

New York City

Q1-2024 Market Report

HKS REAL ESTATE ADVISORS

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Q1 2024 Quarterly Recap

NYC INVESTMENT SALES

OVERVIEW

The New York City investment sales market got off to a steady start in 2024. According to our data, transactions volumes were essentially unchanged QoQ (down 0.4%) in the 1st quarter. Totals came in at \$5.48 billion for the period, which was up 70% YoY. This was across 526 transactions, which was only 6 fewer than last quarter, while holding firm at average deal size. The marginal decline was evenly spread across all boroughs, with all experiencing essentially unchanged volumes. Prices per square foot (PPSF) rose slightly from last quarter, with both figures significantly above the longer-term mean. This was primarily driven by the 2 well-publicized luxury retail transactions on Fifth Avenue, which were unprecedented in both size and price. The \$677 / SF figure was significantly above Q3 2023's \$546 / SF.

with well-publicized distress in the office market but does not necessarily signal a trend just yet as there tend to be few large transactions in this space which have an outsize effect on the overall market. The next few quarters will confirm this emerging phenomenon.

MARKET DYNAMICS

The market is not entirely out of its multi-year slump. Optimism had been returning but the reemergence of banking troubles and some hawkish language from the Fed has perhaps delayed a recovery in the real estate capital markets. This has been compounded by rising index rates and volatility.

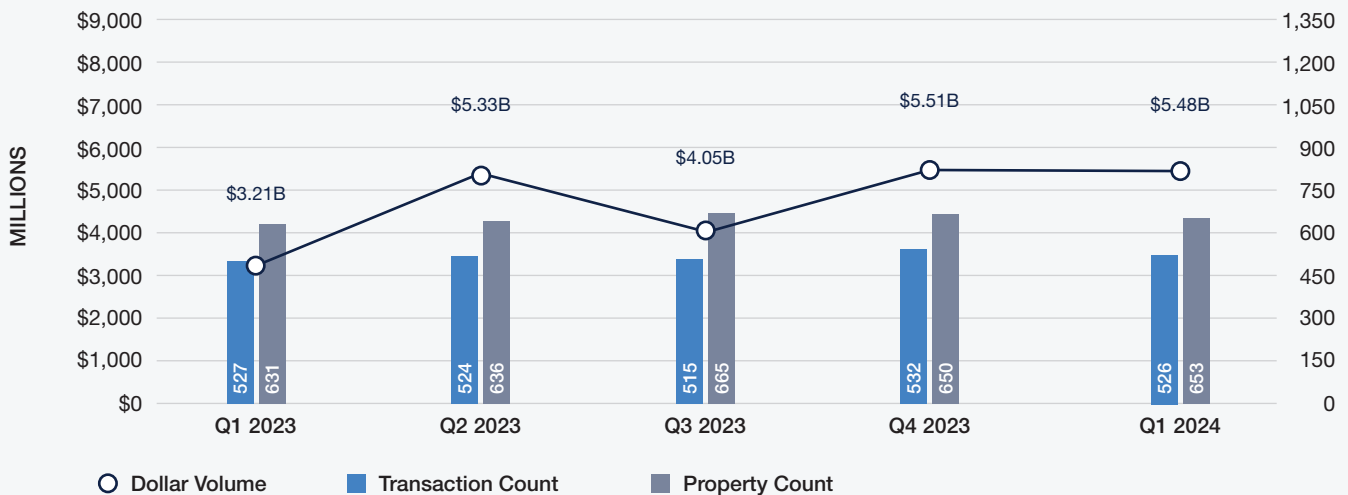
SECTOR PERFORMANCE

Transaction volumes fell across asset classes, with multifamily and retail being notable exceptions, driven largely by the aforementioned transaction by Kering on Fifth Avenue. PPSF have largely held steady for different property types except for office, where this quarter's value of \$422 / SF represents a precipitous decline from last quarter's \$917 / SF. This is in line

OUTLOOK

The Federal Reserve's continued hawkish stance in the face of an ebullient economy and stubborn inflation has kept a lid on the transaction markets. Our prediction of an early 2024 market rally has not materialized as expected, and now looks like a more likely scenario for 2025. In the meantime, significant distress in the CRE ecosystem is already beginning to take shape, which will present opportunities for savvy buyers.

