

Manhattan CRE Sales Volume and Buying Trends – December 2020

The Manhattan investment sales market gained momentum in December as the number of transactions increased and total dollar volume reached its highest level since the onset of COVID-19. December saw 6 sales over \$40 million, shattering the previous post-COVID high of 3 sales over \$40 million in September. The market has shown few encouraging signs since March 2020, and any previous momentum has been short-lived. As the calendar turns to 2021, additional data will reveal whether the gains in December 2020 are sustainable.

This report analyzes trends in investment sales for all property types in Manhattan from January 2019 through December 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 on this page.

Short Term Impact

Vaccination rollout in New York City continues to progress, with Phase 1B in effect as of Monday, January 11th. This grants eligibility to people 75 and over, front-line essential workers, teachers, first responders, and public safety and transit workers. The city plans to administer an additional 175,000 vaccines by week end. However, supply of the vaccine could become an issue as eligibility increases in the coming weeks. Meanwhile, economic struggles in the retail industry continue, with the ban on indoor dining having crippling effects on the city's restaurants. Governor Cuomo has not offered insight into when restaurants might reopen and if additional closures could impact other areas of the state.

Long Term Impact

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

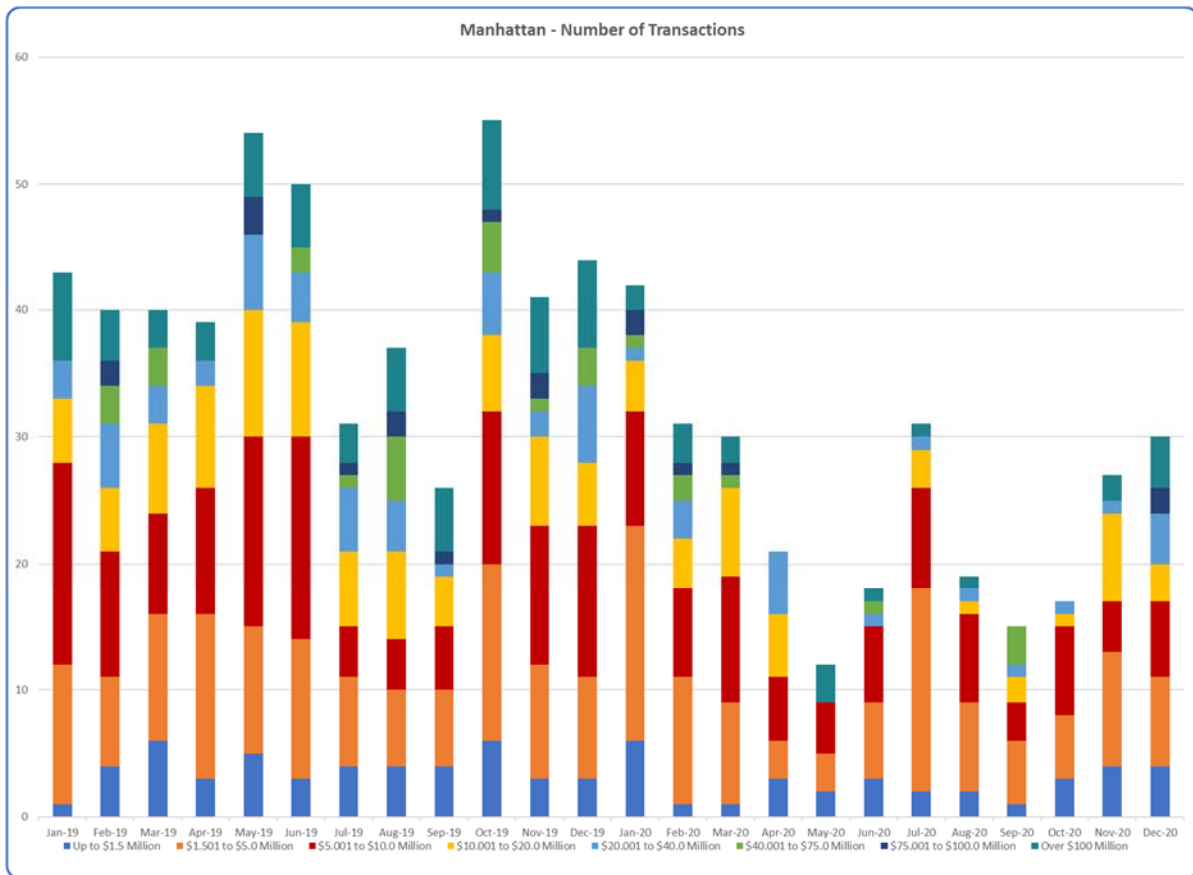
Number of Sales Transactions

We have tracked the number of monthly sales recorded in Manhattan, segmented into tranches as seen below. Over the 24-month period, there have been a total of 793 transactions. Of this total, 61 percent were below \$10 million, roughly 29 percent between \$10 and \$100 million, and 10 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	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-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	3	2	2	1	3	4	4	4	78	9.8%
