

Manhattan CRE Sales Volume and Buying Trends – November 2020

The Manhattan investment sales market saw a partial rebound in November following new lows set in October pertaining to dollar volume. November logged the second-highest total of monthly transactions since the onset of COVID-19 in March, although dollar volume was once again buoyed by low price point transactions. As the holiday season brings about new highs in positive testing and new legislation on business and closures, investors continue to be skeptical of engaging in larger deals.

This report analyzes trends in investment sales for all property types in Manhattan from January 2019 through November 2020.

FEATURE: COVID-19 and its Impact on the Commercial Real Estate Market

The Manhattan market was stable during the first two and a half months of 2020. The global COVID-19 pandemic surfaced in the United States in Mid-March. Federal, State, and local governments responded by issuing strict social distancing orders and economic closures to curb the spread of the virus.

The crisis has caused short and long-term effects across Manhattan's commercial real estate landscape, which are highlighted on this page.

Short Term Impact

On December 14th, New York City begins a two-week ban on indoor dining, the second such ban since the onset of COVID-19. This presents additional challenges for restaurants and bars, many of which have struggled to stay open during the crisis. The positive test rate is currently 5.53% in New York City and 4.96% statewide over the past seven days ending December 13th. Governor Cuomo also reported a record number of COVID tests reported to the state in a single day. All attention is now focused on a vaccine, which is scheduled for release in Mid-December. The effectiveness of the vaccine and timeline as to when it becomes available to the general public is of utmost importance to both investors and non-investors alike.

Long Term Impact

The impact of COVID-19 on commercial real estate will continue to unfold over time. Some sectors will rebound faster than others, and fundamentals will vary greatly between property types. Restaurants, bars, and other retail uses that warrant close contact have been especially hard hit, with many proprietors concerned for their survival. Remote working and the need for additional spacing will likely lower demand for office space in the CBD. These are just some of the pressing issues that Manhattan faces moving forward.

