

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

The landscape of the Manhattan multi-family market has changed considerably over the course of just one year. 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. Immediately following the new legislation, the number of transactions and monthly sales volume declined significantly. Just as it appeared to be returning to normalcy in February and March 2020, the market then stalled with the onset of COVID-19.

Although the figures for March 2020 were encouraging, the statistics for April and May were disheartening. This report analyzes trends in investment sales in the Manhattan multi-family market from January 2019 through May 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. These restrictions are being slowly lifted across the country; however, there has been a rise in new cases in states that opened early, leaving a lot of questions for the near-term. The short-term impacts of the crisis are being

felt, and the long-term effects will unfold over time.

Short Term Impact

The Manhattan multi-family market is marked by a near decade of unimpeded growth. There are now a lot of questions going forward about how the market will respond to the crisis. Figures for April and May 2020 show us that the Manhattan multi-family market is facing some much-expected uncertainty, specifically surrounding demand outlook, drawbacks for rent growth, rent collections, construction delays, and investment. Now that the US is in a recession, financing issues could arise as well.

The Manhattan multi-family market was strong prior to the crisis, with record low vacancies, and an absorption of approximately 60,000 new units over the past four years leading up to the crisis. Recent and upcoming projects face an uphill battle to fill vacant units.

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. Demand for units in Manhattan might shift as tenants opt to live in less congested areas.

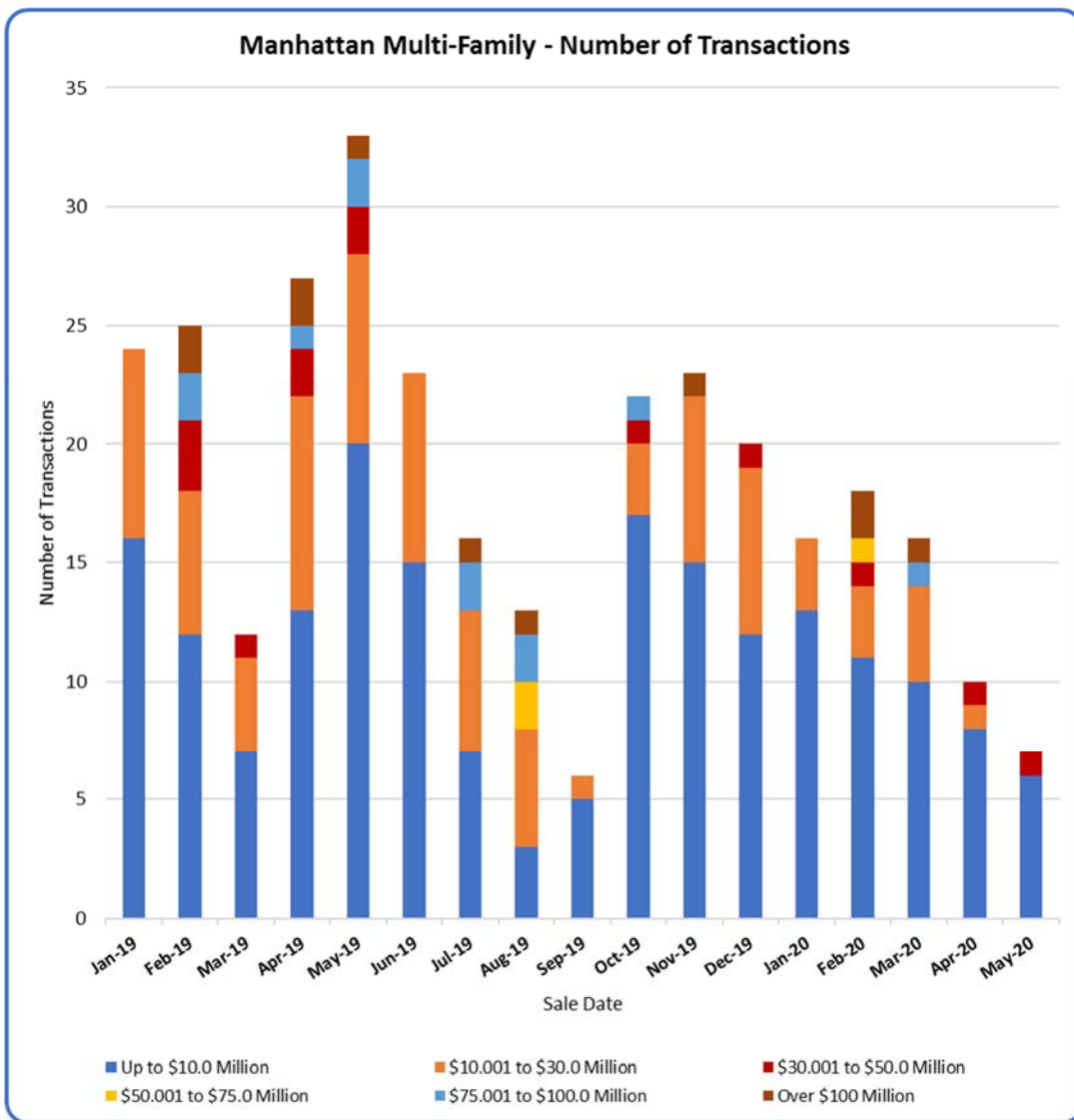
Multi-family market fundamentals are not likely to be hit too hard in the long-term, compared to other property types.

