

# Manhattan CRE Sales Volume and Buying Trends – October 2020

As the calendar turns to the fourth quarter, the COVID-19 Pandemic tightens its grip on the Manhattan commercial real estate market. Manhattan reached a new low in transaction volume in October 2020, failing to log one sale over \$40 million, the second such non-occurrence since the onset of COVID-19. Statistics continue to point to a significant market slowdown and investor reluctance to commit to larger deals. Meanwhile, a recent uptick in positive testing suggests additional economic hardship may be on the horizon.

This report analyzes trends in investment sales for all property types in Manhattan from January 2019 through October 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**

On November 13, Governor Cuomo announced additional legislation pertaining to COVID-19. This included a 10 pm curfew for restaurants, bars, and gyms, and a 10-person maximum for indoor and outdoor gatherings. Elsewhere across the country, governors have begun rolling out similar protocols. Colder weather has brought people indoors, which has limited social distancing measures. The positive test rate is currently 2.77% in New York City and 2.65% statewide as of the third week of November. Governor Cuomo also reported a record number of COVID tests reported to the state in a single day.

## **Long Term Impact**

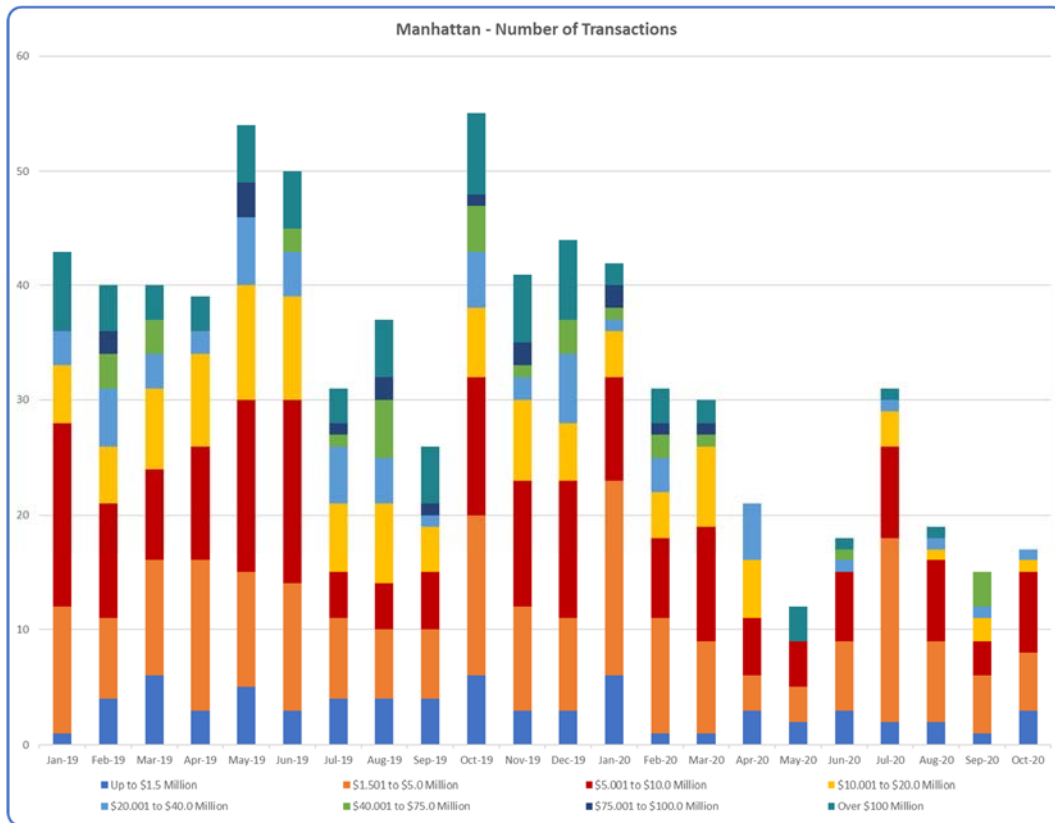
The impact of COVID-19 on commercial real estate will continue to unfold over time. Some sectors will rebound faster than others, and fundamentals will vary greatly between property types. Restaurants, bars, and other retail uses that warrant close contact have been especially hard hit, with some proprietors 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 22-month period, there have been a total of 736 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	Total	% of Tot
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	70	9.5%
\$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	192	26.1%
\$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	189	25.7%
\$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	106	14.4%
\$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	60	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	30	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	0	0	0	0	0	16	2.2%
Over \$100 Million	7	4	3	3	5	3	5	5	5	7	6	7	2	3	2	0	3	1	1	1	0	0	73	9.9%
<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>12</b>	<b>18</b>	<b>31</b>	<b>19</b>	<b>15</b>	<b>17</b>	<b>736</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%	-42.9%	50.0%	72.2%	-38.7%	-21.1%	13.3%	-	-

