

Manhattan Office Market Sales Volume & Buying Trends – December 2020

The global COVID-19 pandemic surfaced in the United States in Mid-March 2020. Federal, State, and local governments responded by issuing strict social distancing orders to curb the spread of the virus. Although the vaccine has started to roll out, there are still a lot of questions for the near term.

Market fundamentals were healthy going into the crisis; however, the first nine full months of the pandemic reflect a drop off in sales compared to previous year's figures. August through November 2020 demonstrated record low volume and transactions; however, this trend was reversed in December 2020. This report analyzes trends in investment sales in the Manhattan Class A and B office market from January 2019 through December 2020.

Leasing activity in December 2020 is in stark contrast to December 2019.

The number of deals is down considerably compared to this time last year, and along with that, so is the amount of space leased, down a staggering 238%. The graph on the right demonstrates the effects of the crisis on leasing activity in the Manhattan office market.

LEASING ACTIVITY - DECEMBER

YEAR	Deals	SF Leased	Starting Rent SF
DECEMBER 2019	358	3,259,849	\$260.31
DECEMBER 2020	130	966,021	\$62.00
YOY CHANGE	-175.4%	-237.5%	-319.9%

POPULATION

YEAR	US	Manhattan
2000 Total Population	281,421,906	1,537,195
2010 Total Population	308,745,538	1,585,873
2020 Total Population	333,793,107	1,650,033
2025 Total Population	346,021,282	1,676,284
10-20 CAGR	0.8%	0.4%
20-25 CAGR	0.7%	0.3%

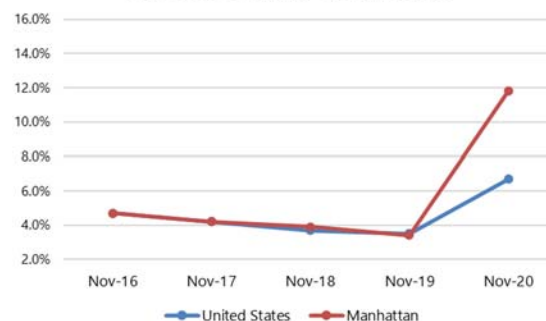
HOME OWNERSHIP

YEAR	US	Manhattan
2010	57.7%	20.5%
2020	56.4%	21.4%
2025	56.2%	21.2%

MEDIAN HH INCOME

YEAR	US	Manhattan
2020	\$62,203	\$88,043
2025	\$67,325	\$99,415
CAGR	1.60%	2.46%

Unemployment Rate - Five Year Trend



NOTE: December 2020 unemployment statistics for Manhattan were not available as of the date this report was written.

The Manhattan Office Market in Context

To understand current conditions, it is helpful to have a benchmark for comparison purposes. 2015 was considered, by most, the peak of Manhattan Investment Sales activity. In that year, there were a total of 112 transactions, yielding an aggregate volume of \$21.6 billion. On average, there were nine transactions per month, averaging \$1.8 billion. Since 2015, sales activity has been steadily declining both in number of transactions, and in transaction volume. For 2019, there were only 53 transactions, reflecting a decline of 53% from 2015 levels, and total volume was \$12.4 billion, roughly 42% below levels seen in 2015.

Manhattan Office Class A & B

Investment Tranche	2015		2019	
	Number	Volume	Number	Volume
Up to \$10.0 Million	22	\$97,450,988	9	\$33,000,000
\$10.001 to \$30.0 Million	11	\$196,911,312	4	\$75,650,000
\$30.001 to \$50.0 Million	13	\$557,589,825	3	\$120,050,000
\$50.001 to \$75.0 Million	11	\$716,039,151	1	\$75,000,000
\$75.001 to \$100.0 Million	9	\$802,500,000	2	\$186,460,207
Over \$100 Million	46	\$19,236,711,500	34	\$11,939,992,329
Total # Transactions	112	\$21,607,202,776	53	\$12,430,152,536
Monthly Average	9	\$1,800,600,231	4	\$1,035,846,045

