

New York City

Q2-2023

Market Report



HKS REAL ESTATE ADVISORS

126 5th Avenue, 15th Floor, New York, NY 10011

Office: 212-254-1600

hks.com

Q2 2023 Quarterly Recap

NYC INVESTMENT SALES

New York City investment sales stabilized somewhat in the second quarter, making up ground after the dramatic decline of the first quarter. Transaction volume came in at \$4.19 billion during the period, compared to only \$3.02 billion in Q1. This healthy quarterly uptick was driven by a slight thaw in the markets, as the Federal Reserve’s monetary tightening scheme slowed down to some extent, and sellers began to acknowledge the new reality in the capital markets.

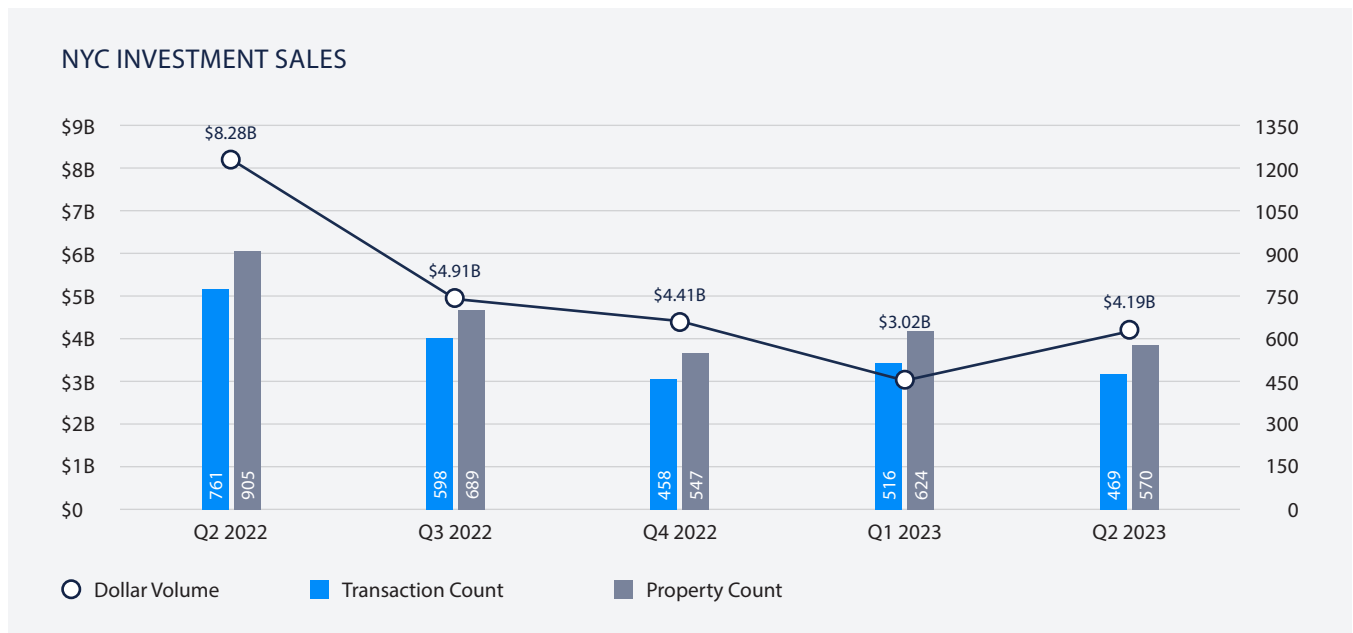
The market continued to face headwinds, however, despite the uptick in transactions. Index rates rose during the quarter and spreads widened, causing the cost of funding to continue being an issue. Further, rate volatility, lingering effects from the banking crisis, and a lack of pricing visibility (due to a dearth of transactions) continue to curb liquidity in the market, with many banks sitting on the sidelines or pricing themselves out of the lending market. Successful loan applications are having to accept very conservative underwriting standards, with low leverage plus high DSCR and debt yield hurdles.

Very few non-distressed sellers are proactively participating at this time.

For this reason, we believe markets will begin to flush out in the second half of the year, even if monetary policy remains restrictive, which is likely. Loan maturities, distress situations and opportunistic buying will be a driving force.

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.

