

# Manhattan CRE Sales Volume and Buying Trends

Manhattan remains a beacon of global investment despite the current social and economic challenges it faces. There has been a gradual transgression since the market peak in 2015, a year that saw over 1,600 transactions worth \$54 billion. Statistics for the first four months of 2020 suggest investors are waiting out the storm. This report analyzes trends in investment sales for all property types in Manhattan from January 2019 through April 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 to curb the spread of the virus. Most notably, this involved stay-at-home orders and the closing of non-essential business.

For the commercial real estate market, this crisis has both short- and long-term impacts. The short-term impacts are already being felt, and the long-term impacts will unfold over time.

### **Short Term Impact**

Governor Cuomo unveiled a plan to open New York State in stages. The data suggests New York City will be one of the last regions to reopen in the country.

Closures have displaced thousands of workers. The New York State unemployment rate reached 13% in April, and jobless claims exceeded 1.4 million. Hardest hit has been the retail industry. Per CoStar, total New York City retail sales in April 2020 were down 22% from the prior year. The clothing and accessories stores market saw the largest year-over-year decline, at 89%. Neiman Marcus and J. Crew, two high profile retailers that shape the Hudson Yards submarket, have filed for bankruptcy protection. Many retail tenants will be unable to pay rents after months of closed doors. Retail vacancy could spike, bringing downward pressure on asking rents.