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 17-month period as of May 2020, there have been a total of 311 transactions. Approximately 61% of these transactions were below \$10 million, roughly 35% were between \$10 and \$100 million, and 3.5% 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	May-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	6	190	61.1%
\$10.001 to \$30.0 Million	8	6	4	9	8	8	6	5	1	3	7	7	3	3	4	1	0	83	26.7%
\$30.001 to \$50.0 Million	0	3	1	2	2	0	0	0	0	1	0	1	0	1	0	1	1	13	4.2%
\$50.001 to \$75.0 Million	0	0	0	0	0	0	0	2	0	0	0	0	0	1	0	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	0	11	3.5%
Over \$100 Million	0	2	0	2	1	0	1	1	0	0	1	0	0	2	1	0	0	11	3.5%
Total # Transactions	24	25	12	27	33	23	16	13	6	22	23	20	16	18	16	10	7	311	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%	-30.0%	-	-

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 April and May 2020 were lower, at 10 sales and 7 sales, respectively. The figures are portrayed graphically below. In May 2020, most transactions were in the "Up to \$10.0 Million" category, in line with the high transaction volume trend seen over the analysis period. It should be noted that one sale was recorded in the "30.001 to \$50.0 Million" category, a category that was very active this time last year but has since dropped off.



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 is roughly \$337 million thus far, reflecting a decrease of approximately 14.5%. We tracked the dollar volume of monthly sales by tranche as seen below.