\$1.501 to \$5.0 Million	11	7	10	13	10	11	7	6	6	14	9	8	17	10	8	3	3	6	16	7	5	5	9	7	208	26.2%	
\$5.001 to \$10.0 Million	16	10	8	10	15	16	4	4	5	12	11	12	9	7	10	5	4	6	8	7	3	7	4	6	199	25.1%	
\$10.001 to \$20.0 Million	5	5	7	8	10	9	6	7	4	6	7	5	4	4	7	5	0	0	3	1	2	1	7	3	116	14.6%	
\$20.001 to \$40.0 Million	3	5	3	2	6	4	5	4	1	5	2	6	1	3	0	5	0	1	1	1	1	1	1	4	65	8.2%	
\$40.001 to \$75.0 Million	0	3	3	0	0	2	1	5	0	4	1	3	1	2	1	0	0	1	0	0	3	0	0	0	30	3.8%	
\$75.001 to \$100.0 Million	0	2	0	0	3	0	1	2	1	1	2	0	2	1	1	0	0	0	0	0	0	0	0	2	18	2.3%	
Over \$100 Million	7	4	3	3	5	5	3	5	5	7	6	7	2	3	2	0	3	1	1	1	0	0	2	4	79	10.0%	
Total # Transactions	43	40	40	39	54	50	31	37	26	55	41	44	42	31	30	21	12	18	31	19	15	17	27	30	793	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%	50.0%	72.2%	-38.7%	-21.1%	13.3%	58.8%	11.1%	-	-	

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%. The number of transactions since the onset of COVID-19 has typically dwarfed pre-crisis levels, although the number of transactions increased two consecutive months in November and December 2020. December 2020 registered 30 transactions, the second-highest total since March 2020. Number of transactions remains shy of pre-COVID levels, in which only one month saw fewer than 30 transactions (September 2019). Of December total sales, 57% were under \$10 million, 23% were between \$10 and \$40 million, and 20% were over \$40 million. It is important to note that six sales topped the \$40 million threshold in December 2020. The previous high in the post-COVID era was three, set in May and September. The lack of transactions in the trophy asset category has had a strong impact on Dollar Volume statistics presented on the following page.



Dollar Volume of Sales Transactions

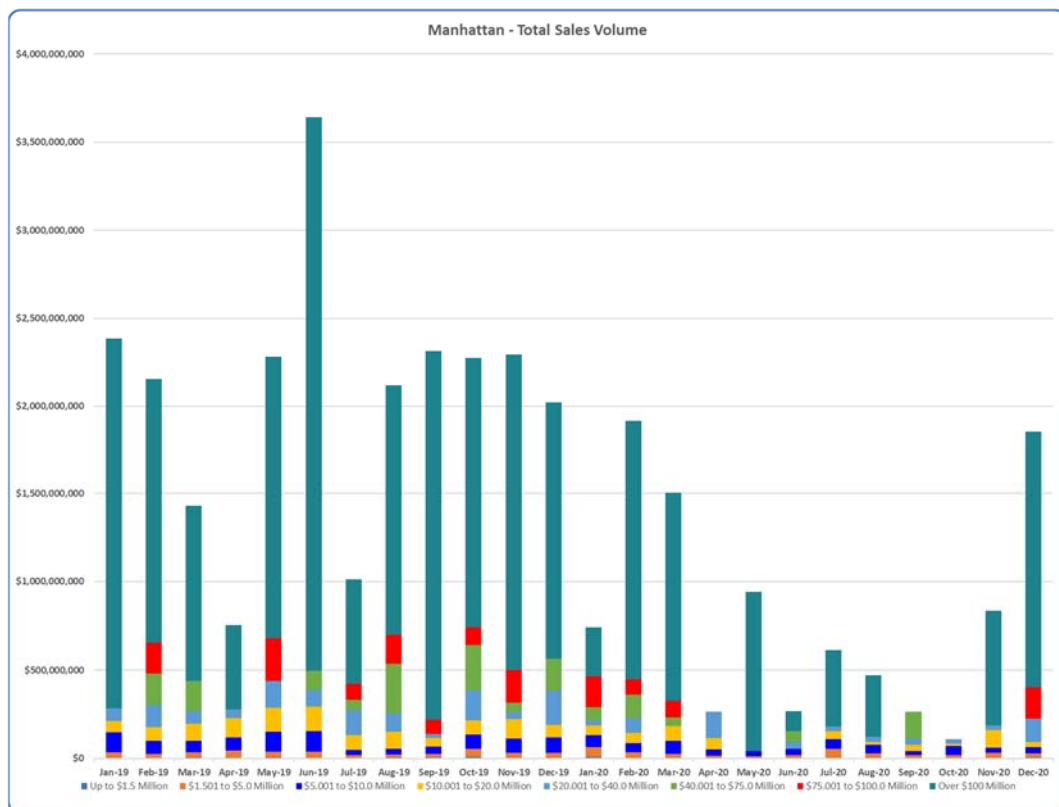
In 2019, the average monthly sales volume was over \$2.0 Billion, with the peak occurring in June 2019 at more than \$3.6 Billion. Comparatively, the average monthly sales volume in 2020 was roughly \$814 Million, reflecting a decrease of approximately 145%. We have tracked the dollar volume of monthly sales by tranche as seen below.