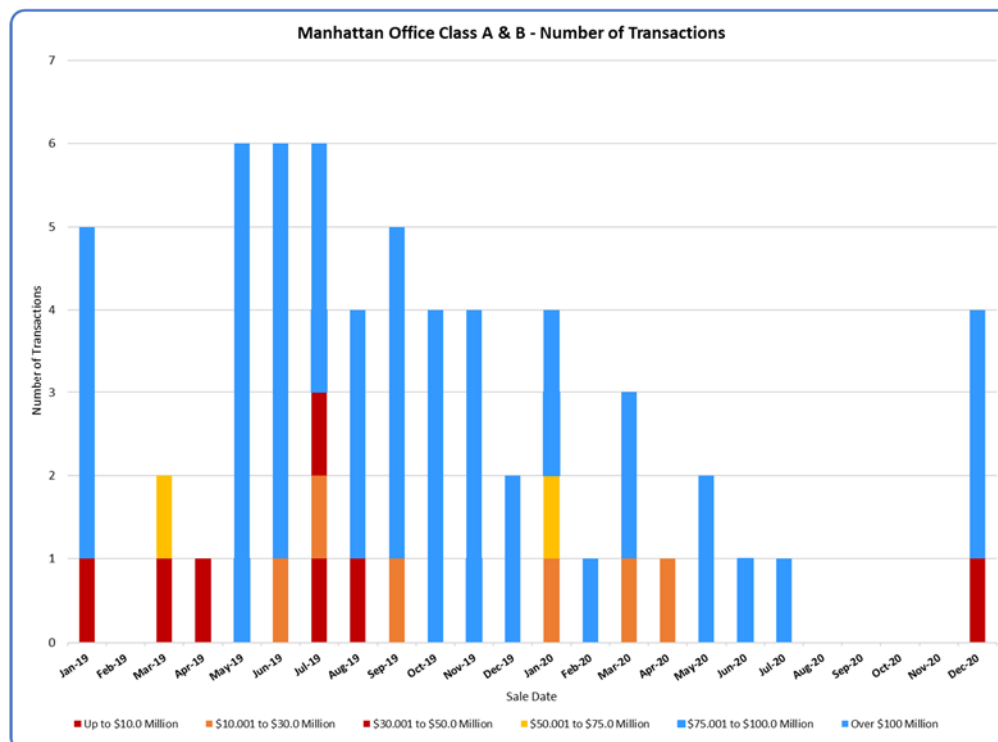
Number of Sales Transactions

We tracked the number of monthly Class A and B office sales recorded in Manhattan (excluding the Uptown submarket), segmented into tranches as seen below. Over the 24-month period, there have been a total of 62 transactions. Nearly 5% of these transactions were below \$10 million, 27% were between \$10 and \$100 million, and approximately 68% were above \$100 million.

Historical Transaction Volume - Manhattan Office Class A & B

Number of Transactions	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Total	% of Total
Up to \$10.0 Million	1	0	0	1	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	3	4.8%
\$10.001 to \$30.0 Million	0	0	0	0	0	1	1	0	1	0	0	0	1	0	1	1	0	0	0	0	0	0	0	0	6	9.7%
\$30.001 to \$50.0 Million	0	0	1	0	0	0	1	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	4	6.5%
\$50.001 to \$75.0 Million	0	0	1	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	2	3.2%
\$75.001 to \$100.0 Million	0	0	0	0	1	0	1	0	0	0	1	0	1	0	0	0	0	1	0	0	0	0	0	0	5	8.1%
Over \$100 Million	4	0	0	0	5	5	2	3	4	4	3	2	1	1	2	0	2	0	1	0	0	0	0	3	42	67.7%
Total # Transactions	5	0	2	1	6	6	6	4	5	4	4	2	4	1	3	1	2	1	1	0	0	0	0	4	62	100.0%
% Change from Prior Month	-	-100.0%	N/A	-50.0%	500.0%	0.0%	0.0%	-33.3%	25.0%	-20.0%	0.0%	-50.0%	100.0%	-75.0%	200.0%	-66.7%	100.0%	-50.0%	0.0%	-100.0%	0.0%	0.0%	0.0%	N/A	-	-

The largest number of monthly transactions occurred in May, June and July 2019, at six sales each month. Compared to these peak sales figures, the results for the months following the start of the crisis were significantly lower. May 2020 was marked by an increase in the number of sales and dollar sales volume compared to April, and more notably they were all in the "Over \$100 Million" category. June, July and August figures demonstrated a drop off from May figures, with only two transactions in total. Following this, September, October, and November demonstrated zero sales. December was marked by a large uptick in the number of sales, with four occurring this month, and all above the \$30.001 million price tag. The figures are portrayed graphically below.