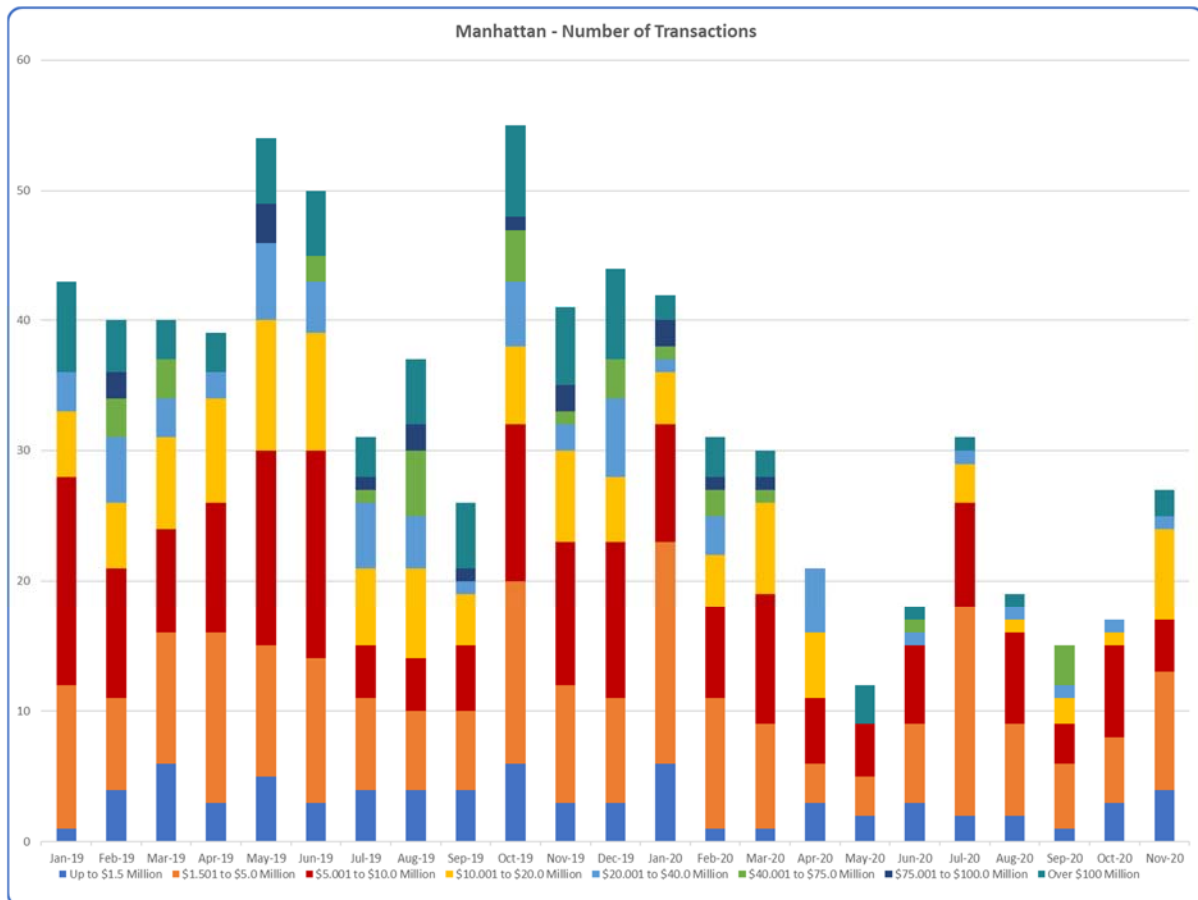
Number of Sales Transactions

We have tracked the number of monthly sales for all sales recorded in Manhattan, segmented into tranches as seen below. Over the 23-month period, there have been a total of 763 transactions. Of this total, 61 percent were below \$10 million, roughly 29 percent between \$10 and \$100 million, and 10 percent above \$100 million.

Historical Transaction Volume - Manhattan

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	Total	% of Total
Up to \$1.5 Million	1	4	6	3	5	3	4	4	4	6	3	3	6	1	1	3	2	3	2	2	1	3	4	74	9.7%
\$1.501 to \$5.0 Million	11	7	10	13	10	11	7	6	6	14	9	8	17	10	8	3	3	6	16	7	5	5	9	201	26.3%
\$5.001 to \$10.0 Million	16	10	8	10	15	16	4	4	5	12	11	12	9	7	10	5	4	6	8	7	3	7	4	193	25.3%
\$10.001 to \$20.0 Million	5	5	7	8	10	9	6	7	4	6	7	5	4	4	7	5	0	0	3	1	2	1	7	113	14.8%
\$20.001 to \$40.0 Million	3	5	3	2	6	4	5	4	1	5	2	6	1	3	0	5	0	1	1	1	1	1	1	61	8.0%
\$40.001 to \$75.0 Million	0	3	3	0	0	2	1	5	0	4	1	3	1	2	1	0	0	1	0	0	3	0	0	30	3.9%
\$75.001 to \$100.0 Million	0	2	0	0	3	0	1	2	1	1	2	0	2	1	1	0	0	0	0	0	0	0	0	16	2.1%
Over \$100 Million	7	4	3	3	5	5	3	5	5	7	6	7	2	3	2	0	3	1	1	1	0	0	2	75	9.8%
Total # Transactions	43	40	40	39	54	50	31	37	26	55	41	44	42	31	30	21	12	18	31	19	15	17	27	763	100.0%
% Change from Prior Month	-	-7.0%	0.0%	-2.5%	38.5%	-7.4%	-38.0%	19.4%	-29.7%	111.5%	-25.5%	7.3%	-4.5%	-26.2%	-3.2%	-30.0%	-42.9%	50.0%	72.2%	-38.7%	-21.1%	13.3%	58.8%	-	-

In terms of number of transactions, the largest number of monthly transactions occurred in October 2019, which is also the month that experienced the most significant % increase from the prior month, at 111.5%. The number of transactions since the onset of COVID-19 has dwarfed pre-crisis levels. Outside of July 2020, no month in the post-COVID era had surpassed 30 transactions. Comparatively, only one month prior to March 2020 saw less than 30 transactions (September 2019). November 2020 saw the fifth-highest number of sales in 2020. Of November total sales, 63% were under \$10 million, and 93% were under \$40 million. Two sales were logged in the over \$100 million tranche, which ranks second most of the post-COVID era after May, which saw 3 transactions over \$100 million. The lack of transactions in the trophy asset category has had a strong impact on Dollar Volume statistics presented on the following page.



Dollar Volume of Sales Transactions

In 2019, the average monthly sales volume was over \$2.0 Billion, with the peak occurring in June 2019 at more than \$3.6 Billion. Comparatively, the average monthly sales volume in 2020 was roughly \$561 Million, reflecting a decrease of approximately 257%. We have tracked the dollar volume of monthly sales by tranche as seen below.