Historical Transaction Volume - Manhattan (in Millions) - 2019														
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	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	\$40.6	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	\$353.4	1.4%
\$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	\$902.8	3.7%
\$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	\$1,120.9	4.5%
\$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	\$1,242.5	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	\$1,291.2	5.2%
\$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	\$1,030.8	4.2%
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	\$18,707.4	75.8%
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	\$24,689.5	100.0%
% Change from Prior Month	-	-10%	-34%	-47%	201%	59%	-72%	109%	9%	-2%	1%	-12%	-	-

Historical Transaction Volume - Manhattan (in Millions) - 2020														
Dollar Volume of Transactions	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Total	% of Total
Up to \$1.5 Million	\$7.1	\$1.4	\$1.2	\$3.2	\$2.0	\$2.2	\$1.7	\$2.8	\$1.2	\$3.1	\$2.9	\$3.8	\$32.7	0.3%
\$1.501 to \$5.0 Million	\$55.3	\$33.6	\$22.9	\$10.6	\$9.5	\$15.7	\$51.1	\$24.9	\$18.4	\$16.4	\$29.4	\$24.0	\$287.7	2.9%
\$5.001 to \$10.0 Million	\$68.7	\$50.6	\$75.0	\$37.0	\$28.3	\$37.2	\$56.3	\$47.9	\$19.8	\$50.3	\$27.1	\$34.3	\$532.3	5.5%
\$10.001 to \$20.0 Million	\$54.4	\$60.3	\$84.1	\$63.3	\$0.0	\$0.0	\$44.8	\$15.8	\$36.9	\$12.0	\$101.7	\$31.9	\$505.1	5.2%
\$20.001 to \$40.0 Million	\$30.0	\$83.7	\$0.0	\$151.9	\$0.0	\$37.8	\$26.5	\$29.5	\$35.8	\$27.6	\$26.0	\$131.1	\$579.8	5.9%
\$40.001 to \$75.0 Million	\$75.0	\$131.6	\$48.5	\$0.0	\$0.0	\$60.7	\$0.0	\$0.0	\$153.8	\$0.0	\$0.0	\$0.0	\$469.7	4.8%
\$75.001 to \$100.0 Million	\$173.3	\$88.0	\$93.8	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$180.0	\$535.1	5.5%
Over \$100 Million	\$279.0	\$1,464.6	\$1,178.1	\$0.0	\$900.2	\$115.0	\$435.0	\$350.0	\$0.0	\$0.0	\$646.0	\$1,444.6	\$6,812.5	69.8%
Total Dollar Volume	\$742.8	\$1,913.9	\$1,503.6	\$265.9	\$939.9	\$268.5	\$615.3	\$470.9	\$265.9	\$109.4	\$833.1	\$1,849.7	\$9,755.0	100.0%
% Change from Prior Month	-63%	158%	-21%	-82%	253%	-71%	129%	-23%	-44%	-59%	661%	122%	-	-

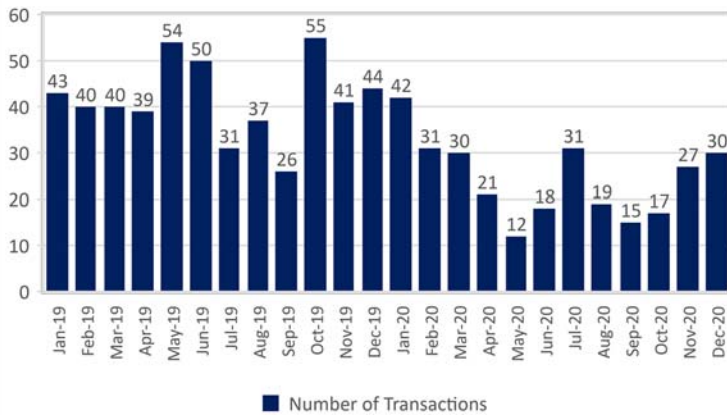
Over the analysis period, the category with the highest transaction volume is in the "Over \$100 Million", which comprised nearly 76% of all dollar volume in 2019 and 70% in 2020. This is obviously a very important category. For all categories over \$40 Million, the total share during this time frame was 85% in 2019 and 80% in 2020. We note that in April and October 2020, there were **ZERO** sales in these three categories. In December 2020, there were **SIX** sales in this category, and volume nearly doubled from May, the second-highest month of dollar volume since March 2020. Dollar volume increased 122% from November to December. Of the \$1.85 billion in dollar volume in December, approximately 78% was attributable to the over \$100 million tranche. Trophy assets worth over \$40 Million play a big role in the commercial real estate market in Manhattan. Deals in this category have been very highly scrutinized. The December 2020 results suggest transaction activity in the higher price points may be returning.