### **Long Term Impact**

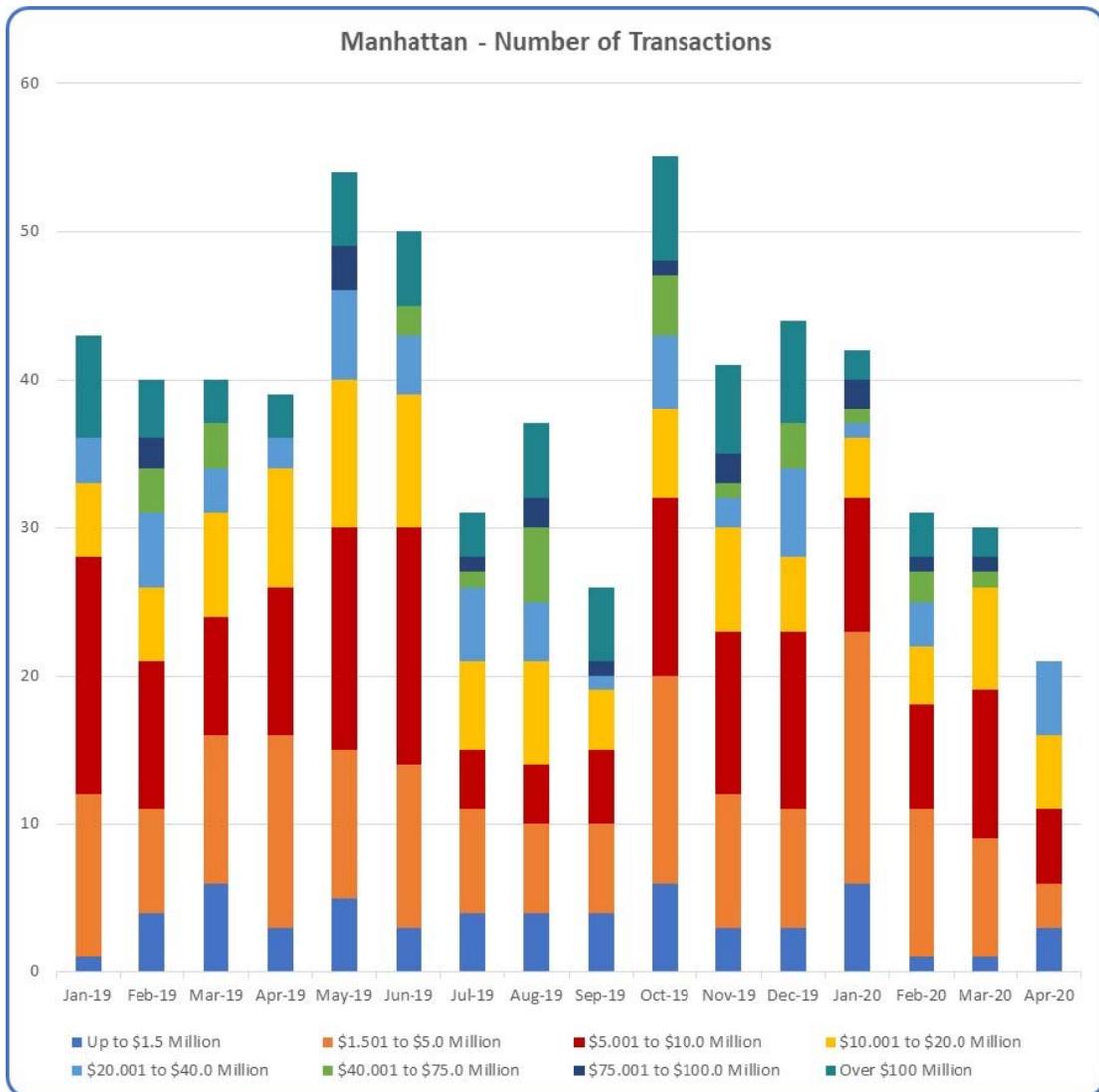
The impact of COVID-19 on commercial real estate will unfold over time. Some sectors will rebound faster than others, and fundamentals will vary greatly between property type. Remote working and the need for additional spacing between workers may impact demand for office space. Hiring could remain low due to economic hardship. Restaurants and bars have been especially hard hit, with many proprietors concerned if they will survive. These are some of the pressing issues facing the Manhattan commercial real estate market going 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 16-month period, there have been a total of 627 transactions. Nearly 58 percent of these transactions were below \$10 million, roughly 31 percent between \$10 and \$100 million, with nearly 11 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	Total	% of Total
Up to \$1.5 Million	1	4	6	3	5	3	4	4	4	6	3	3	6	1	1	3	57	9.1%
\$1.501 to \$5.0 Million	11	7	10	13	10	11	7	6	6	14	9	8	17	10	8	3	150	23.9%
\$5.001 to \$10.0 Million	16	10	8	10	15	16	4	4	5	12	11	12	9	7	10	5	156	24.9%
\$10.001 to \$20.0 Million	5	5	7	8	10	9	6	7	4	6	7	5	4	4	7	5	99	15.8%
\$20.001 to \$40.0 Million	3	5	3	2	6	4	5	4	1	5	2	6	1	3	0	5	55	8.8%
\$40.001 to \$75.0 Million	0	3	3	0	0	2	1	5	0	4	1	3	1	2	1	0	26	4.1%
\$75.001 to \$100.0 Million	0	2	0	0	3	0	1	2	1	1	2	0	2	1	1	0	16	2.6%
Over \$100 Million	7	4	3	3	5	5	3	5	5	7	6	7	2	3	2	0	68	10.8%
<b>Total # Transactions</b>	<b>43</b>	<b>40</b>	<b>40</b>	<b>39</b>	<b>54</b>	<b>50</b>	<b>31</b>	<b>37</b>	<b>26</b>	<b>55</b>	<b>41</b>	<b>44</b>	<b>42</b>	<b>31</b>	<b>30</b>	<b>21</b>	<b>627</b>	<b>100.0%</b>
% 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%	-	-

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%. Compared to the peak of 55 sales in October 2019, the results for March and April 2020 were significantly lower, at 30 and 21, respectively. The figures are portrayed graphically below. In April 2020, the only category to record an uptick in number of transactions was below \$1.5 Million. Also, in April there were no sales above \$40 Million.