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%. July 2020 saw the number of transactions return to pre-crisis levels, but results from August, September and October erased any hopes of a market rebound. October 2020 logged only 17 transactions, the 3<sup>rd</sup> lowest number of transactions in the analysis period. Of the 17 October sales, 15 were under \$10 million tranche, representing an astonishing 88% of the total. Meanwhile, only 2 sales were logged in the \$10 million to \$40 million tranche, and 0 sales were logged in the over \$100 million tranche. 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

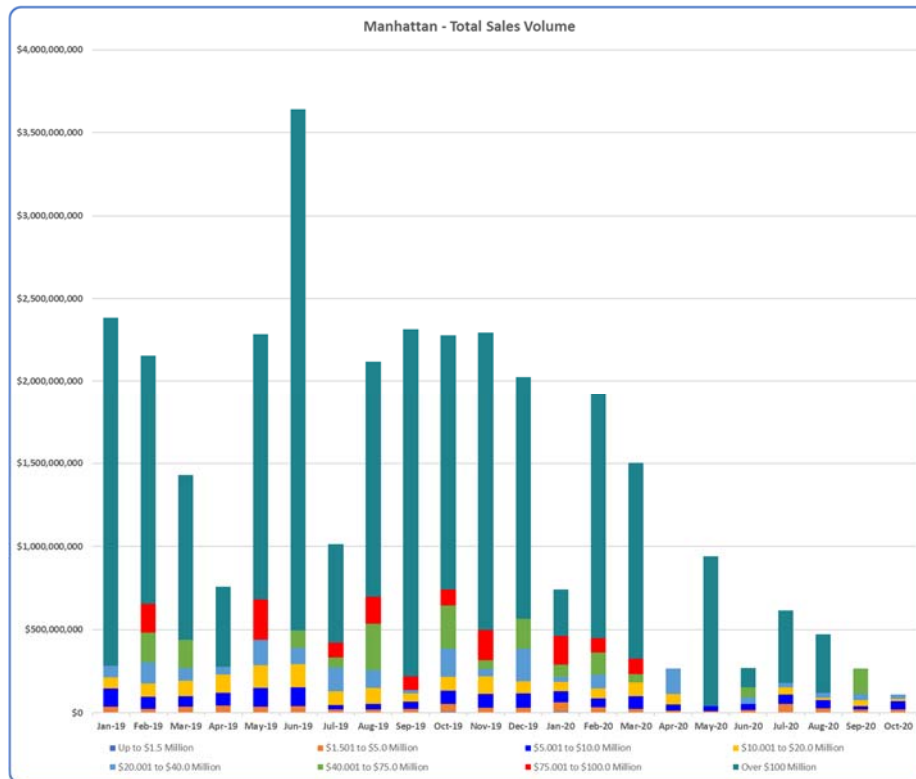
In 2019, the average monthly sales volume was over \$2.0 Billion, with the peak occurring in June 2019 at more than \$3.6 Billion. Comparatively, the average monthly sales volume in 2020 was roughly \$709 Million, reflecting a decrease of approximately 182%. We have tracked the dollar volume of monthly sales by tranche as seen below.

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%
<b>Total Dollar Volume</b>	<b>\$2,384.2</b>	<b>\$2,154.7</b>	<b>\$1,429.5</b>	<b>\$757.6</b>	<b>\$2,282.6</b>	<b>\$3,639.8</b>	<b>\$1,012.5</b>	<b>\$2,119.1</b>	<b>\$2,314.9</b>	<b>\$2,276.6</b>	<b>\$2,295.0</b>	<b>\$2,023.0</b>	<b>\$24,689.5</b>	<b>100.0%</b>
% Change from Prior Month	-	-10%	-34%	-47%	201%	59%	-72%	109%	9%	-2%	1%	-12%	-	-

Dollar Volume of Transactions	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-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	\$25.9	0.4%
\$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	\$258.4	3.6%
\$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	\$470.9	6.6%
\$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	\$371.6	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	\$422.7	6.0%
\$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	\$469.7	6.6%
\$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	\$355.1	5.0%
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	\$4,721.9	66.5%
<b>Total Dollar Volume</b>	<b>\$742.8</b>	<b>\$1,913.9</b>	<b>\$1,503.6</b>	<b>\$265.9</b>	<b>\$939.9</b>	<b>\$268.5</b>	<b>\$615.3</b>	<b>\$470.9</b>	<b>\$265.9</b>	<b>\$109.4</b>	<b>\$7,096.2</b>	<b>100.0%</b>
% Change from Prior Month	-63%	158%	-21%	-82%	253%	-71%	129%	-23%	-44%	-59%	-	-