NYC INVESTMENT SALES

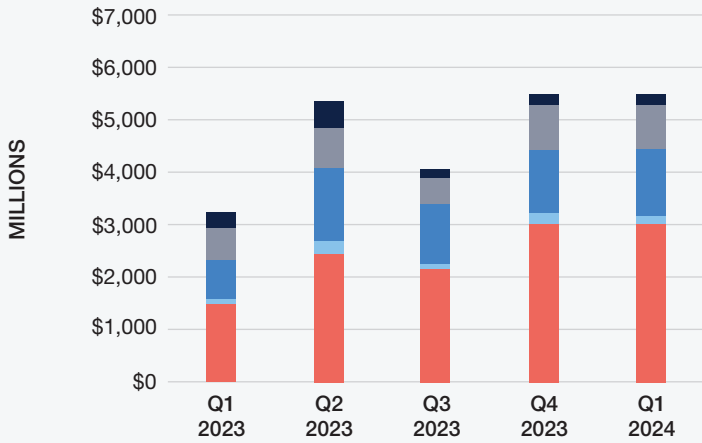


Dollar Volume	Transaction Count	Property Count	Average Price/SF
\$5.48B	526	653	\$677
0% vs. Q4 23 ↑↑ +70% vs. Q1 23	-1% vs. Q4 23 ↓ ↑ 0% vs. Q1 23	0% vs. Q4 23 ↑↑ +3% vs. Q1 23	+4% vs. Q4 23 ↑↑ +47% vs. Q1 23