Dollar Volume of Sales Transactions

In 2019, the average monthly sales volume was approximately \$802 million, with the peak occurring in September 2019 at nearly \$2 billion.

Historical Transaction Volume - Manhattan Office Class A & B (in Millions) - 2019													
Dollar Volume of Transactions	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Total % of Total
Up to \$10.0 Million	\$5.8	\$0.0	\$0.0	\$3.8	\$0.0	\$0.0	\$1.6	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$11.1 0.1%
\$10.001 to \$30.0 Million	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$18.0	\$25.7	\$0.0	\$20.5	\$0.0	\$0.0	\$0.0	\$64.2 0.7%
\$30.001 to \$50.0 Million	\$0.0	\$0.0	\$43.3	\$0.0	\$0.0	\$0.0	\$37.3	\$39.5	\$0.0	\$0.0	\$0.0	\$0.0	\$120.1 1.2%
\$50.001 to \$75.0 Million	\$0.0	\$0.0	\$75.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$75.0 0.8%
\$75.001 to \$100.0 Million	\$0.0	\$0.0	\$0.0	\$0.0	\$89.0	\$0.0	\$97.5	\$0.0	\$0.0	\$0.0	\$92.0	\$0.0	\$278.5 2.9%
Over \$100 Million	\$1,224.1	\$0.0	\$0.0	\$0.0	\$1,058.3	\$951.6	\$430.7	\$1,211.8	\$1,935.2	\$982.5	\$798.5	\$476.8	\$9,069.4 94.3%
Total Dollar Volume	\$1,229.8	\$0.0	\$118.3	\$3.8	\$1,147.3	\$969.6	\$592.7	\$1,251.3	\$1,955.7	\$982.5	\$890.5	\$476.8	\$9,618.2 100.0%
% Change from Prior Month	-	-100.0%	N/A	-96.8%	30495.7%	-15.5%	-38.9%	111.1%	56.3%	-49.8%	-9.4%	-46.5%	-

Comparatively, the average monthly sales volume in 2020 was approximately \$394 million, reflecting a decrease of approximately 51%. We tracked the dollar volume of monthly sales by tranche as seen below.