Historical Transaction Volume - Manhattan (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 \$1.5 Million	\$0.7	\$2.2	\$4.5	\$2.4	\$4.8	\$2.4	\$1.1	\$4.2	\$4.5	\$7.2	\$3.0	\$3.5	\$40.6	0.2%
\$1.501 to \$5.0 Million	\$34.8	\$22.7	\$31.3	\$41.4	\$31.8	\$36.5	\$17.7	\$17.1	\$19.5	\$45.4	\$27.2	\$28.1	\$353.4	1.4%
\$5.001 to \$10.0 Million	\$111.0	\$72.7	\$63.6	\$74.8	\$114.0	\$115.0	\$27.2	\$33.2	\$41.4	\$80.9	\$83.0	\$86.0	\$902.8	3.7%
\$10.001 to \$20.0 Million	\$66.2	\$78.1	\$95.4	\$110.0	\$137.0	\$139.7	\$84.9	\$95.8	\$51.0	\$81.7	\$108.1	\$72.9	\$1,120.9	4.5%
\$20.001 to \$40.0 Million	\$71.5	\$128.0	\$73.7	\$48.0	\$153.0	\$95.0	\$143.7	\$105.2	\$20.5	\$169.2	\$40.8	\$194.0	\$1,242.5	5.0%
\$40.001 to \$75.0 Million	\$0.0	\$179.0	\$171.0	\$0.0	\$0.0	\$107.7	\$59.2	\$280.6	\$0.0	\$260.1	\$54.0	\$179.6	\$1,291.2	5.2%
\$75.001 to \$100.0 Million	\$0.0	\$172.0	\$0.0	\$0.0	\$242.0	\$0.0	\$88.8	\$163.9	\$82.7	\$98.5	\$183.0	\$0.0	\$1,030.8	4.2%
Over \$100 Million	\$2,100.0	\$1,500.0	\$990.0	\$481.0	\$1,600.0	\$3,143.6	\$590.0	\$1,419.2	\$2,095.3	\$1,533.5	\$1,795.9	\$1,458.9	\$18,707.4	75.8%
Total Dollar Volume	\$2,384.2	\$2,154.7	\$1,429.5	\$757.6	\$2,282.6	\$3,639.8	\$1,012.5	\$2,119.1	\$2,314.9	\$2,276.6	\$2,295.0	\$2,023.0	\$24,689.5	100.0%
% Change from Prior Month	-	-10%	-34%	-47%	201%	59%	-72%	109%	9%	-2%	1%	-12%	-	-

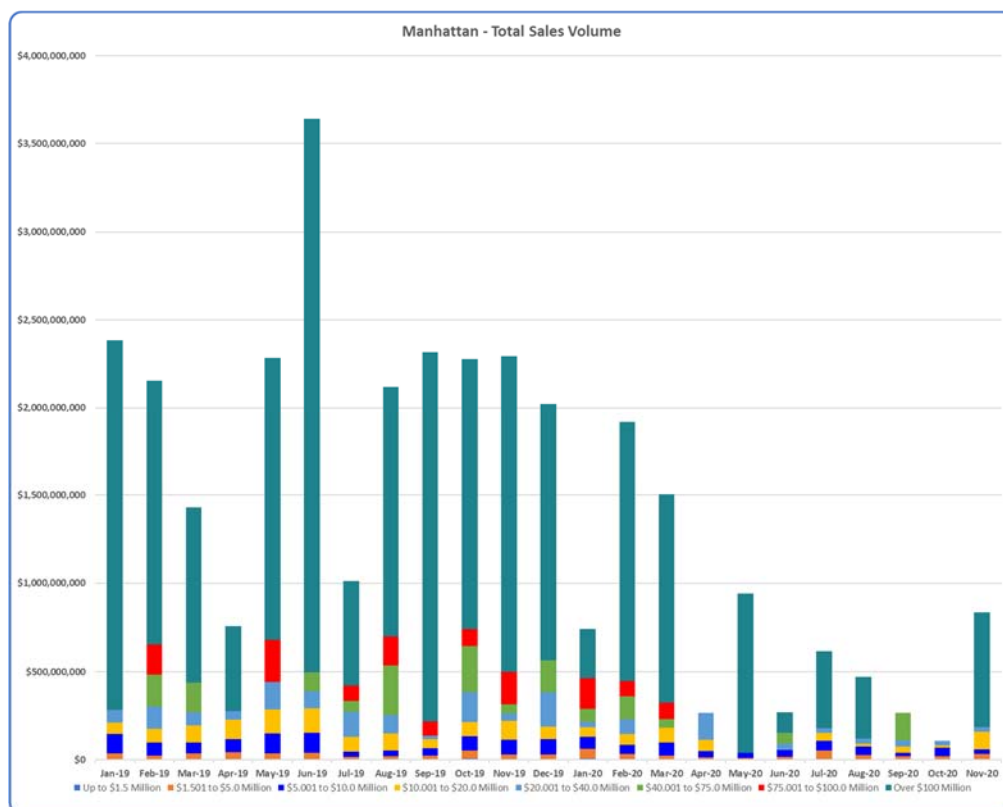
Historical Transaction Volume - Manhattan (in Millions) - 2020

