

Manhattan Multi-Family Market April 2020 Sales Volume and Buying Trends

After many years of growth, the Manhattan multi-family market is entering a time of uncertainty. The latter half of 2019 was impacted by the Housing Stability and Protection Act, which passed in June 2019, limiting rent growth potential in rent regulated units. Despite this significant change, there was a relatively strong period of transaction activity at the start of 2020, but statistics for April 2020 suggest investors are waiting out the new uncertainty caused by the recent pandemic outbreak. This report analyzes trends in investment sales in the Manhattan multi-family market from January 2019 through April 2020.

FEATURE: COVID-19 and its Impact on the Multi-Family Market

The Manhattan multi-family market was stable during the first three 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

Following a near decade of unimpeded growth, the Manhattan multi-family market is now facing some uncertainty, specifically surrounding demand outlook, drawbacks for rent growth, rent collections, construction delays, and investment. While New York has lifted non-essential construction bans, developers still face an uphill battle in the form of staggering shift times for workers and possible financial hurdles from a looming recession. Once projects are complete, the questions about lease up costs and lease up timing come into play.

Long Term Impact

The impact of COVID-19 on the Manhattan multi-family market will unfold over time. Some basic factors that will come into play are location and the status of the property itself. Income producing properties that were stabilized pre-crisis will be better off, but those existing buildings that have vacant space, or projects that are under construction or proposed, may struggle.

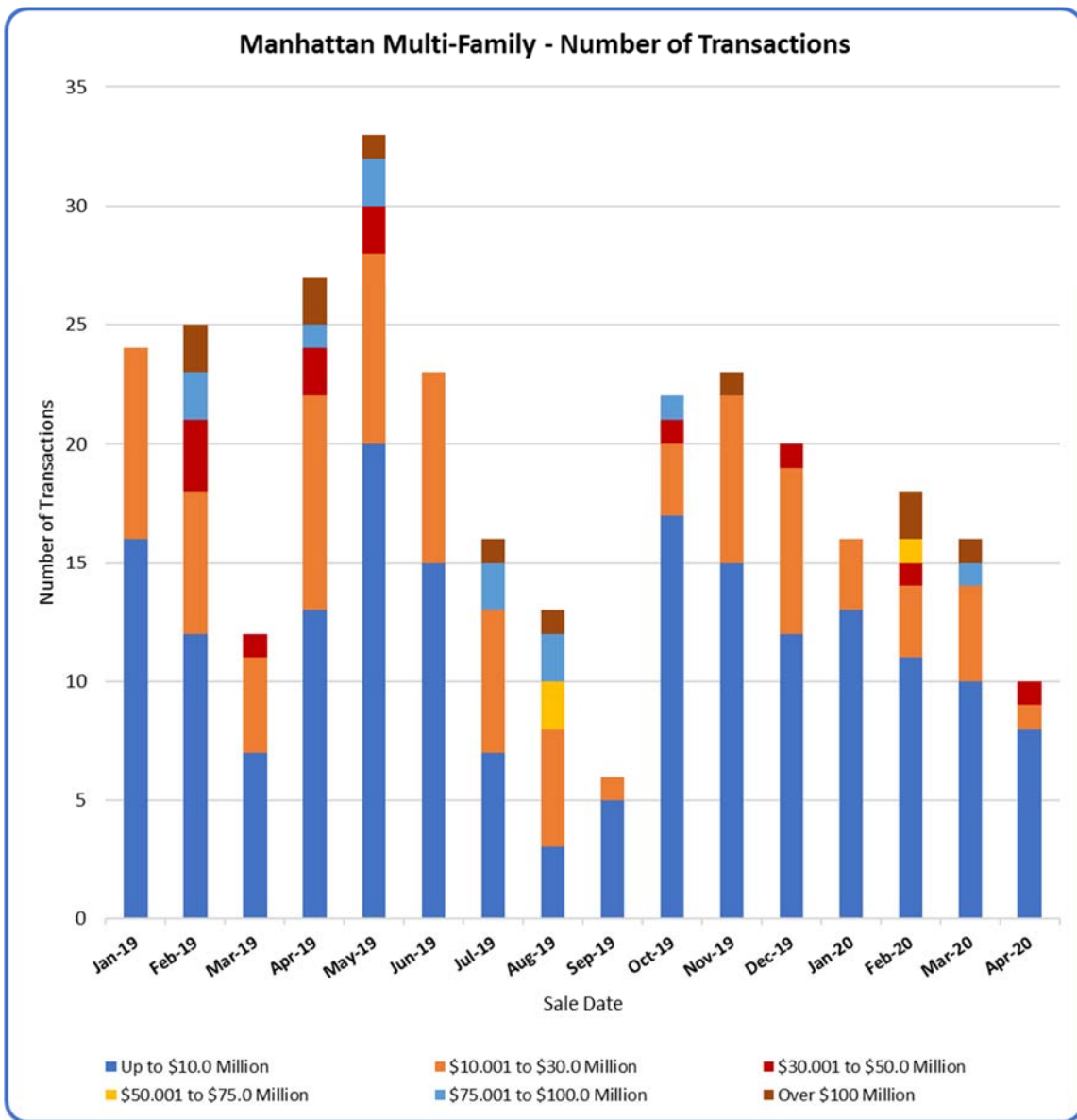
Apartment showings have continued using virtual technologies and sale transaction have slowed but are likely to return. Compared to property types such as hospitality, retail and office, multi-family market fundamentals are not likely to be hit too hard in the long-term.