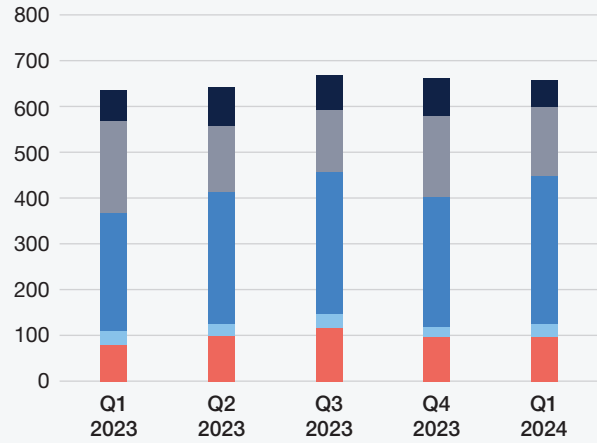


Analysis By Borough

DOLLAR VOLUME



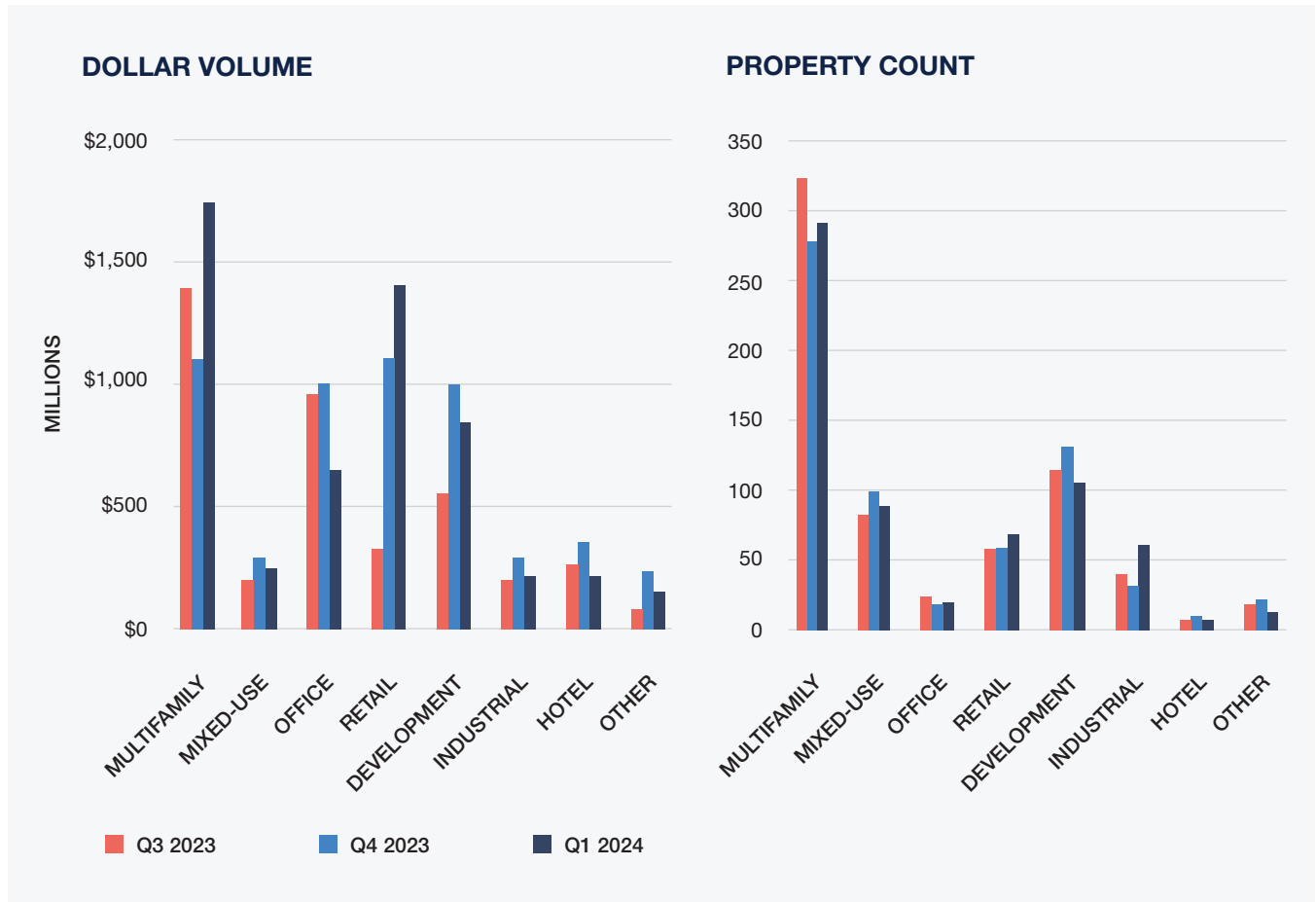
PROPERTY COUNT



	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024	QoQ	YoY
MANHATTAN							
Dollar Volume	\$1,477,643,663	\$2,438,192,841	\$2,083,683,831	\$3,026,494,505	\$3,027,653,282	0%	105%
Transaction Count	72	82	78	86	80	-7%	11%
Property Count	80	101	97	99	97	-2%	21%
N. MANHATTAN							
Dollar Volume	\$106,781,768	\$244,694,994	\$159,230,664	\$190,585,690	\$126,674,948	-34%	19%
Transaction Count	19	24	24	20	26	30%	37%
Property Count	30	24	48	22	30	36%	0%
BROOKLYN							
Dollar Volume	\$737,576,446	\$1,369,140,443	\$1,125,749,776	\$1,212,594,039	\$1,298,685,435	7%	76%
Transaction Count	234	241	251	226	248	10%	6%
Property Count	255	287	309	278	320	15%	25%
QUEENS							
Dollar Volume	\$598,407,607	\$773,774,544	\$498,057,816	\$873,219,415	\$842,024,862	-4%	41%
Transaction Count	146	123	103	142	124	-13%	-15%
Property Count	199	141	135	173	149	-14%	-25%
BRONX							
Dollar Volume	\$296,824,368	\$504,762,695	\$178,817,338	\$202,338,310	\$189,427,894	-6%	-36%
Transaction Count	56	54	59	58	48	-17%	-14%
Property Count	67	83	76	78	57	-27%	-15%
NYC TOTAL							
Dollar Volume	\$3,217,233,852	\$5,330,565,517	\$4,045,539,424	\$5,505,231,959	\$5,484,466,421	0%	70%
Transaction Count	527	524	515	532	526	-1%	0%
Property Count	631	636	665	650	653	0%	3%



