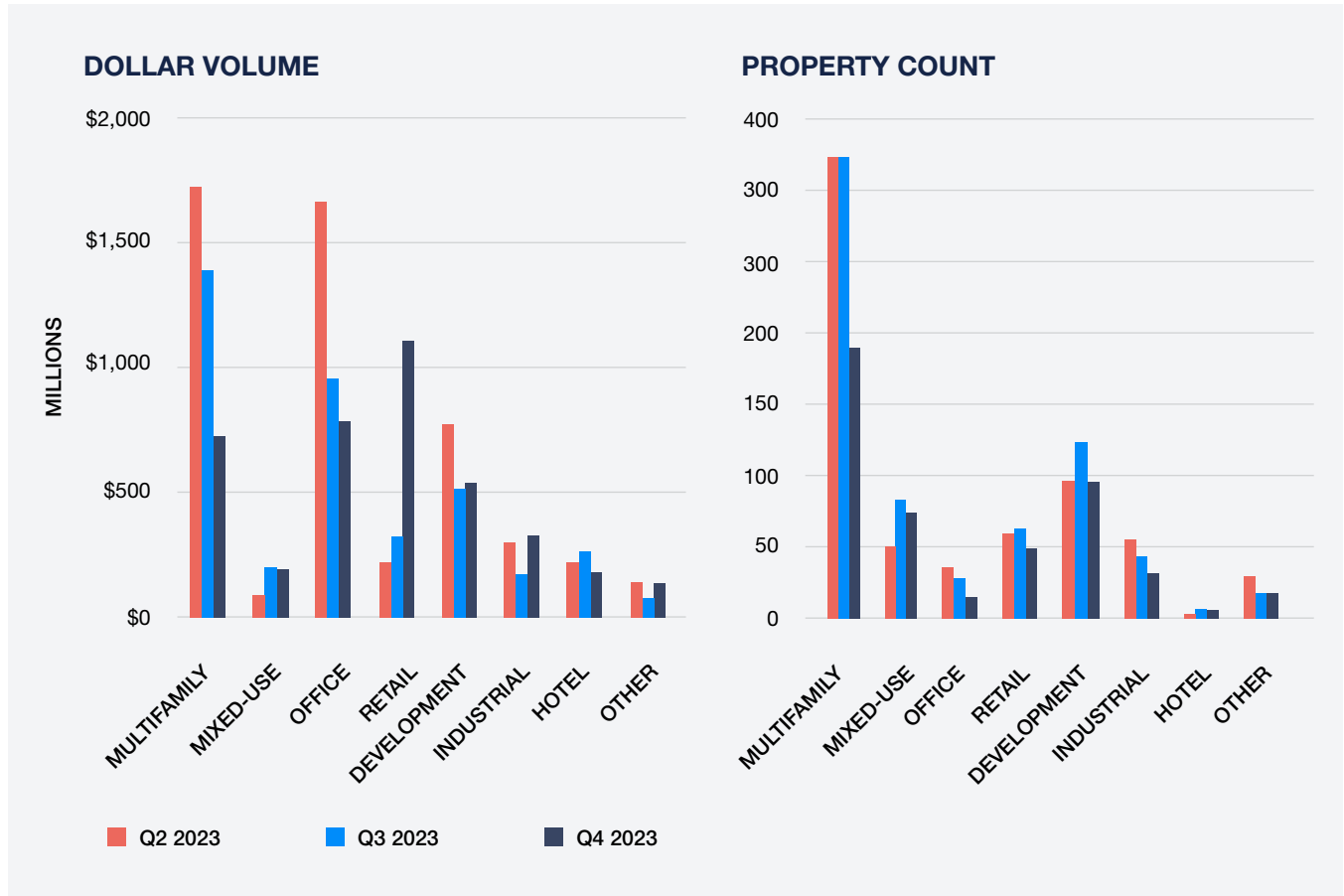
PROPERTY COUNT



	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	QoQ	YoY
MANHATTAN							
Dollar Volume	\$2,132,876,579	\$1,477,643,663	\$2,438,192,841	\$2,143,824,156	\$2,501,386,965	17%	17%
Transaction Count	87	72	82	84	64	-24%	-26%
Property Count	282	80	101	116	67	-42%	-76%
N. MANHATTAN							
Dollar Volume	\$37,488,377	\$106,781,768	\$244,694,994	\$100,290,339	\$135,403,690	35%	261%
Transaction Count	11	19	24	19	10	-47%	-9%
Property Count	11	30	24	30	11	-63%	0%
BROOKLYN							
Dollar Volume	\$1,068,618,456	\$737,576,446	\$1,369,140,443	\$1,125,749,776	\$631,547,054	-44%	-41%
Transaction Count	214	234	241	251	157	-37%	-27%
Property Count	241	255	287	309	183	-41%	-24%
QUEENS							
Dollar Volume	\$223,294,007	\$598,407,607	\$773,774,544	\$496,557,816	\$629,807,015	27%	182%
Transaction Count	112	146	123	102	109	7%	-3%
Property Count	139	199	141	134	136	1%	-2%
BRONX							
Dollar Volume	\$83,247,000	\$296,824,368	\$504,762,695	\$177,617,338	\$172,833,310	-3%	108%
Transaction Count	31	56	54	58	48	-17%	55%