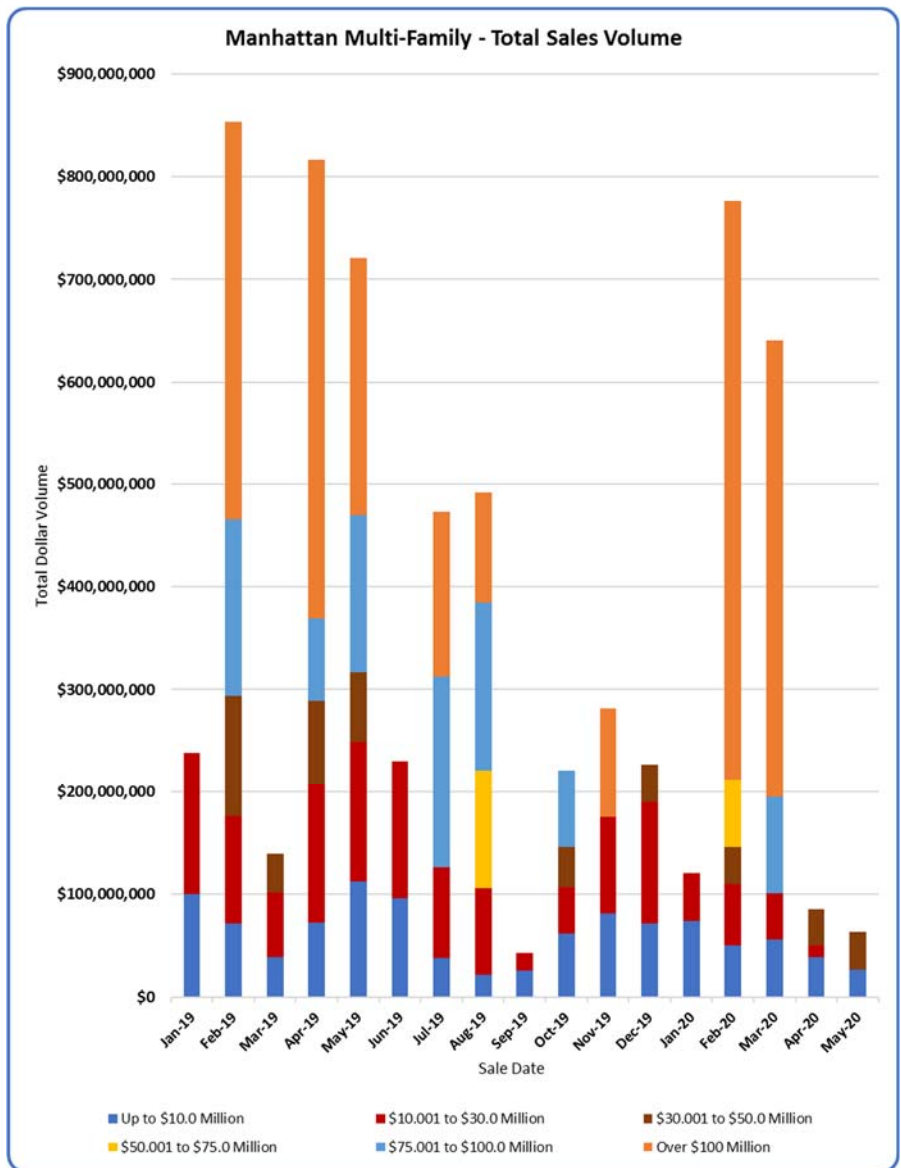
Historical Transaction Volume - Manhattan Multi-Family (in Millions)																			
Dollar Volume of Transactions	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Total	% of Total
Up to \$10.0 Million	\$100.4	\$71.4	\$38.4	\$72.0	\$111.9	\$95.7	\$37.9	\$21.4	\$25.7	\$61.2	\$81.0	\$71.6	\$73.6	\$49.7	\$55.5	\$38.7	\$26.4	\$1,032.4	16.1%
\$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	\$0.0	\$1,323.0	20.6%
\$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	\$37.0	\$489.6	7.6%
\$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	\$0.0	\$181.2	2.8%
\$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	\$0.0	\$924.3	14.4%
Over \$100 Million	\$0.0	\$388.4	\$0.0	\$447.5	\$251.0	\$0.0	\$160.0	\$106.5	\$0.0	\$0.0	\$106.4	\$0.0	\$0.0	\$564.6	\$446.5	\$0.0	\$0.0	\$2,470.9	38.5%
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	\$63.4	\$6,421.5	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%	-25.6%	-	-

Over the analysis period, the category with the highest transaction volume is in the "Over \$100 Million" category, which comprises 38.5% of all dollar volume. There were no sales in this category in either April or May 2020, identifying investor skepticism for large deals and institutional grade assets. 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. Sales volume in this category also plummeted in April and May 2020.

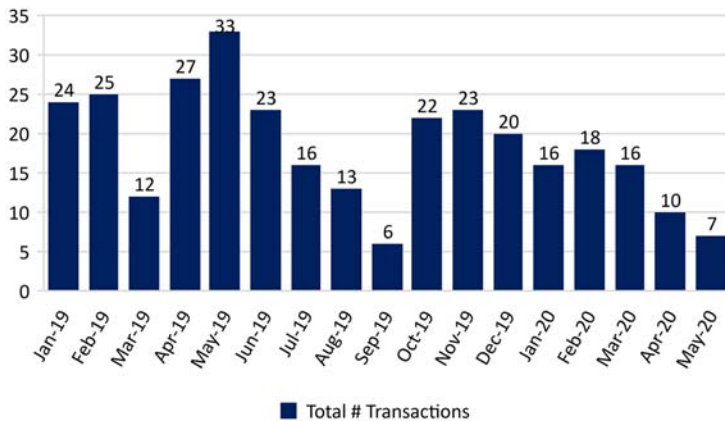
Total Dollar Volume - Manhattan Multi-Family	
Jan-19	\$238,026,000
Feb-19	\$853,663,077
Mar-19	\$139,528,284
Apr-19	\$816,450,000
May-19	\$720,776,869
Jun-19	\$229,710,935
Jul-19	\$472,798,165
Aug-19	\$491,439,352
Sep-19	\$42,480,000
Oct-19	\$221,418,800
Nov-19	\$281,760,516
Dec-19	\$226,887,381
Jan-20	\$120,405,039
Feb-20	\$776,495,653
Mar-20	\$641,031,768
Apr-20	\$85,203,605
May-20	\$63,390,000
Min	\$42,480,000
Max	\$853,663,077
2019 Ave	\$394,578,282
2020 Ave	\$337,305,213

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 and May 2020 figures show no activity in this category.