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	\$1,750,717,179	52%	127%	237	-3%	23%	292	5%	38%	\$442	17%	48%
Mixed-Use	\$243,272,175	-9%	-11%	80	-15%	-37%	87	-13%	-39%	\$639	2%	67%
Office	\$656,170,557	-36%	38%	17	6%	-11%	20	18%	-17%	\$422	-54%	-37%
Retail	\$1,401,518,050	20%	391%	61	27%	36%	68	19%	11%	\$2,235	15%	323%
Development	\$842,767,251	-17%	39%	68	-8%	-19%	105	-22%	-15%	\$281	-4%	14%
Industrial	\$219,254,998	-24%	42%	44	57%	19%	61	85%	30%	\$393	-2%	71%
Hotel	\$215,431,058	-39%	-57%	7	-30%	0%	7	-30%	17%	\$513	-8%	-23%
Other	\$155,335,153	-36%	7%	12	-33%	-25%	13	-41%	-19%	\$428	26%	-21%
TOTAL	\$5,484,466,421	0%	70%	526	-1%	0%	653	0%	3%	\$677	-2%	14%



Top Highlighted Transactions

268 BERGEN STREET BOERUM HILL, BROOKLYN



Development

Price: \$39,715,000

Date: 04/01/2024

BSF: 202,768

Price / BSF: \$196

57 GANSEVOORT STREET MEATPACKING DISTRICT, MANHATTAN



Hotel

Price: \$57,711,000

Date: 12/18/2023

SF: 24,699

Price / SF: \$2,337

Keys: 14

Price / Key: \$4,122,214

271 WEST 11TH STREET WEST VILLAGE, MANHATTAN



Multifamily

Price: \$26,750,000

Date: 03/09/2023

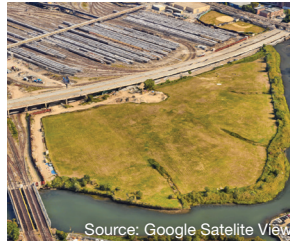
SF: 6,740

Price / SF: \$3,969

Units: 11

Price / Unit: \$2,431,818

2731 WEST 12TH STREET GRAVESEND, BROOKLYN



Development

Price: \$51,000,000

Date: 01/30/2024

BSF: 1,422,260

Price / BSF: \$36

Lot SF: 711,130

1370 6TH AVENUE MIDTOWN, MANHATTAN



Office

Price: \$160,000,000

Date: 02/26/2024

SF: 330,000

Price / SF: \$485

725 WEST 184TH STREET 24 BUILDING PORTFOLIO IN BROOKLYN AND NORTHERN MANHATTAN



Multifamily

Price: \$180,000,000

Date: 03/20/2024

Units: 1,300

Price / Unit: \$138,462

715-717 5TH AVENUE MIDTOWN, MANHATTAN



Retail

Price: \$963,000,000

Date: 01/22/2024

SF: 115,000

Price / SF: \$8,374

Debt Capital Markets

MACRO ENVIRONMENT

Inflation has proved to be more stubborn than anticipated, while the economy continues to perform. The Federal Reserve has signaled an intention to keep its policy restrictive for longer, leading to significant uncertainty on the future path of interest rates. Consequently, Treasuries sold off during the quarter, with the 10-Year reaching a yield of 4.21% at quarter end (it since reached a peak of 4.71% on 4/25).

ISSUANCE AND LENDING CLIMATE

CMBS issuance has come roaring back and has emerged as a leading option for many sponsors. Q1 issuance reached \$24.6 billion, which is 170% than the same period last year. This channel works best for borrowers who do not intend to create a depository relationship, are seeking to avoid personal guarantees and are willing to accept more conservative underwriting.

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 no longer expect market conditions to improve significantly in 2024. With rate cuts not forthcoming in the near term. Even with rate stability, the restrictive policy regime continues to cause distress in the market, which will take some time to filter through.





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