Number of Sales Transactions

We tracked the number of monthly multi-family sales recorded in Manhattan, segmented into tranches as seen below. Over the prior 16-month period as of April 2020, there have been a total of 304 transactions. Nearly 61% of these transactions were below \$10 million, roughly 36% were between \$10 and \$100 million, and approximately 3.6% were above \$100 million.

Historical Transaction Volume - Manhattan Multi-Family																		
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 \$10.0 Million	16	12	7	13	20	15	7	3	5	17	15	12	13	11	10	8	184	60.5%
\$10.001 to \$30.0 Million	8	6	4	9	8	8	6	5	1	3	7	7	3	3	4	1	83	27.3%
\$30.001 to \$50.0 Million	0	3	1	2	2	0	0	0	0	1	0	1	0	1	0	1	12	3.9%
\$50.001 to \$75.0 Million	0	0	0	0	0	0	0	2	0	0	0	0	0	1	0	0	3	1.0%
\$75.001 to \$100.0 Million	0	2	0	1	2	0	2	2	0	1	0	0	0	0	1	0	11	3.6%
Over \$100 Million	0	2	0	2	1	0	1	1	0	0	1	0	0	2	1	0	11	3.6%
Total # Transactions	24	25	12	27	33	23	16	13	6	22	23	20	16	18	16	10	304	100.0%
% Change from Prior Month	-	4.2%	-52.0%	125.0%	22.2%	-30.3%	-30.4%	-18.8%	-53.8%	266.7%	4.5%	-13.0%	-20.0%	12.5%	-11.1%	-37.5%	-	-

In terms of number of transactions, the largest number of monthly transactions occurred in May 2019, which represented a 22% increase from the prior month. Compared to the peak of 33 sales in May 2019, the results for March and April 2020 were lower, at 16 sales and 10 sales, respectively. The figures are portrayed graphically below. In April 2020, most transactions were in the "Up to \$10.0 Million" category.



Dollar Volume of Sales Transactions

In 2019, the average monthly sales volume was over \$394 million, with the peak occurring in February 2019 at over \$853 million. Comparatively, the average monthly sales volume in 2020 was roughly \$405 million, reflecting an increase of approximately 2.8%. We tracked the dollar volume of monthly sales by tranche as seen below.

Historical Transaction Volume - Manhattan Multi-Family (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 \$10.0 Million	\$100.4	\$71.4	\$38.4	\$72.0	\$111.9	\$95.7	\$37.9	\$21.4	\$25.7	\$61.2	\$81.0	\$71.6	\$73.6	\$49.7	\$55.5	\$38.7	\$1,006.0	15.8%
\$10.001 to \$30.0 Million	\$137.7	\$104.9	\$63.0	\$135.0	\$136.8	\$134.1	\$88.7	\$84.7	\$16.8	\$45.0	\$94.4	\$118.3	\$46.8	\$60.3	\$45.2	\$11.5	\$1,323.0	20.8%
\$30.001 to \$50.0 Million	\$0.0	\$117.5	\$38.1	\$81.7	\$67.9	\$0.0	\$0.0	\$0.0	\$0.0	\$39.8	\$0.0	\$37.0	\$0.0	\$35.7	\$0.0	\$35.0	\$452.6	7.1%
\$50.001 to \$75.0 Million	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$115.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$66.2	\$0.0	\$0.0	\$181.2	2.9%
\$75.001 to \$100.0 Million	\$0.0	\$171.5	\$0.0	\$80.2	\$153.2	\$0.0	\$186.2	\$163.9	\$0.0	\$75.5	\$0.0	\$0.0	\$0.0	\$0.0	\$93.8	\$0.0	\$924.3	14.5%
Over \$100 Million	\$0.0	\$388.4	\$0.0	\$447.5	\$251.0	\$0.0	\$160.0	\$106.5	\$0.0	\$106.4	\$0.0	\$0.0	\$0.0	\$564.6	\$446.5	\$0.0	\$2,470.9	38.9%
Total Dollar Volume	\$238.0	\$853.7	\$139.5	\$816.5	\$720.8	\$229.7	\$472.8	\$491.4	\$42.5	\$221.4	\$281.8	\$226.9	\$120.4	\$776.5	\$641.0	\$85.2	\$6,358.1	100.0%
% Change from Prior Month		- 258.6%	-83.7%	485.2%	-11.7%	-68.1%	105.8%	3.9%	-91.4%	421.2%	27.3%	-19.5%	-46.9%	544.9%	-17.4%	-86.7%	-	-

Over the analysis period, the category with the highest transaction volume is in the "Over \$100 Million" category, which comprises approximately 39% of all dollar volume. The category that recorded the second highest amount of transactions was the "\$10.001 to \$30.0 Million" category, which comprises approximately 21% of all dollar volume.

