

# Manhattan Office Market Sales Volume and Buying Trends – October 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.

Market fundamentals were healthy going into the crisis; however, the first seven full months (April to October 2020) of the pandemic reflect a significant drop off in sales compared to previous year's figures. July and August 2020 results demonstrated an increase in transaction dollar volume; however, this trend reversed in September and October, when no transactions occurred. This report analyzes trends in investment sales in the Manhattan Class A and B office market from January 2019 through October 2020. Leasing activity in October 2020 is in stark contrast to October 2019, as shown in the table below:

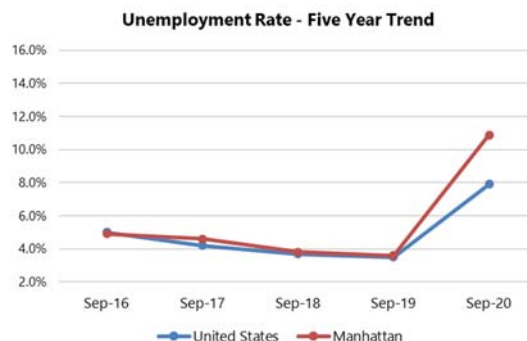
The number of deals is down considerably compared to this time last year by over 150%, and along with that, so is the amount of space leased, down a staggering 332%. Starting rents are down nearly 79%. The graph on the right demonstrates the effects of the crisis on leasing activity in the Manhattan office market.

LEASING ACTIVITY - OCTOBER			
YEAR	Deals	SF Leased	Starting Rent SF
OCTOBER 2019	386	4,320,308	\$84.13
OCTOBER 2020	154	999,553	\$47.03
YOY CHANGE	-150.6%	-332.2%	-78.9%

POPULATION		
YEAR	US	Manhattan
2000 Total Population	281,421,906	1,537,195
2010 Total Population	308,745,538	1,585,873
2020 Total Population	333,793,107	1,650,033
2025 Total Population	346,021,282	1,676,284
10-20 CAGR	0.8%	0.4%
20-25 CAGR	0.7%	0.3%

HOME OWNERSHIP		
YEAR	US	Manhattan
2010	57.7%	20.5%
2020	56.4%	21.4%
2025	56.2%	21.2%

MEDIAN HH INCOME		
YEAR	US	Manhattan
2020	\$62,203	\$88,043
2025	\$67,325	\$99,415
CAGR	1.60%	2.46%



NOTE: October 2020 unemployment statistics for Manhattan were not available as of the date this report was written.

**The Manhattan Office Market in Context**

To understand current conditions, it is helpful to have a benchmark for comparison purposes. 2015 was considered, by most, the peak of Manhattan Investment Sales activity. In that year, there were a total of 112 transactions, yielding an aggregate volume of \$21.6 billion. On average, there were nine transactions per month, averaging \$1.8 billion. Since 2015, sales activity has been steadily declining both in number of transactions, and in transaction volume. For 2019, there were only 53 transactions, reflecting a decline of 53% from 2015 levels, and total volume was \$12.4 billion, roughly 42% below levels seen in 2015.