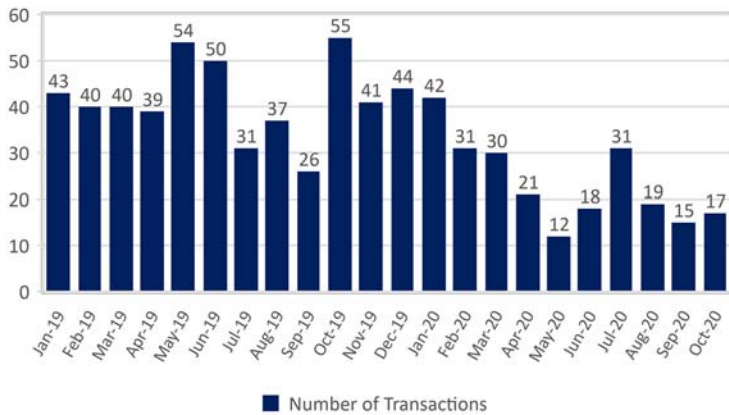
Over the analysis period, the category with the highest transaction volume is in the "Over \$100 Million", which comprised nearly 76% of all dollar volume in 2019 and 66.5% in 2020. This is obviously a very important category. For all categories over \$40 Million, the total share during this time frame was 85% in 2019 and 78% in 2020. We note that in April 2020, there were **ZERO** sales in these three categories. In May, there were three sales in the over \$40 million category, whereas there was only one sale in the over \$40 million category in June, July, and August, respectively. September saw three sales over \$40 million but zero over \$100 million. October, like April, also saw zero sales over \$40 million. Total dollar volume in October 2020 was down 59% from September 2020 and by far the lowest of any month in the period. 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. June logged two transactions over this price point, July and August each logged one, September logged three, and October logged zero.

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
Min	\$109,423,679
Max	\$3,639,755,602
2019 Ave	\$2,057,458,856
2020 Ave	\$709,622,208



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 more activity as the pandemic abates, and the economy begins to show signs of stabilization.

TOTAL NUMBER OF TRANSACTIONS - MANHATTAN



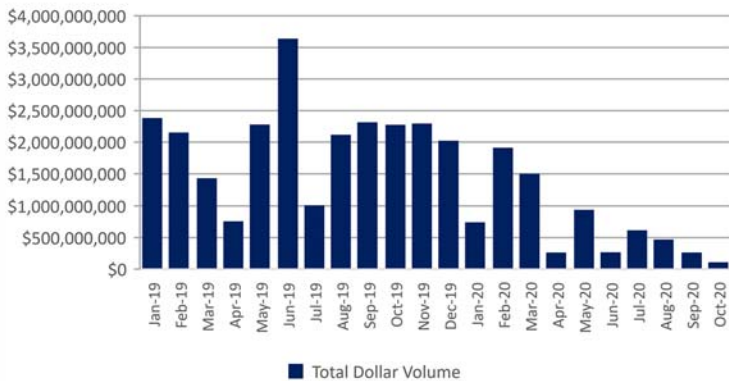
**SALES (2019-2020):**

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 October 2020, New York City averaged only 19 sales per month, with no real upward trend. 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, but numbers from October 2020 were dwarfed by those of October 2019.

**Sales Volume**

October 2020 registered the lowest sales volume in the analysis period, 59% lower than the second lowest total of \$265.9 recorded in April and September. The first ten months of 2020 tallied nearly \$7.1 billion in sales volume, which is significantly lower than the \$20.4 billion recorded in the same period in 2019 (down 187%). October 2019 saw 55 sales, compared to 17 sales in October 2020, and dollar volume in October 2020 is down from \$2.3 billion to \$109 million.

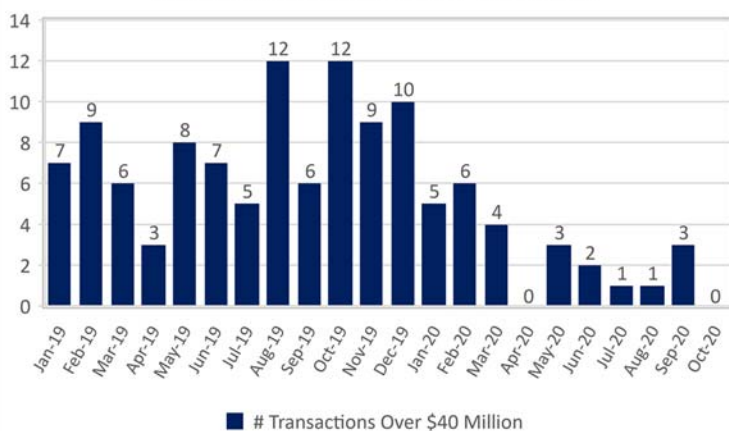
TOTAL SALES VOLUME - MANHATTAN



**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 only 10 sales exceeding \$40 million in the months of April through October 2020, equating to 1.43 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 step off the sidelines.

TRANSACTIONS OVER \$40 MILLION - MANHATTAN



SOURCE: CoStar and Marshall & Stevens



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