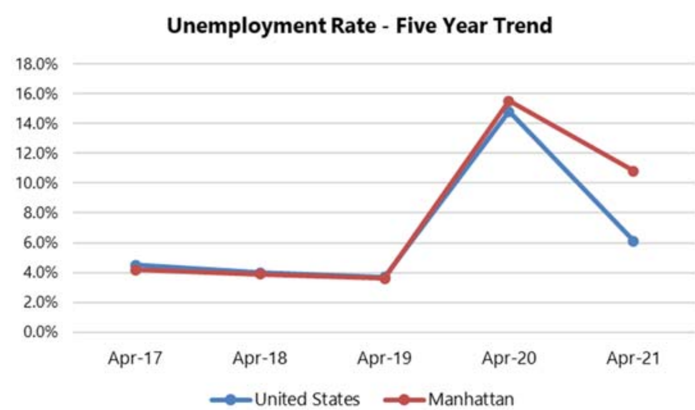
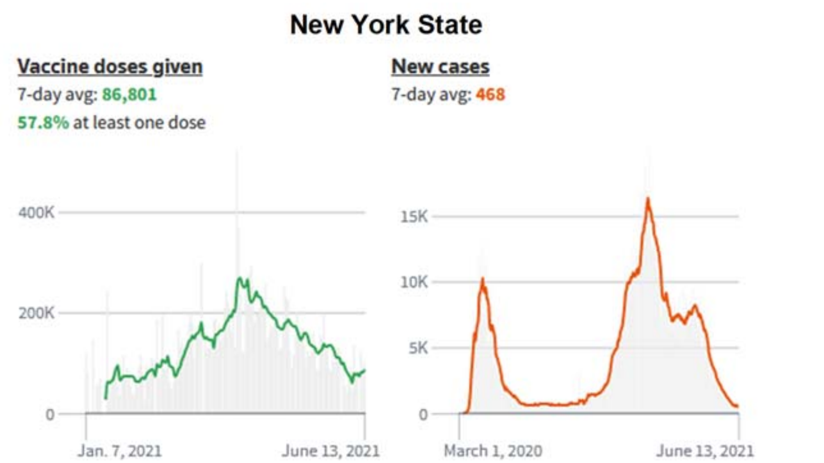
Manhattan Office Sales Volume & Buying Trends – May 2021

COVID-19 surfaced in the United States in Mid-March 2020. Federal, state, and local governments responded by issuing strict stay-at-home orders and closing nonessential business. Trends in investment sales, vacancy rates, rent collection rates, and unemployment underscore the crippling effects of COVID-19 on American consumers and businesses alike. The New York Daily New Case table below highlights the progression of daily case counts. As of Q2 2021, societal conditions surrounding the COVID-19 Pandemic have undoubtedly improved. Vaccines are now available to all individuals aged 16 or older in New York State, and hospitalizations and number of new cases continue to decrease. Governor Cuomo is loosening occupancy restrictions as of May 2021 pertaining to indoor and outdoor gatherings and business capacity limits. Businesses can now operate at full capacity so long as the 6-foot social distancing rule is met. Whereas social conditions continue to improve, markets are still being affected by COVID-19. As the calendar turns toward summer and restrictions continue to be lifted, investors will be looking for sustainable trends in transaction volume and pricing that have yet to occur.

With COVID on the forefront, fundamentals in many major markets have been greatly altered. This publication analyzes sales trends in terms of number of transactions and dollar volume for office properties in the Manhattan market, encompassing the Downtown, Midtown South, Midtown, and Uptown submarkets.