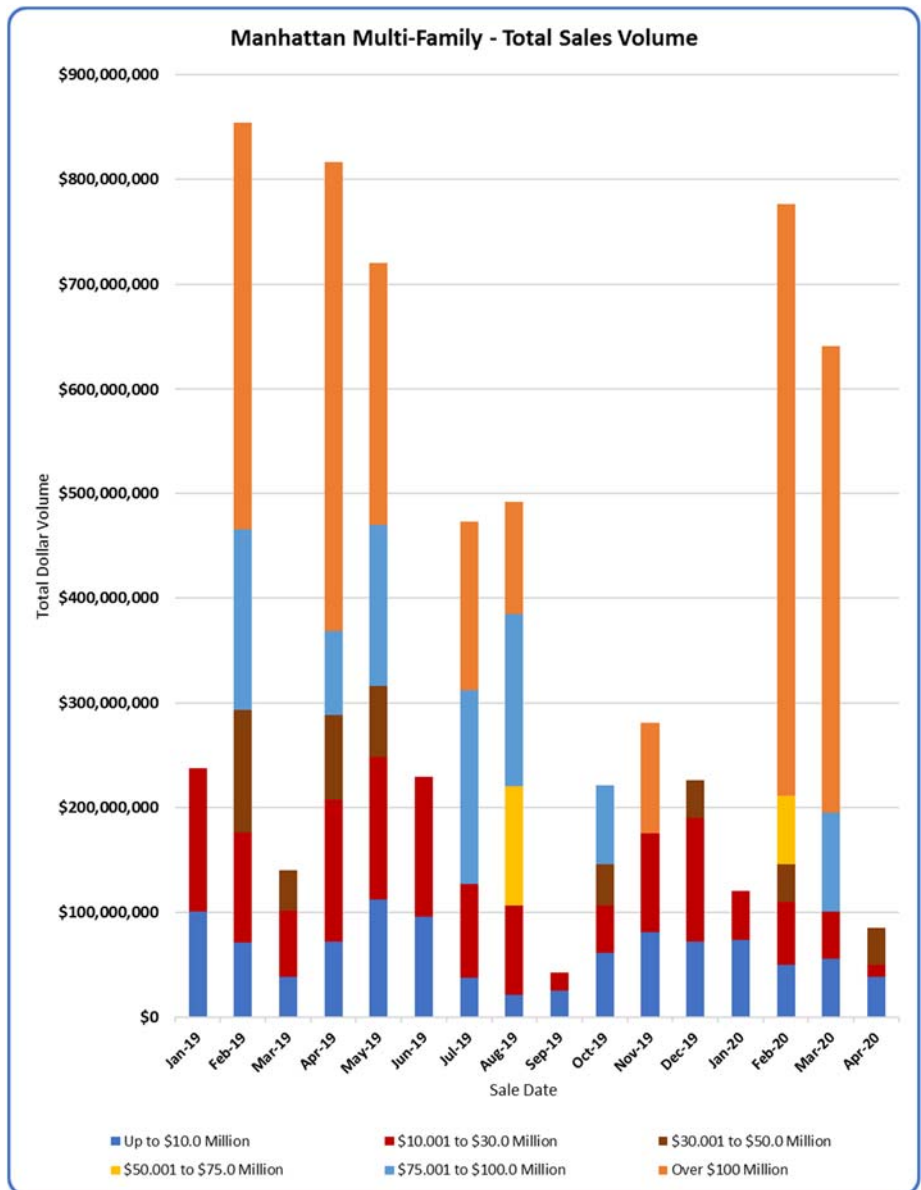
Total Dollar Volume - Manhattan Multi-Family

Jan-19	\$238,026,000
Feb-19	\$853,663,077
Mar-19	\$139,528,284
Apr-19	\$816,450,000
May-19	\$720,776,869
Jun-19	\$229,710,935
Jul-19	\$472,798,165
Aug-19	\$491,439,352
Sep-19	\$42,480,000
Oct-19	\$221,418,800
Nov-19	\$281,760,516
Dec-19	\$226,887,381
Jan-20	\$120,405,039
Feb-20	\$776,495,653
Mar-20	\$641,031,768
Apr-20	\$85,203,605
Min	\$42,480,000
Max	\$853,663,077
2019 Ave	\$394,578,282
2020 Ave	\$405,784,016