Property Count	48	67	83	75	65	-13%	35%
NYC TOTAL							
Dollar Volume	\$3,545,524,418	\$3,217,233,852	\$5,330,565,517	\$4,044,039,424	\$4,070,978,034	1%	15%
Transaction Count	455	527	524	514	388	-25%	-15%
Property Count	721	631	636	664	462	-30%	-36%



Analysis by Property Type



QoQ & YoY

PROPERTY TYPE	TRANSACTION VOLUME			TRANSACTION COUNT			PROPERTY COUNT			PRICE/SF		
	Current	QoQ	YoY	Current	QoQ	YoY	Current	QoQ	YoY	Current	QoQ	YoY
Multifamily	\$754,847,075	-48%	-68%	174	-32%	12%	190	-41%	4%	\$509	-8%	5%
Mixed-Use	\$195,956,027	-4%	-59%	70	-8%	-46%	73	-11%	-77%	\$576	-11%	-10%
Office	\$818,954,659	-18%	830%	12	-50%	-45%	13	-43%	-41%	\$719	25%	3%
Retail	\$1,049,560,094	237%	713%	38	-5%	0%	44	-21%	-2%	\$923	53%	-1%
Development	\$568,619,750	5%	254%	48	-31%	-13%	89	-23%	1%	\$322	21%	-45%
Industrial	\$344,297,899	87%	104%	26	-7%	0%	30	-27%	0%	\$597	-7%	25%
Hotel	\$191,712,531	-31%	373%	6	-14%	100%	6	-14%	50%	\$627	-6%	44%
Other	\$147,030,000	71%	8%	14	0%	-46%	17	0%	-48%	\$427	-11%	-69%
TOTAL	\$4,070,978,034	1%	15%	388	-25%	-15%	462	-30%	-36%	\$549	3%	-13%