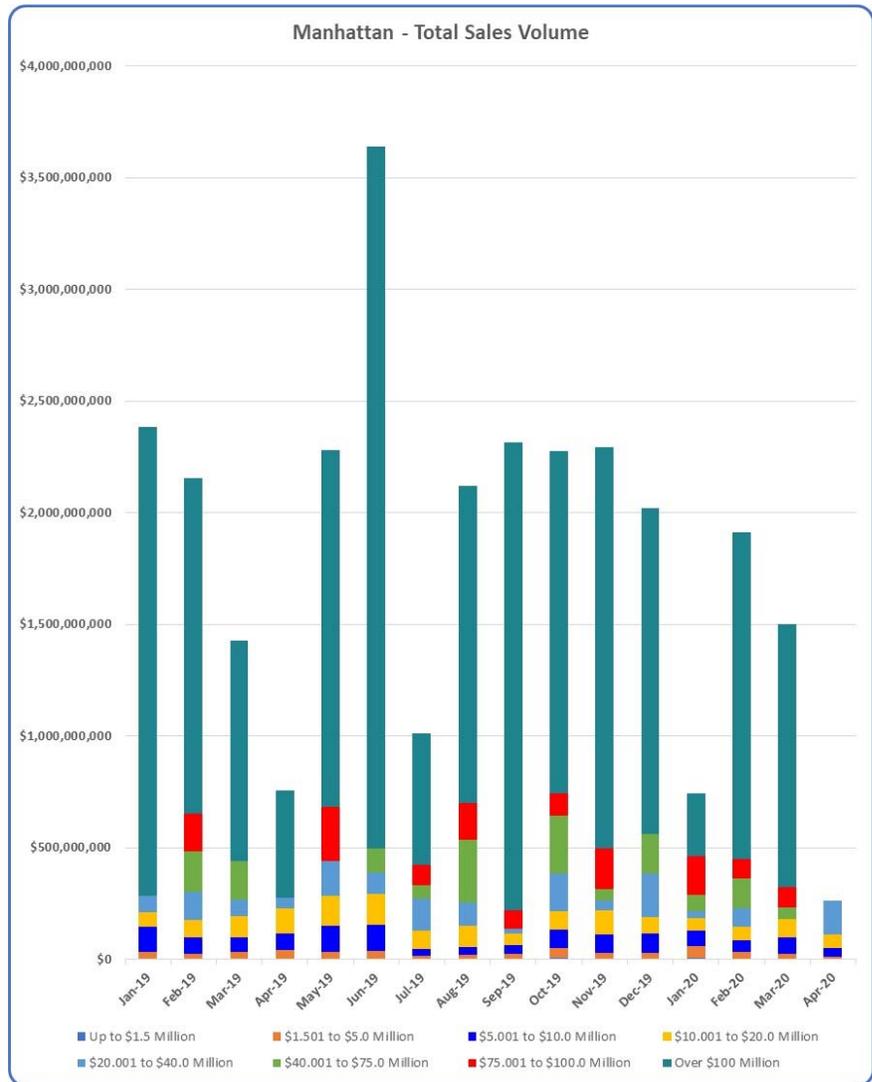
**Dollar Volume of Sales Transactions**

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 \$1.1 Billion, reflecting a decrease of over 46%. We have tracked the dollar volume of monthly sales by tranche as seen below.

Historical Transaction Volume - Manhattan (in Millions)																		
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	Jan-20	Feb-20	Mar-20	Apr-20	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	\$7.1	\$1.4	\$1.2	\$3.2	\$53.5	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	\$55.3	\$33.6	\$22.9	\$10.6	\$475.8	1.6%
\$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	\$68.7	\$50.6	\$75.0	\$37.0	\$1,134.0	3.9%
\$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	\$54.4	\$60.3	\$84.1	\$63.3	\$1,383.0	4.8%
\$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	\$30.0	\$83.7	\$0.0	\$151.9	\$1,508.0	5.2%
\$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	\$75.0	\$131.6	\$48.5	\$0.0	\$1,546.3	5.3%
\$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	\$173.3	\$88.0	\$93.8	\$0.0	\$1,385.9	4.8%
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	\$279.0	\$1,464.6	\$1,178.1	\$0.0	\$21,629.1	74.3%
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	\$742.8	\$1,913.9	\$1,503.6	\$265.9	\$29,115.7	100.0%
% Change from Prior Month	-	-9.6%	-33.7%	-47.0%	201.3%	59.5%	-72.2%	109.3%	9.2%	-1.7%	0.8%	-11.9%	-63.3%	157.7%	-21.4%	-82.3%	-	-

Over the analysis period, the category with the highest transaction volume is in the "Over \$100 Million", which comprises 74.3% of all dollar volume. This is obviously a very important category. For all categories over \$40 Million, the total share during this time frame is nearly 85%. We note that in April 2020, there were **ZERO** sales in these three categories.

