

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

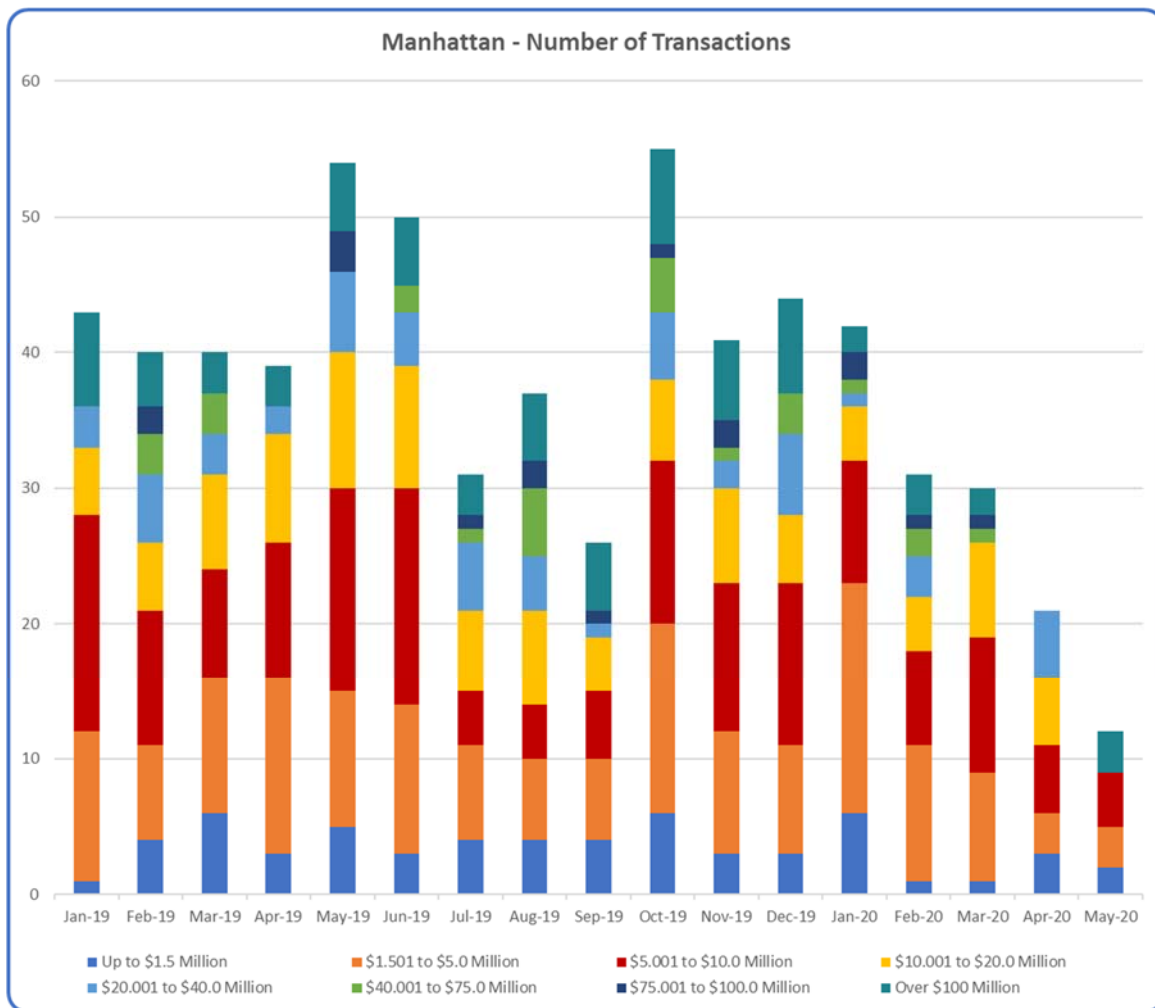
The impact of COVID-19 on commercial real estate will unfold over time. Some sectors will rebound faster than others, and fundamentals will vary greatly between property types. Restaurants, bars, and other retail that warrants close contact have been especially hard hit, with some proprietors concerned 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.

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 17-month period, there have been a total of 636 transactions. Over 58 percent of these transactions were below \$10 million, roughly 31 percent between \$10 and \$100 million, and 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	May-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	59	9.3%
\$1.501 to \$5.0 Million	11	7	10	13	10	11	7	6	6	14	9	8	17	10	8	3	3	153	24.1%
\$5.001 to \$10.0 Million	16	10	8	10	15	16	4	4	5	12	11	12	9	7	10	5	4	158	24.8%
\$10.001 to \$20.0 Million	5	5	7	8	10	9	6	7	4	6	7	5	4	4	7	5	0	99	15.6%
\$20.001 to \$40.0 Million	3	5	3	2	6	4	5	4	1	5	2	6	1	3	0	5	0	55	8.6%
\$40.001 to \$75.0 Million	0	3	3	0	0	2	1	5	0	4	1	3	1	2	1	0	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	0	16	2.5%
Over \$100 Million	7	4	3	3	5	5	3	5	5	7	6	7	2	3	2	0	3	70	11.0%
Total # Transactions	43	40	40	39	54	50	31	37	26	55	41	44	42	31	30	21	12	636	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%	-	-

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 April and May 2020 were significantly lower, at 21 and 12, respectively. The number of sales has decreased in each month of 2020. The figures are portrayed graphically below. In May 2020, the only category to record an uptick in number of transactions was over \$100 million. A few large transactions helped shape the market in a month of relative inactivity.