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	Total % of Total	
Up to \$1.5 Million	\$7.1	\$1.4	\$1.2	\$3.2	\$2.0	\$2.2	\$1.7	\$2.8	\$1.2	\$3.1	\$2.9	\$25.9	0.3%
\$1.501 to \$5.0 Million	\$55.3	\$33.6	\$22.9	\$10.6	\$9.5	\$15.7	\$51.1	\$24.9	\$18.4	\$16.4	\$29.4	\$258.4	3.5%
\$5.001 to \$10.0 Million	\$68.7	\$50.6	\$75.0	\$37.0	\$28.3	\$37.2	\$56.3	\$47.9	\$19.8	\$50.3	\$27.1	\$470.9	6.3%
\$10.001 to \$20.0 Million	\$54.4	\$60.3	\$84.1	\$63.3	\$0.0	\$0.0	\$44.8	\$15.8	\$36.9	\$12.0	\$14.5	\$386.1	5.2%
\$20.001 to \$40.0 Million	\$30.0	\$83.7	\$0.0	\$151.9	\$0.0	\$37.8	\$26.5	\$29.5	\$35.8	\$27.6	\$26.0	\$448.7	6.0%
\$40.001 to \$75.0 Million	\$75.0	\$131.6	\$48.5	\$0.0	\$0.0	\$60.7	\$0.0	\$0.0	\$153.8	\$0.0	\$0.0	\$469.7	6.3%
\$75.001 to \$100.0 Million	\$173.3	\$88.0	\$93.8	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$355.1	4.8%
Over \$100 Million	\$279.0	\$1,464.6	\$1,178.1	\$0.0	\$900.2	\$115.0	\$435.0	\$350.0	\$0.0	\$0.0	\$323.0	\$5,044.9	67.6%
Total Dollar Volume	\$742.8	\$1,913.9	\$1,503.6	\$265.9	\$939.9	\$268.5	\$615.3	\$470.9	\$265.9	\$109.4	\$422.9	\$7,459.7	100.0%
% Change from Prior Month	-63%	158%	-21%	-82%	253%	-71%	129%	-23%	-44%	-59%	287%	-	-

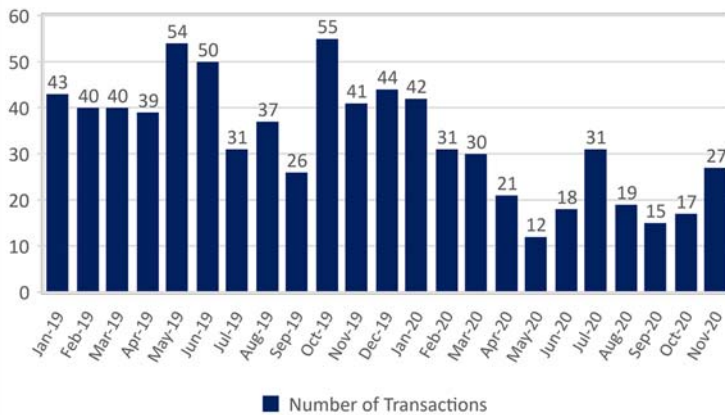
Over the analysis period, the category with the highest transaction volume is in the "Over \$100 Million", which comprised nearly 76% of all dollar volume in 2019 and 68% in 2020. This is obviously a very important category. For all categories over \$40 Million, the total share during this time frame was 85% in 2019 and 79% in 2020. We note that in April and October 2020, there were **ZERO** sales in these three categories. In November 2020, there were two sales above \$40 million. Dollar volume increased 287% from October to November after October registered the lowest dollar volume of the period. Of the \$422.9 million in dollar volume in November, approximately 76% was attributable to the over \$100 million tranche. Trophy assets worth over \$40 Million play a big role in the commercial real estate market in Manhattan. Deals in this category have been very highly scrutinized, with no month in the post-COVID era registering more than 3 sales over this threshold.

