

Manhattan CRE Sales Volume and Buying Trends – June 2020

Manhattan continues to face 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 six months of 2020 suggest investors have been wary of market fundamentals. However, this report points to some positive signs that activity is slowly returning. June 2020 was the first month with an increase in transactions since December 2019. With New York moving forward with business re-openings, could this be the start of a recovery trend?

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

Governor Cuomo unveiled a plan to open New York State in stages. As of July 27, New York City has entered Phase Four of reopening, although reopening dates for schools, indoor restaurant dining, museums, theaters, and malls have not been determined.

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. 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

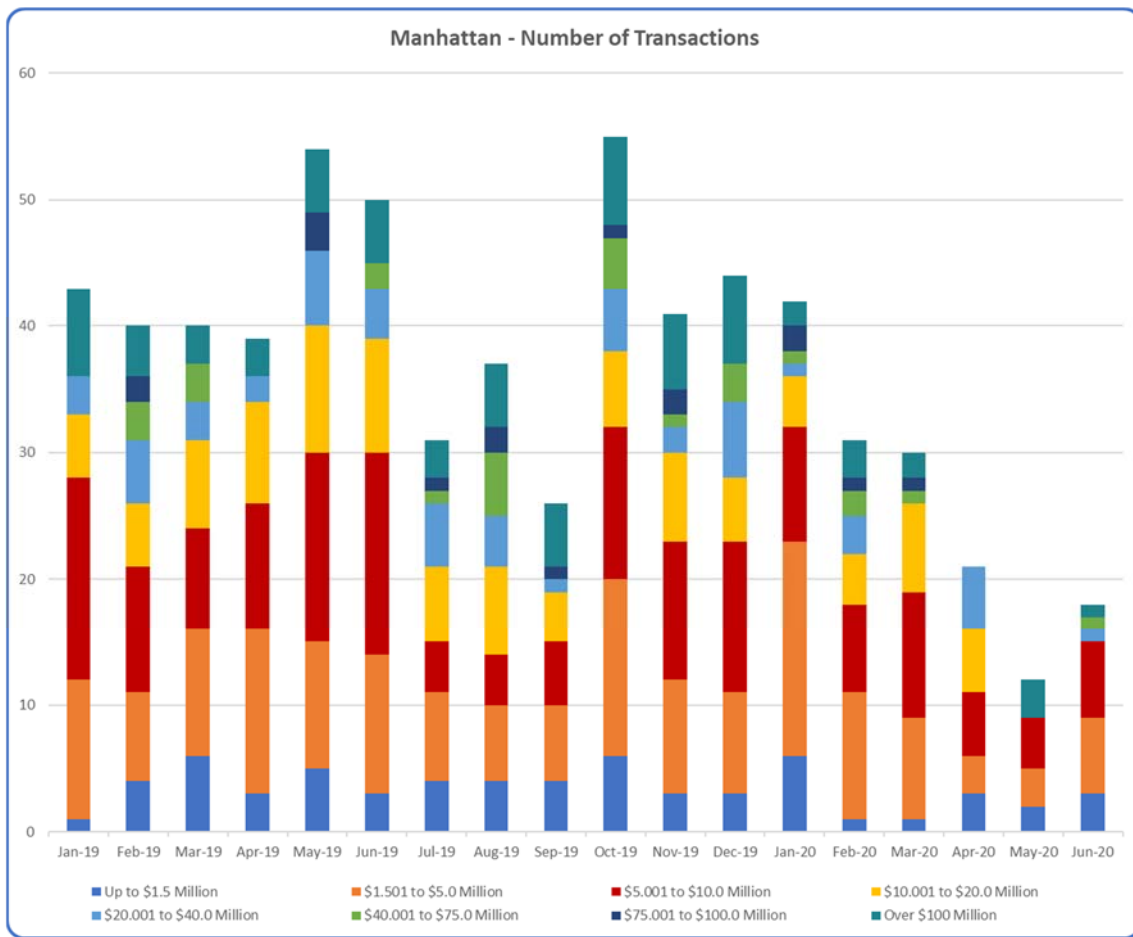
The impact of COVID-19 on commercial real estate will unfold over time. Some sectors will rebound faster than others, and fundamentals will vary greatly between property types. Restaurants, bars, and other retail that warrants close contact have been especially hard hit, with some proprietors concerned 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 18-month period, there have been a total of 654 transactions. Over 58 percent of these transactions were below \$10 million, roughly 30 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	Jun-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	62	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	159	24.3%
\$5.001 to \$10.0 Million	16	10	8	10	15	16	4	4	5	12	11	12	9	7	10	5	4	6	164	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	99	15.1%
\$20.001 to \$40.0 Million	3	5	3	2	6	4	5	4	1	5	2	6	1	3	0	5	0	1	56	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	1	27	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	16	2.4%
Over \$100 Million	7	4	3	3	5	5	3	5	5	7	6	7	2	3	2	0	3	1	71	10.9%
Total # Transactions	43	40	40	39	54	50	31	37	26	55	41	44	42	31	30	21	12	18	654	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%	-	-

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 June 2020 were significantly lower, at 18. However, June transactions represented a 50% increase compared to May 2020 (12 transactions). Although most of these transactions occurred in the Under \$10 million price range, the data suggests that investors are slowly returning to the market. The figures are portrayed graphically below. In June 2020, the only category to record a decrease was the Over \$100 category. The lack of transactions of trophy asset category has a strong impact on Dollar Volume statistics presented on the following page.