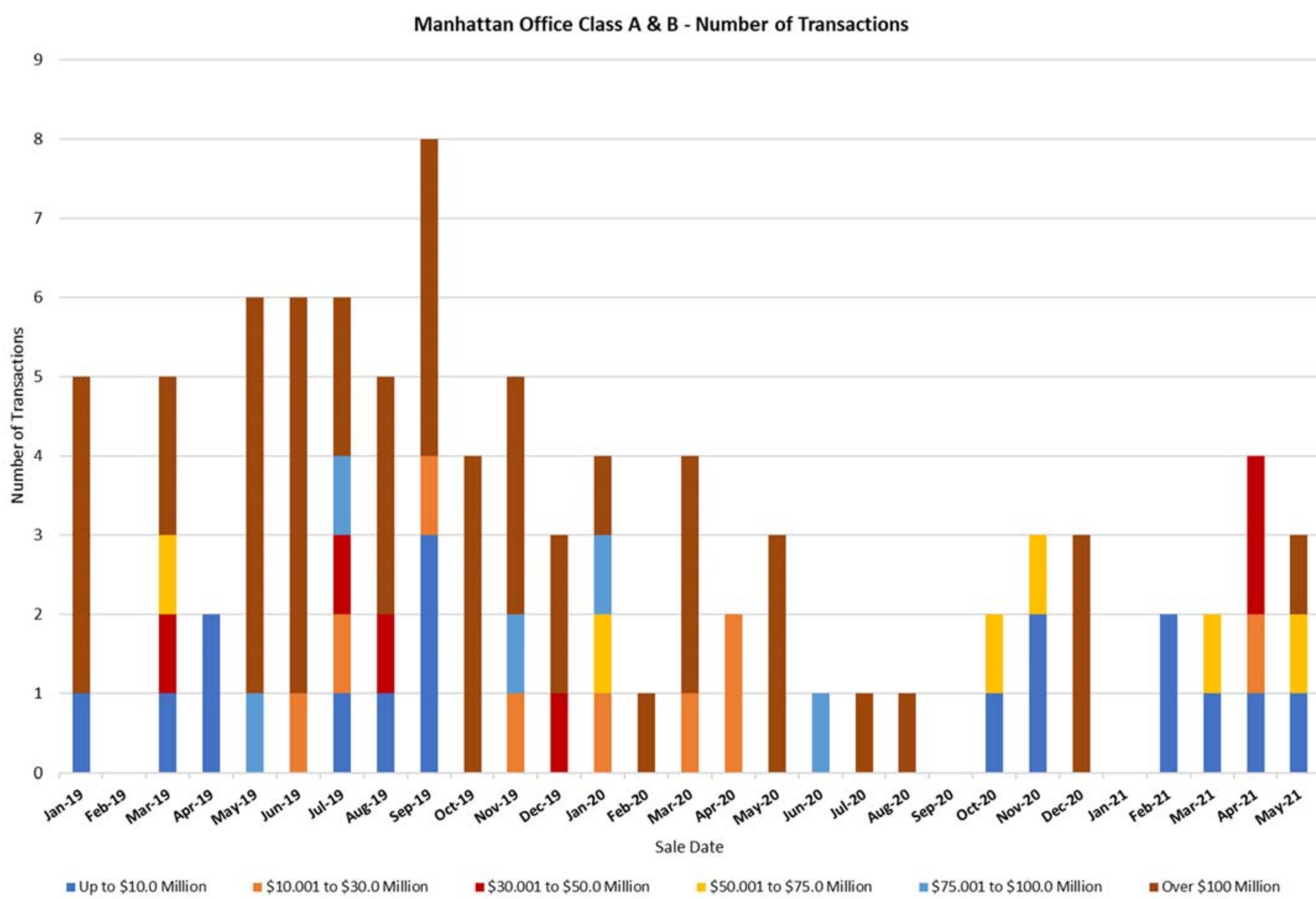




Source: Reuters

Number of Sales Transactions

- Parameters: Class A & B office investment sales in Manhattan, segmented by price tranche.
- January 2019 - March 2020- number of monthly transactions ranged from 0 to 8, averaging 4.27 per month.
- April 2020 – March 2021- number of monthly transactions ranged from 0 to 4, averaging 1.93 per month.
- Three months with zero sales (February 2019, September 2020, January 2021).
- May 2021- 3 total transactions, 1 in the "Up to $10 Million tranche, 1 in the "$50 to $75 Million" tranche, and 1 in the "Over $100 Million" tranche).
- Over analysis period – 18.7% of transactions in the Up to $10 million tranche.
- Over analysis period – 9.9% of transactions in the $10 to $30 million tranche.
- Over the analysis period- 35.2% of total transactions in the three tranches under $50 million.
- Over analysis period – 52.7% of transactions in the over $100 million tranche.