Dollar Volume of Sales Transactions

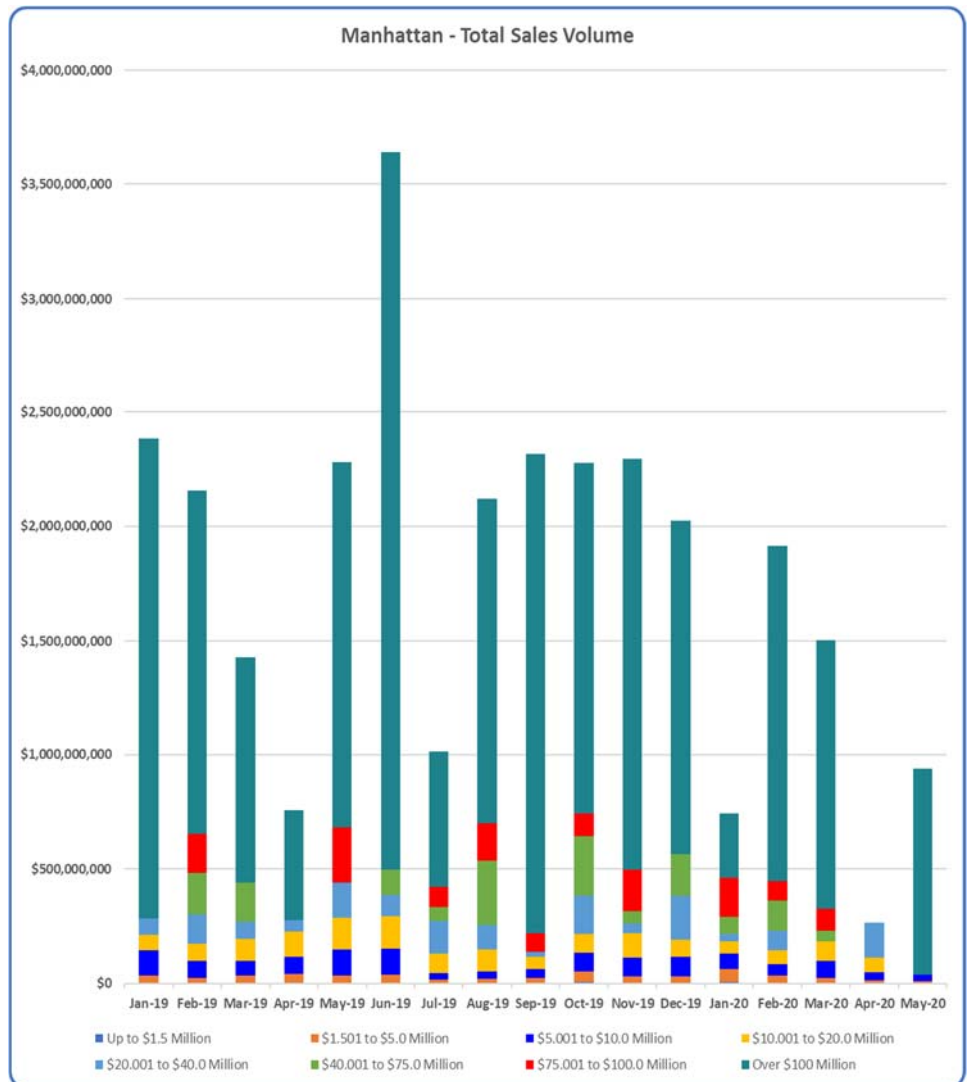
In 2019, the average monthly sales volume was over \$2.0 Billion, with the peak occurring in June 2019 at more than \$3.6 Billion. Comparatively, the average monthly sales volume in 2020 was roughly \$1.1 Billion, reflecting a decrease of over 46%. We have tracked the dollar volume of monthly sales by 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	May-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	\$2.0	\$55.5	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	\$9.5	\$485.3	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	\$63.0	\$86.0	\$68.7	\$50.6	\$75.0	\$37.0	\$28.3	\$1,162.3	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	\$0.0	\$1,383.0	4.6%
\$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	\$0.0	\$1,508.0	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	\$75.0	\$131.6	\$48.5	\$0.0	\$0.0	\$1,546.3	5.1%
\$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	\$0.0	\$1,385.9	4.6%
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	\$900.2	\$22,529.3	75.0%
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	\$939.9	\$30,056.6	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%	253.5%	-	-

Over the analysis period, the category with the highest transaction volume is in the "Over \$100 Million", which comprises 75.0% 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. In May, there were three sales in the over \$100 Million category, which is the second lowest over the last 17 months. It is important to note there were no sales between \$10 and \$100 Million in May 2020.