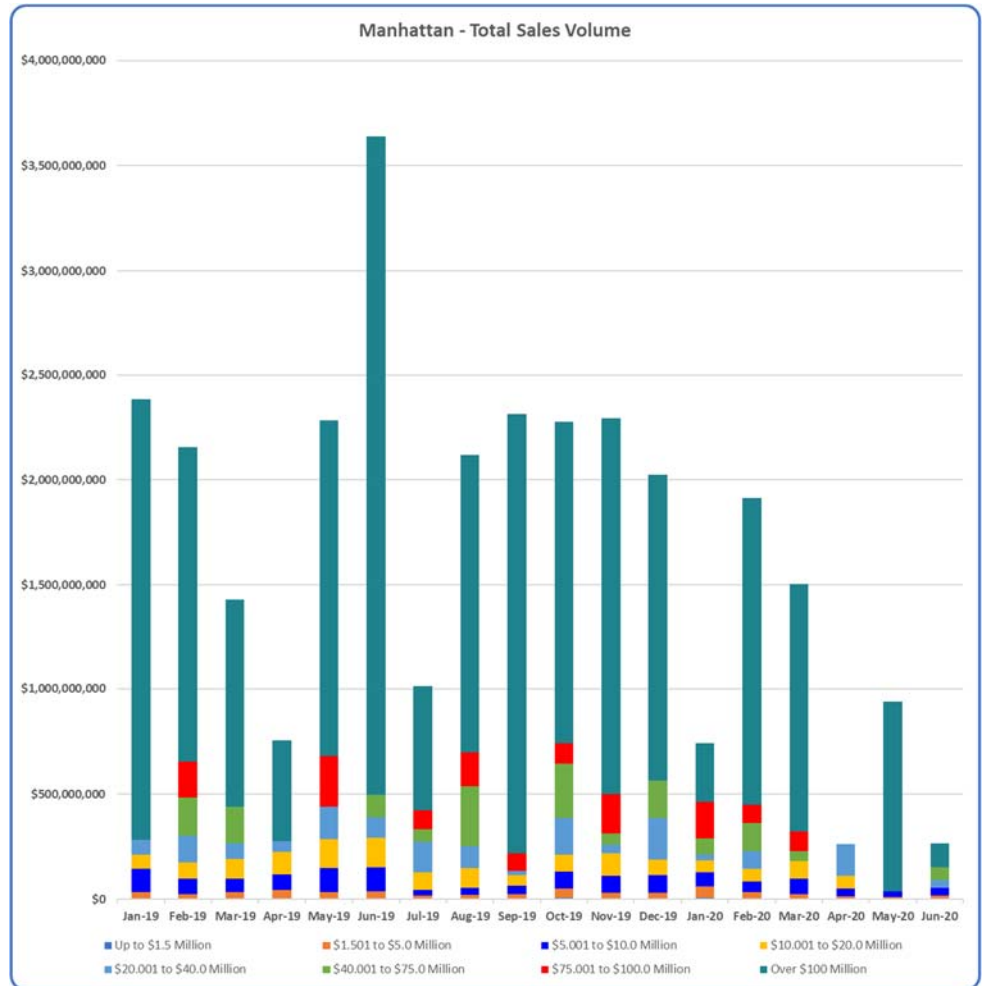
Dollar Volume of Sales Transactions

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 \$939 Million, reflecting a decrease of over 53%. 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	Jun-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	\$2.2	\$57.7	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	\$15.7	\$501.0	1.7%
\$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	\$68.7	\$50.6	\$75.0	\$37.0	\$28.3	\$37.2	\$1,199.5	4.0%
\$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	\$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	\$37.8	\$1,545.8	5.1%
\$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	\$60.7	\$1,607.0	5.3%
\$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	\$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	\$115.0	\$22,644.3	74.7%
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	\$268.5	\$30,324.1	100.0%
% Change from Prior Month	-	-10%	-34%	-47%	201%	59%	-72%	109%	9%	-2%	1%	-12%	-63%	158%	-21%	-82%	253%	-71%	-	-

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 June, there was one sale in the over \$100 Million category, which is the second lowest over the last 18 months. Also, 83% of June transactions sold at prices under \$10 Million. It is important to note that while June saw a 50% increase in the number of transactions, dollar volume has decreased 71% from May.