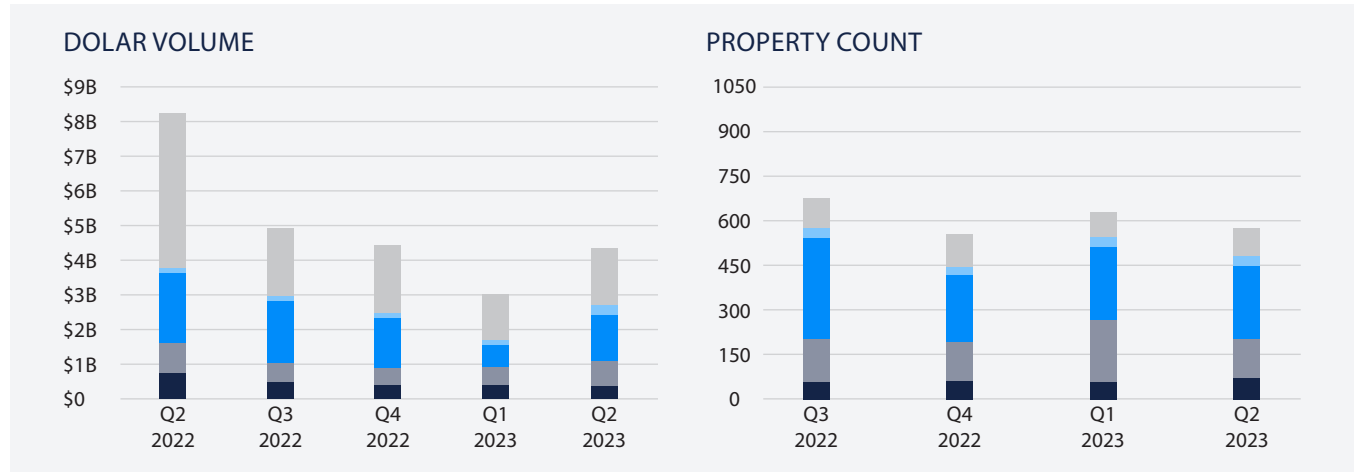
City-wide transaction prices per square foot (PPSF) came in at \$563 in Q2. Average multifamily PPSF were \$584 for the quarter. Manhattan (below 96th Street) led the other boroughs in volume and was also the priciest, registering around 41% of all transaction volume at \$1.67 billion across property types.



Dollar Volume	Transaction Count	Property Count	Average Price/SF
\$4.19B	469	570	\$563
+39% vs. Q1 23 ↑ ↓ -57% vs. Q2 22	-9% vs. Q1 23 ↓ ↓ -44% vs. Q2 22	-9% vs. Q1 23 ↓ ↓ -43% vs. Q2 22	-6% vs. Q1 23 ↓ ↑ 3% vs. Q2 22