Top Highlighted Transactions

720 & 724 5TH AVENUE, MANHATTAN



Retail

Price: \$835,000,000

Date: 12/20/2023

SF: 167,769

Price/SF: \$4,977

Buyer: Prada

625 MADISON AVENUE, MANHATTAN



Office

Price: \$633,000,000

Date: 12/4/2023

SF: 583,000

Price/SF: \$1,086

1710 BROADWAY, MANHATTAN

RUI HOTEL



Development

Price: \$172,800,000

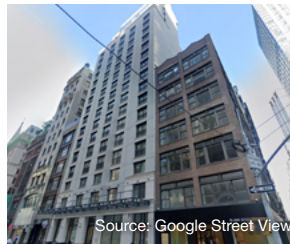
Date: 10/05/2023

Buildable SF: 241,346

Price/BSF: \$716

292 FIFTH AVE, MANHATTAN

LE MERIDIEN HOTEL



Hotel

Price: \$76,339,745

Date: 12/08/2023

SF: 78,211

Price/SF: \$976

Total Keys: 179

Price/Key: \$426,479

3409 COLLEGE POINT BLVD, QUEENS

LIFE STORAGE



Self Storage

Price: \$72,000,000

Date: 12/01/2023

SF: 158,669

Price/SF: \$454

540 ATLANTIC AVE, BROOKLYN



Development

Price: \$38,000,000

Date: 10/05/2023

Buildable SF: 113,428

Price/BSF: \$335

9958 66TH AVE, QUEENS



Multifamily

Price: \$48,000,000

Date: 11/30/2023

SF: 338,016

Price/SF: \$142

Total Units: 310

Price/Unit: \$154,838

100 CHRISTOPHER ST, MANHATTAN



Multifamily

Price: \$30,020,000

Date: 10/23/2023

SF: 21,849

Price/SF: \$1,374

Total Units: 40

Price/Unit: \$750,500

Debt Capital Markets

MACRO ENVIRONMENT

Although the Federal Reserve has yet to cut rates, we have seen some easing of yields which has resulted in lower all-in rates across the board. In addition to this positive movement, we are now expecting at least one rate cut in 2024, and possibly up to three. The 10Y Treasury dropped to approximately 4% and the 5Y Treasury is hovering within a similar range.

ISSUANCE AND LENDING CLIMATE

CMBS issuance is active and works best for borrowers who do not intend to create a depository relationship and are seeking to avoid personal guarantees.

Regional and community bank lending remains tight, with many institutions retaining in risk-off mode. Banks are requiring significant client deposits in order to fund transactions.

CONSTRUCTION FINANCING

The construction financing space remains active. Banks, however, have largely retreated from this space, which is now occupied by debt funds. Projects need to have strong untrended figures, as lenders are not underwriting to rental projections across all markets.

OUTLOOK

We expect market conditions to improve significantly in 2024. As rate stability comes into view and funding rates settle at a more palatable level, lending institutions will want to put a disappointing 2023 behind them by ramping up issuance levels.



COMPILED BY HKS REAL ESTATE ADVISORS

JERRY SWARTZ

Principal and Founding Partner
Office: 212-254-1600
jswartz@hks.com

AYUSH KAPAHI

Principal and Founding Partner
Office: 212-254-1600 x105
akapahi@hks.com

JOHN HARRINGTON

Principal and Founding Partner
Office: 212-254-1600
jharrington@hks.com

MICHAEL LEE

Partner
Office: 212-254-1600 x101
mlee@hks.com

PETER CARILLO

Principal, Senior Managing Director
Office: 212-254-1600 x118
pcarillo@hks.com

CHARLES YELLEN

Senior Managing Director
Office: 212-254-1600
cyellen@hks.com

EUGENE WEINRAUB

Managing Director
Office: 212-254-1600
eweinraub@hks.com

DANIEL KOWALSKY

Managing Director
Office: 212-254-1600 x130
dkowalsky@hks.com

JEREMY PENTEK

Associate Director
Office: 212-254-1600
jpentek@hks.com

ANTONIO LULLI

Associate Director
Office: 212-254-1600 x112
alulli@hks.com

JAY STERN-SZCZEPANIAK

Associate Director
Office: 212-254-1600
jstern@hks.com

ALEX DOBOSH

Associate
Office: 212-254-1600
adobosh@hks.com

ARTHUR SAFDEYE

Analyst
Office: 212-254-1600
asafdeye@hks.com

CORY HALPERT

Analyst
Office: 212-254-1600
chalpert@hks.com

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New York, NY 10011
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hks.com