Total Dollar Volume - Manhattan	
Jan-19	\$2,384,185,000
Feb-19	\$2,154,700,000
Mar-19	\$1,429,500,000
Apr-19	\$757,600,000
May-19	\$2,282,600,000
Jun-19	\$3,639,755,602
Jul-19	\$1,012,531,908
Aug-19	\$2,119,066,172
Sep-19	\$2,314,929,414
Oct-19	\$2,276,593,791
Nov-19	\$2,295,030,596
Dec-19	\$2,023,013,789
Jan-20	\$742,804,207
Feb-20	\$1,913,895,695
Mar-20	\$1,503,597,207
Apr-20	\$265,912,366
May-20	\$939,910,000
Jun-20	\$268,499,343
Jul-20	\$615,343,184
Aug-20	\$470,907,400
Sep-20	\$265,929,000
Oct-20	\$109,423,679
Nov-20	\$833,081,375
Min	\$109,423,679
Max	\$3,639,755,602
2019 Ave	\$2,057,458,856
2020 Ave	\$720,845,769

There is pent up demand in the market, but the gap between sellers' expectations and buyers' expectations is still too wide to get deals done. We expect more activity as the pandemic abates, and the economy begins to show signs of stabilization.



TOTAL NUMBER OF TRANSACTIONS - MANHATTAN

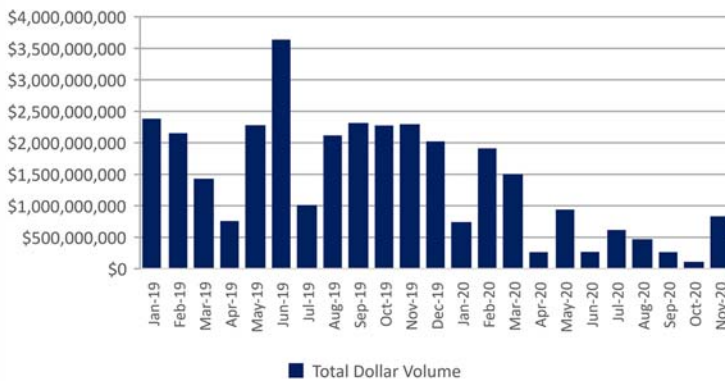
**SALES (2019-2020):**

Pre-COVID-19, sales volume was fairly consistent, ranging from 26 to 55 sales per month from January 2019 through March 2020. From April 2020 to October 2020, New York City averaged only 20 sales per month, with no real upward trend. It is no surprise that investor confidence has taken a hit due to the pandemic. Q4 is typically the most active quarter in terms of sales, but numbers from October and November 2020 were substantially lower than October and November 2019.

Sales Volume

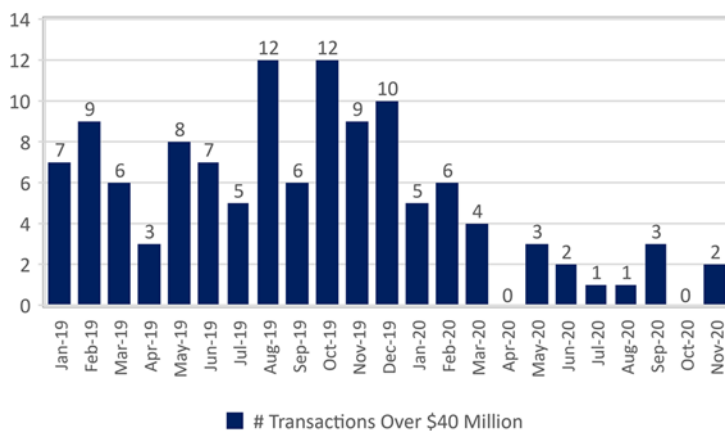
November 2020 tallied the fourth-highest dollar volume since the onset of COVID-19 in March. The first eleven months of 2020 tallied nearly \$7.46 billion in sales volume, which is significantly lower than the \$22.7 billion recorded in the same period in 2019 (down 204%). November 2020 saw 27 sales, compared to 41 sales in November 2019, and dollar volume in November 2020 is down from \$2.3 billion to \$833 million.

TOTAL SALES VOLUME - MANHATTAN

**Transactions over \$40M**

One of the most noticeable effects of the pandemic on investor activity has been the reluctance to commit to high-priced deals. There were only 12 sales exceeding \$40 million in the months of April through November 2020, equating to 1.50 sales per month. Conversely, between April 2019 and November 2019, the average number of sales over \$40 million was 2.6 per month. Market participants will be carefully watching the number of sales and the overall sales volume as the pandemic abates, and investors step off the sidelines.

TRANSACTIONS OVER \$40 MILLION - MANHATTAN



SOURCE: CoStar and Marshall & Stevens



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