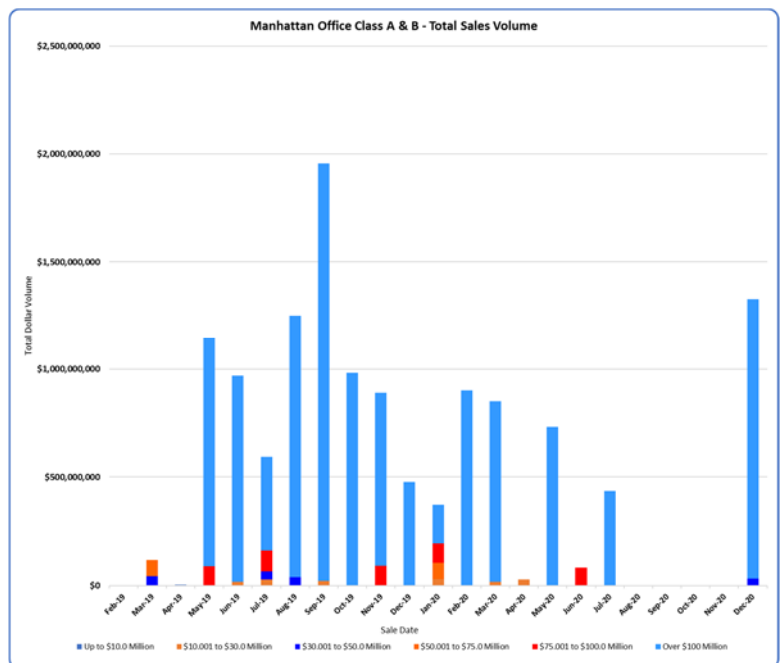
Historical Transaction Volume - Manhattan Office Class A & B (in Millions) - 2020													
Dollar Volume of Transactions	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Total % of Total
Up to \$10.0 Million	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0 0.0%
\$10.001 to \$30.0 Million	\$30.0	\$0.0	\$16.8	\$28.6	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$75.4 1.6%
\$30.001 to \$50.0 Million	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$33.6 0.7%
\$50.001 to \$75.0 Million	\$75.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$75.0 1.6%
\$75.001 to \$100.0 Million	\$90.0	\$0.0	\$0.0	\$0.0	\$0.0	\$82.5	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$172.5 3.6%
Over \$100 Million	\$175.0	\$900.0	\$833.8	\$0.0	\$732.2	\$0.0	\$435.0	\$0.0	\$0.0	\$0.0	\$0.0	\$1,294.5	\$4,370.5 92.5%
Total Dollar Volume	\$370.0	\$900.0	\$850.5	\$28.6	\$732.2	\$82.5	\$435.0	\$0.0	\$0.0	\$0.0	\$0.0	\$1,328.1	\$4,726.8 100.0%
% Change from Prior Month	N/A	143.2%	-5.5%	-96.6%	2460.1%	-88.7%	427.5%	-100.0%	0.0%	0.0%	0.0%	N/A	-

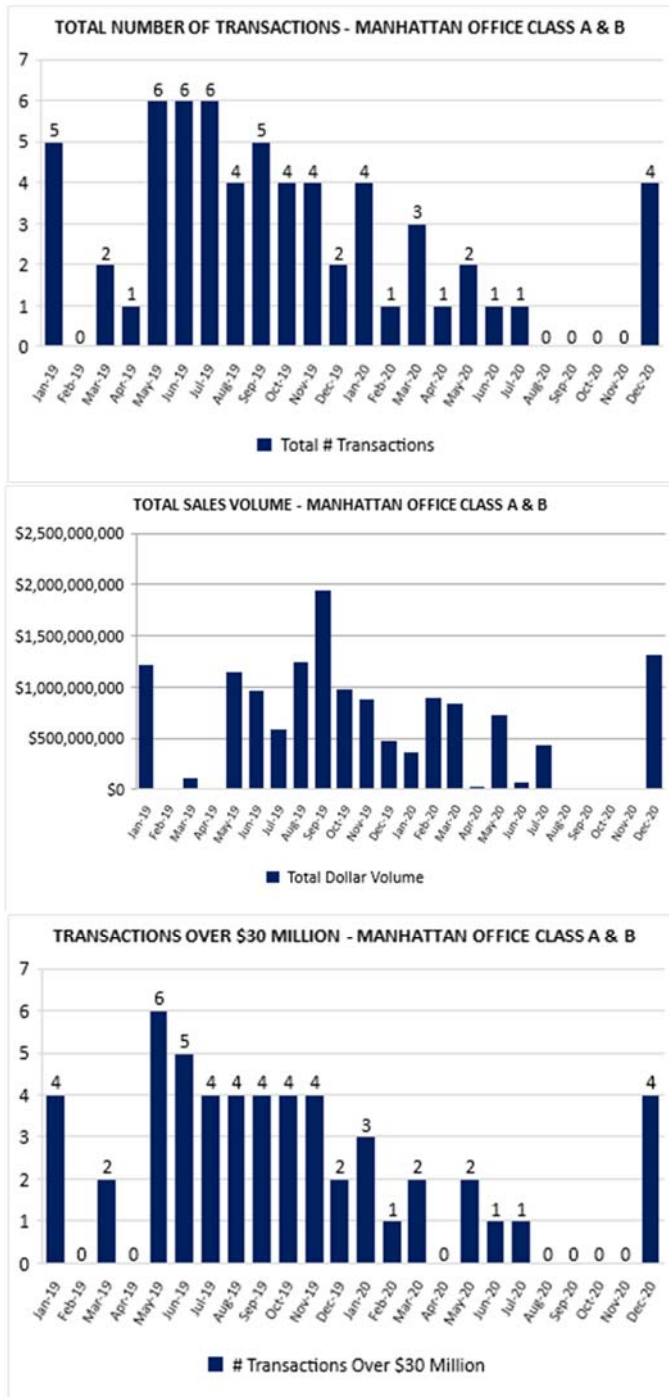
Over the analysis period, the category with the highest transaction volume is in the "Over \$100 Million" category, for both 2019 and 2020 figures, which comprises nearly 94% of all dollar volume. The category that recorded the second highest level of transactions was the "\$75.001 to \$100.0 Million" category, for both 2019 and 2020 figures, which comprises only 3.1% of all dollar volume.

