

# Manhattan CRE Sales Volume and Buying Trends – MAY 2020

Manhattan faces an uphill battle as the effects of the COVID-19 pandemic are becoming more apparent in the first few months of post-crisis data.

Unemployment, closures, and rent collection are on the forefront of the Manhattan commercial real estate industry. Statistics for the first five months of 2020 suggest investors are wary of market fundamentals and are waiting out the storm. This report analyzes trends in investment sales for all property types in Manhattan from January 2019 through May 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 below.

### **Short Term Impact**

Governor Cuomo unveiled a plan to open New York State in stages. As of June 9, New York City has entered Phase One of reopening, which allows construction, manufacturing, and wholesale activities to resume. Phase

Two, permitting outdoor dining, places of worship (at 25 percent capacity), storefront retail, professional services, salons, and barbershops, is expected to commence in early July.

Hardest hit in Manhattan has been the retail sector. Landlords have routinely reported collection loss of over 50 percent for non-essential commercial tenants. Landlords, not receiving rental payments, are struggling to pay tax bills—the largest source of revenue for the city. On the unemployment front, April data from the BLS shows over 890,000 jobs lost in New York City over the past year, with 38% of those jobs in leisure and hospitality and 11% in retail. Additionally, a new wave of coronavirus cases seen in other parts of the country could threaten economic re-openings and cause additional hardship for landlords and tenants alike.

### **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 types. Restaurants, bars, and other retail that warrants close contact have been especially hard hit, with some 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.