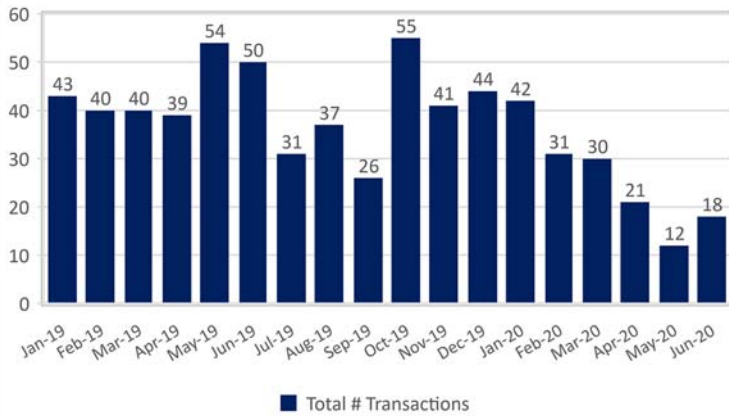
Total Dollar Volume - Manhattan	
Jan-19	\$2,384,185,000
Feb-19	\$2,154,700,000
Mar-19	\$1,429,500,000
Apr-19	\$757,600,000
May-19	\$2,282,600,000
Jun-19	\$3,639,755,602
Jul-19	\$1,012,531,908
Aug-19	\$2,119,066,172
Sep-19	\$2,314,929,414
Oct-19	\$2,276,593,791
Nov-19	\$2,295,030,596
Dec-19	\$2,023,013,789
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
Min	\$265,912,366
Max	\$3,639,755,602
2019 Ave	\$2,057,458,856
2020 Ave	\$939,103,136



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 June logged the second fewest \$100+ Million deals of the analysis 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. The increase in transactions in the lower dollar volume categories is a positive sign. We expect more activity as the pandemic abates, and the economy begins to show signs of stabilization.

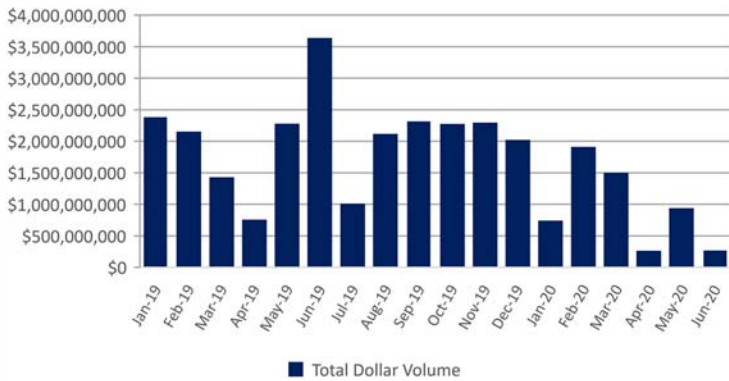
TOTAL NUMBER OF TRANSACTIONS - MANHATTAN



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. The data from April 2020 to June 2020 represent the first 3 months post-crisis and the 3 lowest months in transactions. Comparing June 2019 to June 2020, the decline in number of transactions was -64%. It is no surprise that investor confidence has taken a hit due to the pandemic, however June 2020 represents the first month since December 2019 where transactions have increased. Is this the beginning of a recovery trend, or will monthly transactions continue to fluctuate?

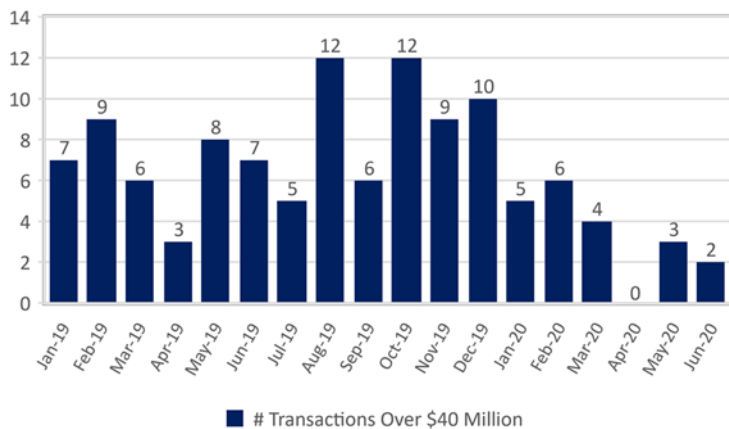
TOTAL SALES VOLUME - MANHATTAN



Dollar Volume of Sales

While the number of transactions increased roughly 50% from May to June, dollar volume decreased substantially due to a lack of higher priced sales. The first six months of 2020 tallied nearly \$5.7 billion in sales volume, which is significantly lower than the \$12.6 billion recorded in the same period in 2019 (down 55%). 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 through June 2020, the average deal was \$21.7 million, a drop of over 55%.

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 5 sales exceeding \$40 million in the months of April through June 2020. 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.



Patrick T. Craig, MAI, MRICS
Executive Managing Director
Real Estate Valuation Practice
212.897.9481
ptcraig@marshall-stevens.com



Gino Alosco
Senior Associate
Real Estate Valuation Practice
212.897.9475
galosco@marshall-stevens.com



Matt Schlatter
Senior Associate
Real Estate Valuation Practice
646.438.7603
mschlatter@marshall-stevens.com



Conner Bianchini
Analyst
Real Estate Valuation Practice
646.438.7607
cbianchini@marshall-stevens.com

SOURCE: CoStar and Marshall & Stevens