Over the analysis period, the total sales volume in the Manhattan Class A and B office market has been characterized by high priced deals, with a lower amount of dollar volume being attributed to smaller deals.

Compared to June, July demonstrated an uptick in total dollar volume, up to \$435 million. Following this there was no activity between August 2020 and November 2020. December 2020 reversed this trend, demonstrating a high number of transactions and dollar volume, with four transactions totaling approximately \$1.3 billion in total dollar volume. This is the second highest dollar volume seen over the entire analysis period, indicating investor optimism.

Total Dollar Volume - Manhattan Office	
Jan-19	\$1,229,804,370
Feb-19	\$0
Mar-19	\$118,300,000
Apr-19	\$3,750,000
May-19	\$1,147,338,580
Jun-19	\$969,550,888
Jul-19	\$592,660,207
Aug-19	\$1,251,267,500
Sep-19	\$1,955,730,991
Oct-19	\$982,500,000
Nov-19	\$890,500,000
Dec-19	\$476,750,000
Jan-20	\$370,000,000
Feb-20	\$900,000,000
Mar-20	\$850,500,000
Apr-20	\$28,600,000
May-20	\$732,200,000
Jun-20	\$82,466,668
Jul-20	\$435,000,000
Aug-20	\$0
Sep-20	\$0
Oct-20	\$0
Nov-20	\$0
Dec-20	\$1,328,064,375
Min	\$0
Max	\$1,955,730,991
2019 Ave	\$801,512,711
2020 Ave	\$393,902,587





SALES (2019-2020): Volume

Pre-COVID-19, sales volume fluctuated, ranging from zero to six sales per month from January 2019 through March 2020. In the first nine months following the COVID-19 outbreak (April to November 2020), there were nine total transactions, with two of them occurring in May, and four in December. Comparing December 2019 to December 2020, the number of transactions was the same. December 2020 marks the first month since the onset of the pandemic to demonstrate sales figures that matched pre-pandemic figures. This is a positive sign for the market.

Dollar Volume of Sales

The number of transactions increased from April to May 2020, and dollar volume followed, with an increase from April at \$29 million to \$732 million in May. Compared to the healthy figures demonstrated in May, July transactions figures were lower but higher than the overall average seen in 2020, at \$435 million. Following the summer, September, October, and November demonstrated no sales. December reversed this trend, with sales volume at approximately \$1.3 billion. The first half of 2020 tallied nearly \$3.0 billion in sales volume, which is lower than the \$3.5 billion recorded in the same period in 2019. From January 2019 through March 2020, the average deal size was \$246 million. In December 2020, the average deal size was \$332 million.

Transactions over \$30M

Market participants were hesitant to pursue higher priced deals in April 2020, as there were no sales exceeding \$30 million. The four months following April turned this trend around slightly, with four deals exceeding \$30 million. December demonstrated four sales that exceeded \$30 million, a record number during the pandemic. Between January 2019 and March 2020, the average number of sales over \$30 million was 3.0 per month. December was the first month to surpass the pre-pandemic average. Market participants will continue to track these metrics as the effects of the crisis continue to unfold.



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