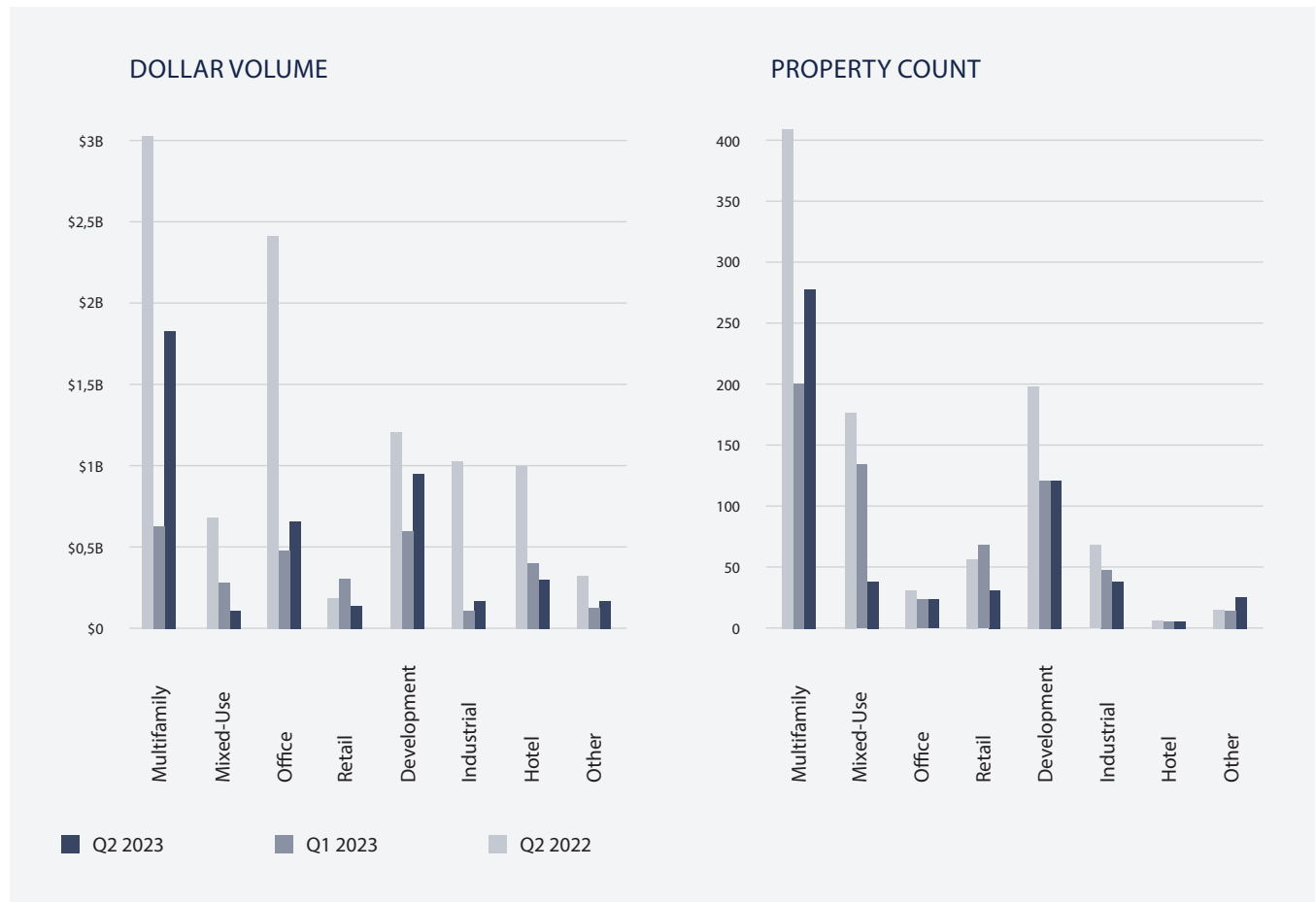
Breakdown By Borough



	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	QoQ	YoY
MANHATTAN							
Dollar Volume	\$4,420,586,032	\$1,997,500,835	\$2,090,678,394	\$1,339,918,663	\$1,674,164,342	25%	-69%
Transaction Count	129	94	74	72	73	1%	-52%
Property Count	156	99	84	89	92	3%	-48%
N. MANHATTAN							
Dollar Volume	\$65,662,078	\$118,344,046	\$38,207,996	\$106,781,768	\$232,146,994	117%	195%
Transaction Count	20	22	10	19	21	11%	0%
Property Count	22	35	10	28	21	-25%	-19%
BROOKLYN							
Dollar Volume	\$2,037,594,664	\$1,781,871,452	\$1,477,684,737	\$692,211,446	\$1,278,783,943	85%	-48%
Transaction Count	352	298	200	226	218	-4%	-42%
Property Count	390	342	254	245	259	6%	-38%
QUEENS							
Dollar Volume	\$989,662,078	\$672,967,513	\$491,087,502	\$582,693,319	\$719,940,544	24%	-33%
Transaction Count	170	133	111	143	111	-22%	-40%
Property Count	223	150	138	195	126	-35%	-48%
BRONX							
Dollar Volume	\$769,878,461	\$342,047,287	\$310,109,270	\$298,174,368	\$289,097,427	-3%	-63%
Transaction Count	91	51	43	56	46	-18%	-56%
Property Count	114	63	61	67	72	7%	-46%
NYC TOTAL							
Dollar Volume	\$8,282,789,997	\$4,912,731,133	\$4,407,767,898	\$3,019,779,564	\$4,194,133,250	39%	-57%
Transaction Count	761	598	458	516	469	-9%	-44%
Property Count	905	689	547	624	570	-9%	-43%