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
Min	\$265,912,366
Max	\$3,639,755,602
2019 Ave	\$2,057,458,856
2020 Ave	\$1,106,552,369

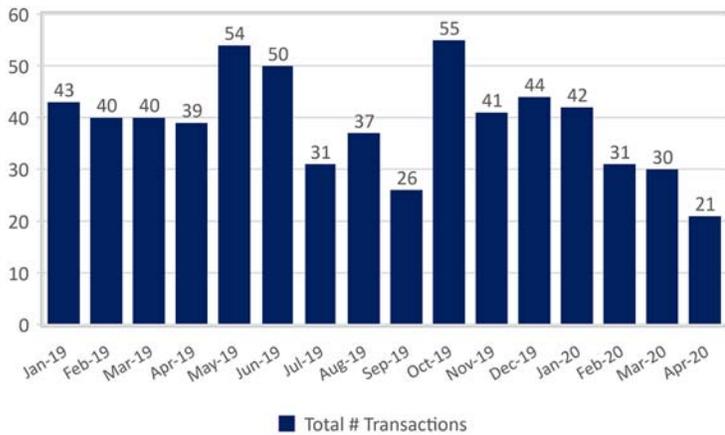


Trophy assets worth over \$40 Million play a big role in the commercial real estate market in Manhattan. The participants in this space stepped off the playing field in April 2020.

There is pent up demand in the market, but the gap between sellers' expectations and buyers' expectations is still wide to get deals done.

We expect this to loosen up as the pandemic abates, and the economy begins to show signs of stabilization.

TOTAL NUMBER OF TRANSACTIONS - MANHATTAN



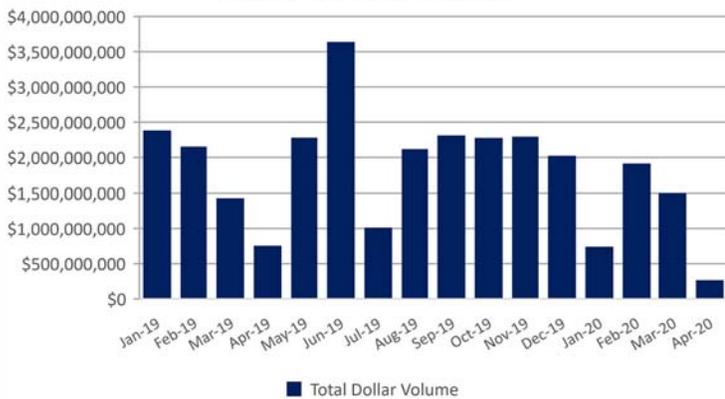
**SALES (2019-2020): Volume**

Pre-COVID-19, sales volume was fairly consistent, ranging from 26 to 55 sales per month from January 2019 through March 2020. In April 2020, in the first full month post-crisis, there were only 21 transactions, the lowest of the study period. Comparing April 2019 to April 2020, the decline in number of transactions was -46%. It is no surprise to see the number of transactions fall, although market watchers will be anxiously awaiting the results for May 2020. Will the market remain stagnant, or will we see further declines?

**Dollar Volume of Sales**

While the number of transactions decreased 30% from March to April, dollar volume decreased more than 82% from \$1.5 billion to a paltry \$265 million. From January 2019 through March 2020, average monthly sales volume was \$1.9 billion. We also note that results for January 2020 were very low, at less than \$750 million. In fact, the first four months of 2020 tallied \$4.4 billion in sales volume, which is significantly lower than the \$6.7 billion recorded in the same period in 2019 (down 34%). Further, from January 2019 through March 2020, the average deal size was \$48.9 million. In April 2020, the average deal was on \$12.6 million, a drop of over 74%.

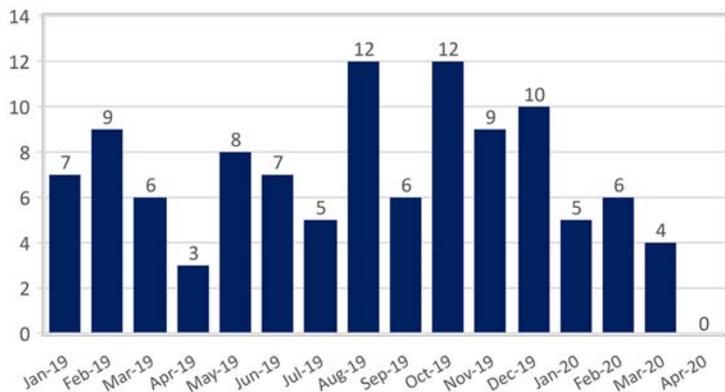
TOTAL SALES VOLUME - MANHATTAN



**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 no sales exceeding \$40 million in April, which is a sure sign that large transactions are being very carefully scrutinized. Prior to that, between January 2019 and March 2020, the average number of sales over \$40 million was 7.3 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



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