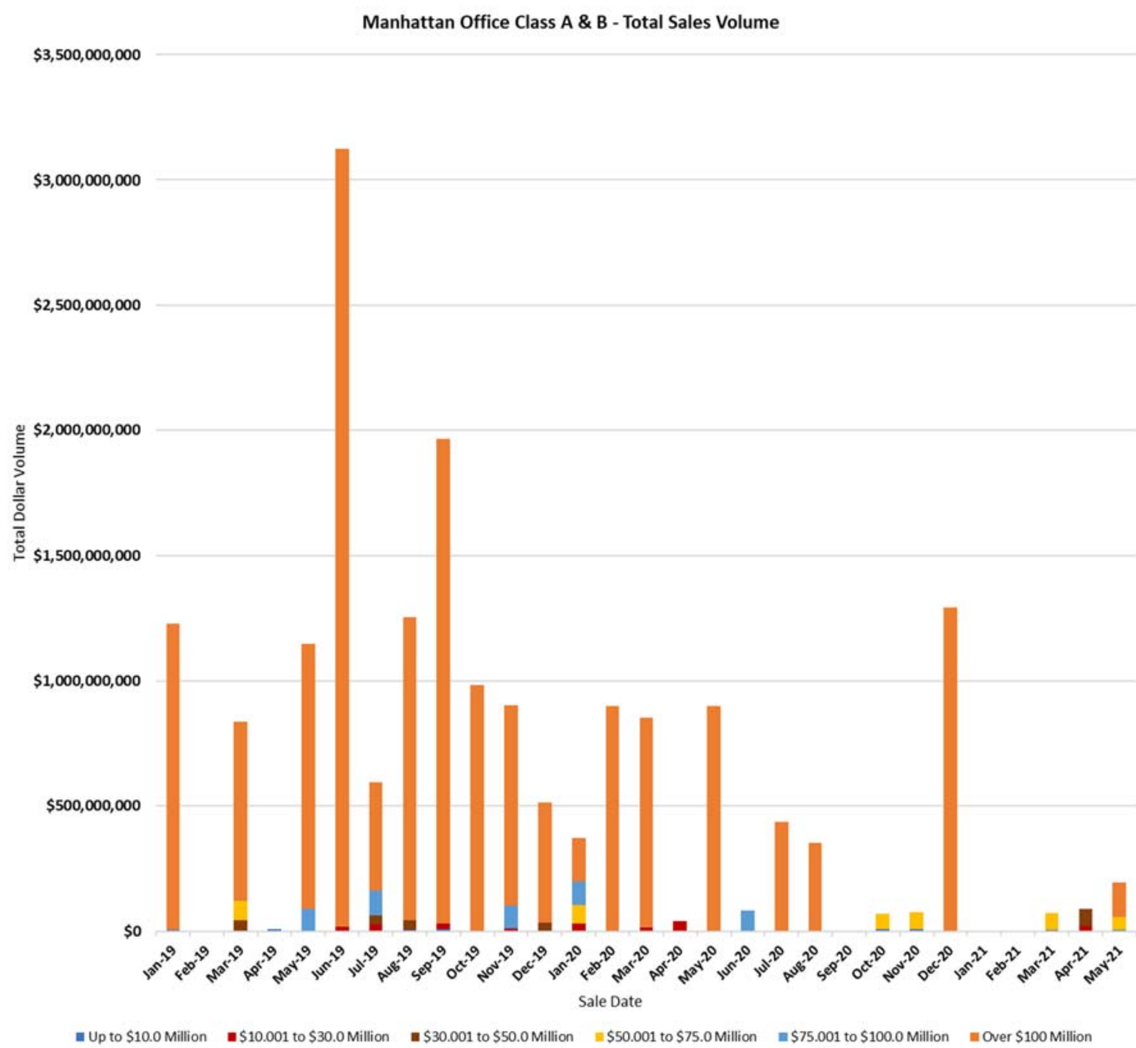
Dollar Volume of Sales Transactions

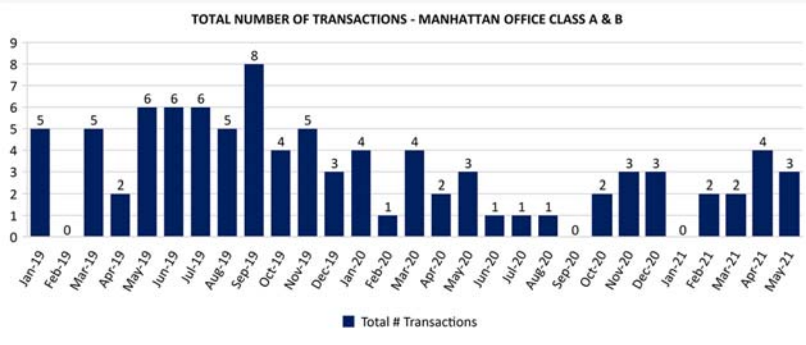
In 2019, the average monthly sales volume was approximately $1.05 billion. Comparatively, the average monthly sales volume in 2020 was roughly $447 million, reflecting a decrease of approximately 57%. Thus far in 2021, average monthly sales volume is roughly $72 million, which represents a substantial 84% year-over-year decrease. This figure incorporates zero recorded sales in January 2021. We tracked the dollar volume of monthly sales by tranche as seen below.

Total Dollar Volume - Manhattan Office Class A & B

YEAR	2019	2020	2021 (Jan-May)
Min	$0	$0	$0
Max	$3,124,550,888	$1,294,500,000	$192,700,000
Average	$1,046,415,406	$447,481,409	$71,805,375
% Difference	-	-57.2%	-84.0%

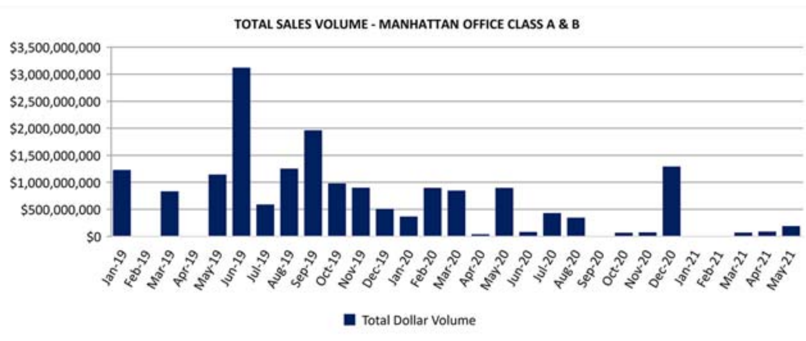
- Average sales volume from January 2019 to March 2020 was $978,498,991.
- Average sales volume from April 2020 to March 2021 was $257,735,984.
- May 2021 was the first month of 2021 that posted a sale over $100 million.
- Investors are highly scrutinizing transactions of trophy office assets.





SALES (2019-2021): Volume

The number of monthly, Class A & B Office transactions in the Manhattan market has been uniform, with no month registering more than 8 transactions. The market tallied a consistent number of sales from May 2019 through January 2020. Since then, the market has remained soft with very few sales occurring since April 2020. There have only been four sales in the "over $100 million" tranche since September 2020, three of which occurred in December 2020 and one in May 2021.



Dollar Volume of Sales

Dollar volume of sales is noticeably lower after April 2020 compared to the prior period. Dollar volume is highly skewed by the sale of trophy assets in the office market. The dollar volume of $3.12 billion in June 2019 appears to be an outlier in the data set. December 2020 saw dollar volume on par with the pre-COVID period. Dollar volume has increased each of the last four months, although it remains much lower than historical figures.

Sale Price Per Square Foot

Over the period, sale price per square foot has ranged from $222 per square foot to $2,627 per square foot, averaging $789 per square foot. From January 2019 to March 2020, Class A & B Office properties sold at an average price of $766 per square foot. From April 2020 to April 2021, these properties sold at an average of $816 per square foot, which is skewed by the October 2020 price per square foot figure of $2,627. Excluding this figure, the average price per square foot from April 2020 to April 2021 is $652, a decrease of 17%. Overall, the wide fluctuations in pricing may be less concerning than the abject lack of sales volume.

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SOURCE: eMarketer, CoStar, STDB, US Bureau of Labor Statistics, and Marshall & Stevens