Breakdown by Property Type

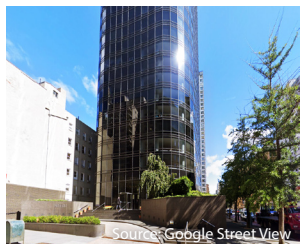


QoQ & YoY

PROPERTY TYPE	TRANSACTION VOLUME			TRANSACTION COUNT			PROPERTY COUNT			PRICE/SF		
	Current	QoQ	YoY	Current	QoQ	YoY	Current	QoQ	YoY	Current	QoQ	YoY
Multifamily	\$1,894,836,423	202%	-37%	262	42%	-28%	294	45%	-29%	\$584	18%	11%
Mixed-Use	\$82,525,675	-69%	-88%	40	-68%	-77%	41	-71%	-77%	\$595	17%	4%
Office	\$596,814,743	21%	-75%	20	11%	-23%	23	0%	-21%	\$612	-5%	-30%
Retail	\$183,175,000	-37%	-10%	37	-20%	-10%	44	-29%	-21%	\$854	22%	40%
Development	\$819,445,137	40%	-32%	47	-41%	-67%	91	-24%	-54%	\$228	-3%	-8%
Industrial	\$225,001,115	46%	-78%	38	23%	-21%	48	2%	-31%	\$518	47%	6%
Hotel	\$248,952,657	-33%	-69%	5	-17%	-44%	5	-17%	-17%	\$800	-28%	29%
Other	\$143,382,500	1%	-38%	20	33%	43%	24	60%	33%	\$434	-22%	22%
TOTAL	\$4,194,133,250	39%	-57%	469	-9%	-44%	570	-9%	-43%	\$563	16%	3%

Top Highlighted Transactions

265 EAST 66TH ST, MANHATTAN



Multifamily

Price: \$402,625,000

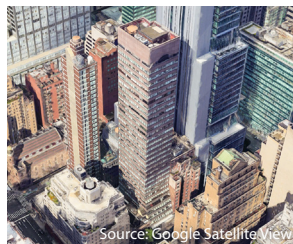
Price/SF: \$821

Date: 04/20/2023

Units: 328

SF: 490,652

TOWER 56 126 E 56TH ST, MANHATTAN



Office

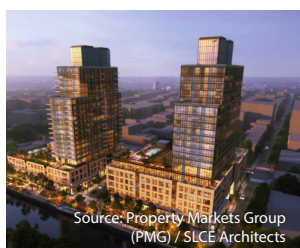
Price: \$113,000,000

Price/SF: \$659

Date: 04/04/2023

SF: 171,591

SOCIETY BROOKLYN AND SACKETT PLACE 267 BOND ST, 498 SACKETT ST, BROOKLYN



Development

Price: \$100,000,000

Price/BSF: \$294

Date: 05/19/2023

Proposed Units: 517

BSF: 605,000

THE WILLIAMSBURG HOTEL 96 WYTHE AVE, BROOKLYN



Hotel

Price: \$96,000,000

Price/SF: \$1,227

Date: 04/17/2023

Keys: 159

SF: 78,215

469 PRESIDENT ST, 305 NEVINS ST, 514 UNION ST, BROOKLYN



Development

Price: \$80,319,073

Price/BSF: \$333

Date: 04/28/2023

BSF: 241,244

6502 18TH AVE, BROOKLYN



Retail

Price: \$28,000,000

Price/SF: \$1,077

Date: 05/08/2023

SF: 26,000

Debt Capital Markets

The yield curve inverted further during the quarter, even as rates continued to rise. The 10Y Treasury widened over 34 bps during the period (from 3.473% to 3.819%) and reached a high of 3.854%. Meanwhile, 2Y yields rose even more dramatically, up over 80 bps (from 4.040% to 4.879%). SOFR also rose as a result of the Fed's 25 bp rate increase in May, reaching 5.08%.

Bank CRE lending remains very tight. Many banks have filled their quotas, face prohibitive funding costs, are short on deposits, or are simply not looking to over-allocate to CRE.

Agencies, private lenders and life insurance companies are active some extent, but not sufficiently so to cover the drop-off from other sources. Also, they are doing so on a selective basis and with conservative underwriting standards and/or elevated pricing.

CMBS and CRE CLO issuance continues to face major headwinds, but seems to have reached a bottom and can be expected to increase in coming quarters.





COMPILED BY HKS REAL ESTATE ADVISORS

JERRY SWARTZ

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

AYUSH KAPAH

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

Principal and 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

MAX RALBY

Managing Director
Office: 212-254-1600
mralby@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

JEREMY PENTEK

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

HARRY SCHOENBERG

Analyst
Office: 212-254-1600 x113
hschoenberg@hks.com

CORY HALPERT

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

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