This category is responsible for a large amount of volume in the multi-family market and will be watched carefully by market participants. Will investors take a risk averse approach, or will they commit to high priced deals in a climate of uncertainty?



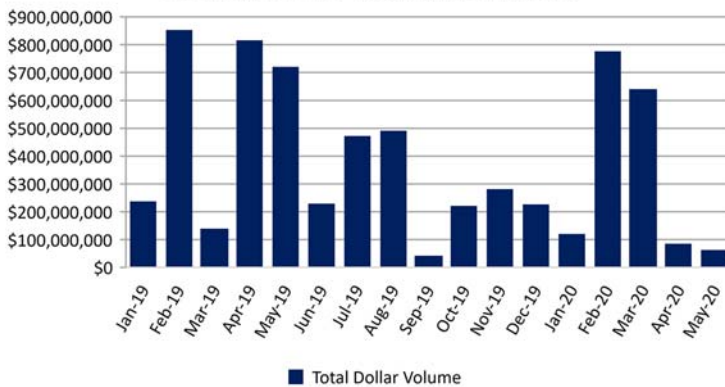
TOTAL NUMBER OF TRANSACTIONS - MANHATTAN MULTI-FAMILY



SALES (2019-2020): Volume

Pre-COVID-19, sales volume fluctuated, ranging from 6 to 33 sales per month from January 2019 through March 2020. In April and May 2020, the first two full months since the onset of the pandemic, there were 10 and 7 transactions, the lowest of the study period aside from September 2019. Comparing May 2019 to May 2020, the decline in number of transactions was approximately 79%. This is now the third consecutive downward trending month in this category, and market watchers will be anxiously awaiting the results for June 2020.

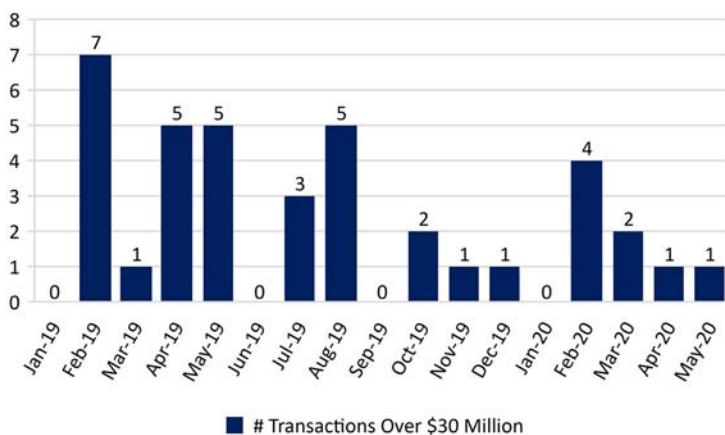
TOTAL SALES VOLUME - MANHATTAN MULTI-FAMILY



Dollar Volume of Sales

The number of transactions decreased 30% from April 2020 to May 2020, and dollar volume similarly decreased more than 25%, from \$85 million to \$63 million. Comparatively, March 2020 exhibited a high volume of sales, indicating the market was positioned well leading up to the crisis. The first five months of 2020 tallied \$1.7 billion in sales volume, which is lower than the \$2.8 billion recorded in the same period in 2019 (down 40%). Further, from January 2019 through March 2020, the average deal size was nearly \$21.1 million. In April and May 2020, the average deal was \$8.8 million, a drop of over 56%.

TRANSACTIONS OVER \$30 MILLION - MANHATTAN MULTI-FAMILY



Transactions over \$30M

The graph on the left identifies investor’s concern over committing to large deals. There was only one sale exceeding \$30 million in both April and May 2020, 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. The number of sales and sales volume will be tracked carefully by market participants over the foreseeable future.



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



Emily Ferreira
 Senior Associate
 Real Estate Valuation Practice
 646.438.7605
 eferreira@marshall-stevens.com



Jacob Scott
 Analyst
 Real Estate Valuation Practice
 646.438.7606
 jscott@marshall-stevens.com

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