Total Dollar Volume - Manhattan

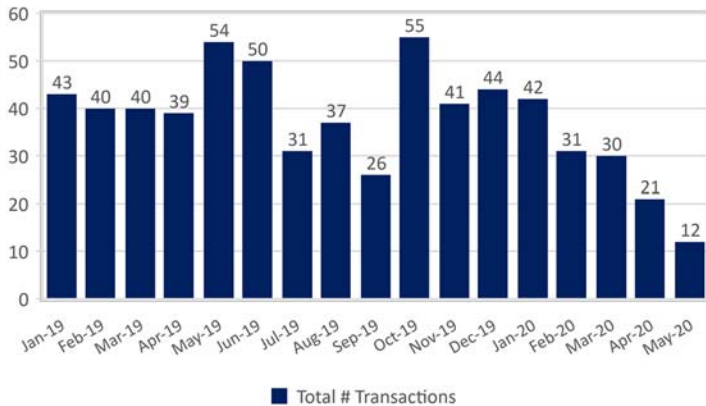
Jan-19	\$2,384,185,000
Feb-19	\$2,154,700,000
Mar-19	\$1,429,500,000
Apr-19	\$757,600,000
May-19	\$2,282,600,000
Jun-19	\$3,639,755,602
Jul-19	\$1,012,531,908
Aug-19	\$2,119,066,172
Sep-19	\$2,314,929,414
Oct-19	\$2,276,593,791
Nov-19	\$2,295,030,596
Dec-19	\$2,023,013,789
Jan-20	\$742,804,207
Feb-20	\$1,913,895,695
Mar-20	\$1,503,597,207
Apr-20	\$265,912,366
May-20	\$939,910,000
Min	\$265,912,366
Max	\$3,639,755,602
2019 Ave	\$2,057,458,856
2020 Ave	\$1,073,223,895



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. May saw a few high price-point transactions, but still logged the second fewest \$100+ Million deals of the period.

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

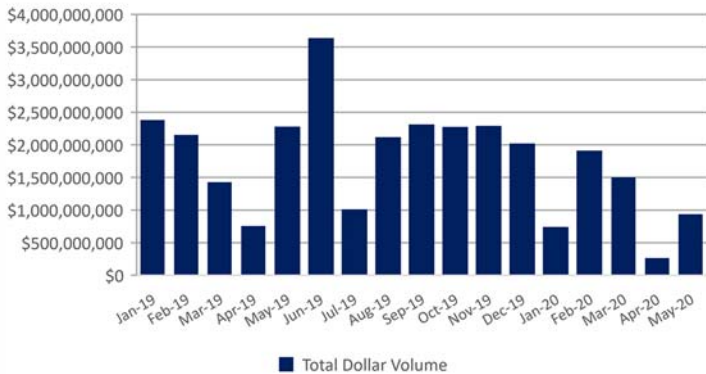
TOTAL NUMBER OF TRANSACTIONS - MANHATTAN



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 and May 2020, the first two full months post-crisis, there were only 21 and 12 transactions, respectively, the lowest of the study period. Comparing May 2019 to May 2020, the decline in number of transactions was -78%. It is no surprise to see the number of transactions fall, although market watchers will be anxiously awaiting the results for June 2020. Will the market remain stagnant, or will we see further declines?

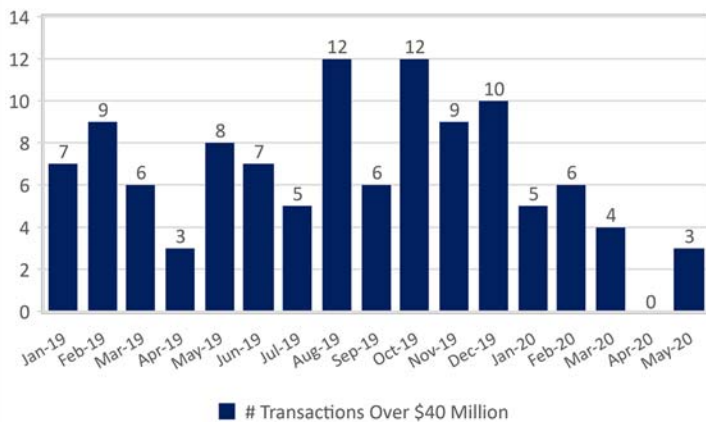
TOTAL SALES VOLUME - MANHATTAN



Dollar Volume of Sales

While the number of transactions decreased roughly 43% from April to May, dollar volume increased substantially due to three transactions over \$100 million. The first five months of 2020 tallied nearly \$5.4 billion in sales volume, which is significantly lower than the \$9.0 billion recorded in the same period in 2019 (down 40%). We also note that results for January 2020 were very low, at less than \$750 million. Further, from January 2019 through March 2020, the average deal size was \$48.9 million. In April and May 2020, the average deal was \$36.5 million, a drop of over 25%.

TRANSACTIONS OVER \$40 MILLION - 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 and only three in May, 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.

SOURCE: CoStar and Marshall & Stevens



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