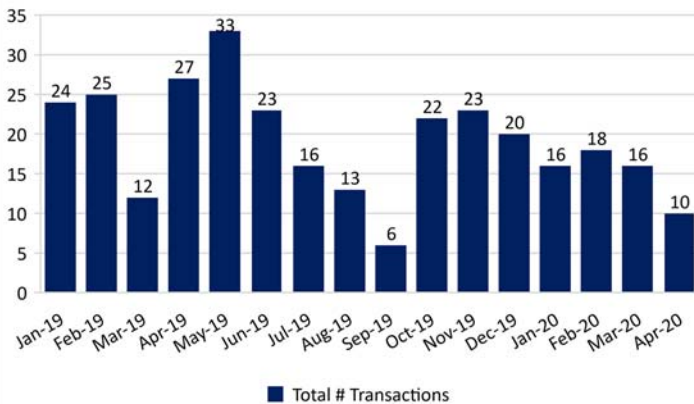
The graph on the right indicates that participants may be hesitant to pursue institutional grade assets in the current climate.

Following two months of high sales volume for the "Over \$100 Million" category, April figures show a drop off in transactions for higher priced deals.

Transaction volume for institutional grade assets will be watched carefully by market participants over the remainder of 2020. Will investors take a risk averse approach, or will they commit to high priced deals in a climate of uncertainty?



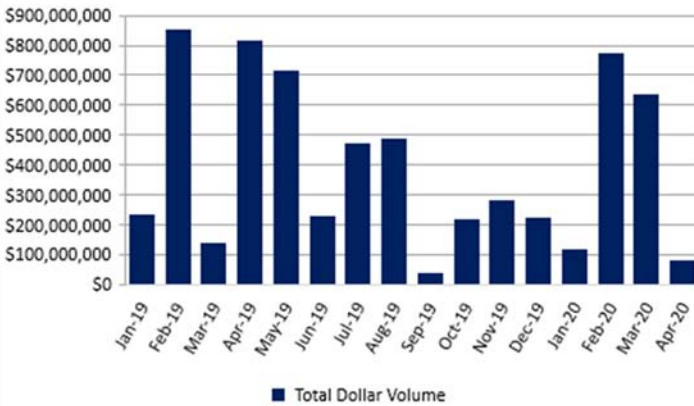
TOTAL NUMBER OF TRANSACTIONS - MANHATTAN MULTI-FAMILY



SALES (2019-2020): Volume

Pre-COVID-19, sales volume was fluctuating, ranging from six to 33 sales per month from January 2019 through March 2020. In April 2020, in the first full month since the crisis announcement, there were 10 transactions, the lowest of the study period aside from September 2019. Comparing April 2019 to April 2020, the decline in number of transactions was approximately 63%. 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?

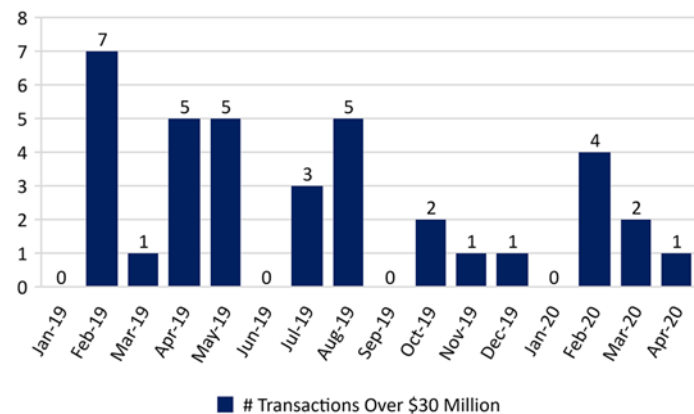
TOTAL SALES VOLUME - MANHATTAN MULTI-FAMILY



Dollar Volume of Sales

While the number of transactions decreased over 37% from March 2020 to April 2020, dollar volume decreased more than 49%, from \$641 million to \$85 million. From January 2019 through March 2020, average monthly sales volume was approximately \$418 million. The first four months of 2020 tallied \$1.6 billion in sales volume, which is lower than the \$2.0 billion recorded in the same period in 2019 (down 21%). Further, from January 2019 through March 2020, the average deal size was nearly \$21.1 million. In April 2020, the average deal was \$8.5 million, a drop of over 59%.

TRANSACTIONS OVER \$30 MILLION - MANHATTAN MULTI-FAMILY



Transactions over \$30M

One of the most noticeable effects of the pandemic on investor activity has been the reluctance to commit to high-priced deals. There was only one sale exceeding \$30 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 \$30 million was 2.4 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.



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