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
Jun-20	\$268,499,343
Jul-20	\$615,343,184
Aug-20	\$470,907,400
Sep-20	\$265,929,000
Oct-20	\$109,423,679
Nov-20	\$833,081,375
Dec-20	\$1,849,674,344
Min	\$109,423,679
Max	\$3,639,755,602
2019 Ave	\$2,057,458,856
2020 Ave	\$814,914,817



There is pent up demand in the market, and some of this demand was satisfied in December 2020. We expect more activity as the pandemic abates, and the economy begins to show signs of stabilization.

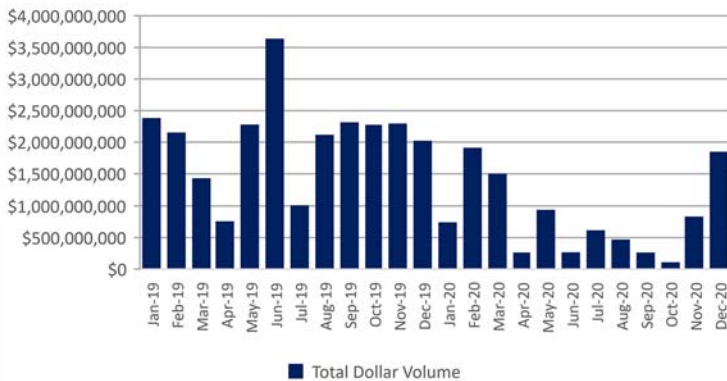
TOTAL NUMBER OF TRANSACTIONS - MANHATTAN



SALES (2019-2020):

Pre-COVID-19, sales volume was fairly consistent, ranging from 26 to 55 sales per month from January 2019 through March 2020. From April 2020 to December 2020, New York City averaged only 21 sales per month, although there has been an upward trend forming since September. It is no surprise that investor confidence has taken a hit due to the pandemic. Q4 is typically the most active quarter in terms of sales. Although sales activity picked up in November and December, numbers are still short of the 41 and 44 transactions logged in those two months of 2019, respectively.

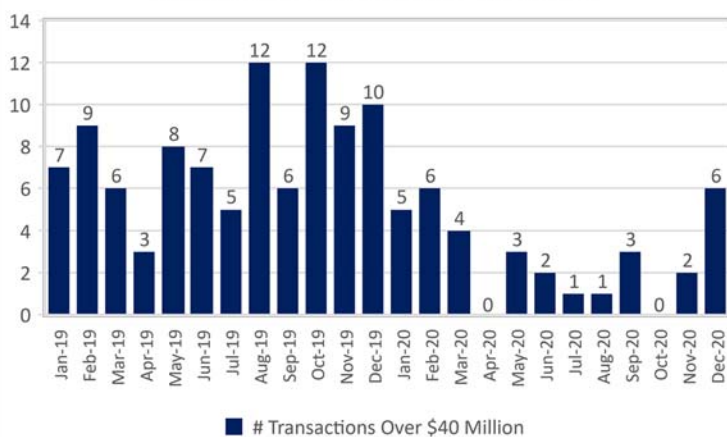
TOTAL SALES VOLUME - MANHATTAN



Sales Volume

December 2020 tallied the highest dollar volume of the post-COVID period, nearly doubling the previous high of \$940 million in May 2020. At year-end 2020, Manhattan totaled \$9.75 billion in transaction volume, which is significantly lower than the \$24.69 billion recorded in the same period in 2019 (down 75%). December 2020 saw 30 sales, compared to 44 sales in December 2019. Dollar volume declined much more modestly, from just over \$2.0 billion in December 2019 to \$1.85 billion in December 2020.

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 only 12 sales exceeding \$40 million in the months of April through December 2020, equating to 2.0 sales per month. Conversely, 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

SOURCE: CoStar and Marshall & Stevens



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