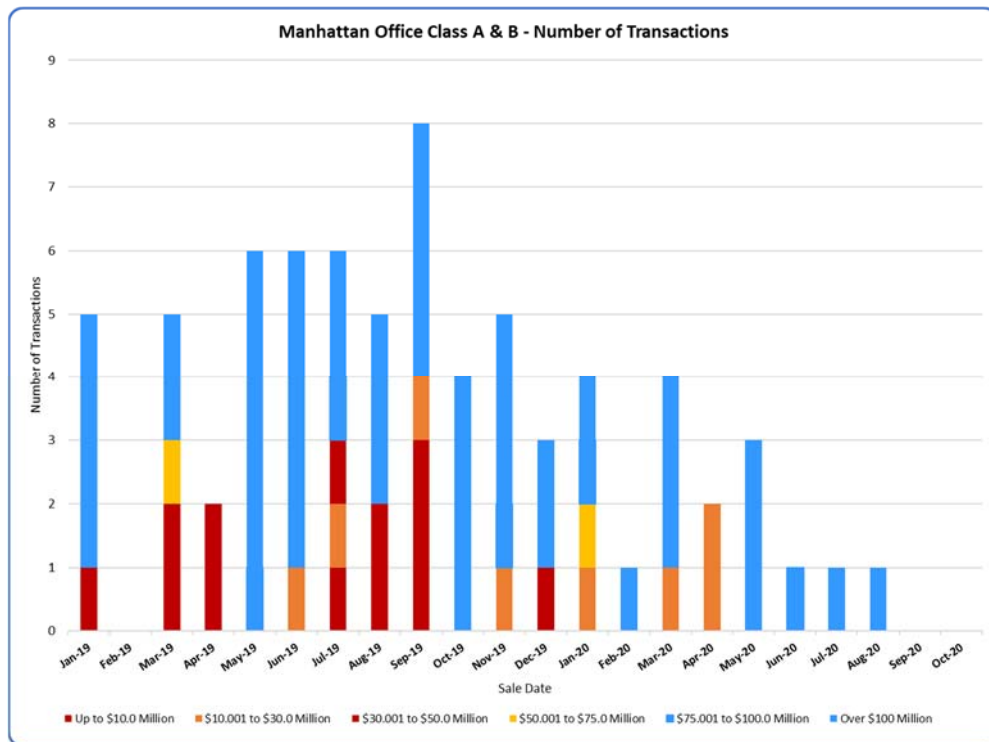
Manhattan Office Class A & B				
Investment Tranche	2015		2019	
	Number	Volume	Number	Volume
Up to \$10.0 Million	22	\$97,450,988	9	\$33,000,000
\$10.001 to \$30.0 Million	11	\$196,911,312	4	\$75,650,000
\$30.001 to \$50.0 Million	13	\$557,589,825	3	\$120,050,000
\$50.001 to \$75.0 Million	11	\$716,039,151	1	\$75,000,000
\$75.001 to \$100.0 Million	9	\$802,500,000	2	\$186,460,207
Over \$100 Million	46	\$19,236,711,500	34	\$11,939,992,329
<b>Total # Transactions</b>	<b>112</b>	<b>\$21,607,202,776</b>	<b>53</b>	<b>\$12,430,152,536</b>
<b>Monthly Average</b>	<b>9</b>	<b>\$1,800,600,231</b>	<b>4</b>	<b>\$1,035,846,045</b>

**Number of Sales Transactions**

We tracked the number of monthly Class A and B office sales recorded in Manhattan (excluding the Uptown submarket), segmented into tranches as seen below. Over the 22-month period, there have been a total of 72 transactions. Nearly 13% of these transactions were below \$10 million, over 26% were between \$10 and \$100 million, and approximately 61% were above \$100 million.

Historical Transaction Volume - Manhattan Office Class A & B																								
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 Total	
Up to \$10.0 Million	1	0	1	2	0	0	1	1	3	0	0	0	0	0	0	0	0	0	0	0	0	0	9	12.5%
\$10.001 to \$30.0 Million	0	0	0	0	0	1	1	0	1	0	1	0	1	0	1	2	0	0	0	0	0	0	8	11.1%
\$30.001 to \$50.0 Million	0	0	1	0	0	0	1	1	0	0	0	1	0	0	0	0	0	0	0	0	0	0	4	5.6%
\$50.001 to \$75.0 Million	0	0	1	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	2	2.8%
\$75.001 to \$100.0 Million	0	0	0	1	0	1	0	1	0	0	1	0	1	0	0	0	0	1	0	0	0	0	5	6.9%
Over \$100 Million	4	0	2	0	5	5	2	3	4	4	3	2	1	1	3	0	3	0	1	1	1	0	44	61.1%
<b>Total # Transactions</b>	<b>5</b>	<b>0</b>	<b>5</b>	<b>2</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>5</b>	<b>8</b>	<b>4</b>	<b>5</b>	<b>3</b>	<b>4</b>	<b>1</b>	<b>4</b>	<b>2</b>	<b>3</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>72</b>	<b>100.0%</b>
% Change from Prior Month	-	-100.0%	N/A	-60.0%	200.0%	0.0%	0.0%	-16.7%	60.0%	-50.0%	25.0%	-40.0%	33.3%	-75.0%	300.0%	-50.0%	50.0%	-66.7%	0.0%	0.0%	-100.0%	0.0%	-	-

The largest number of monthly transactions occurred in September 2019, which represented a 60% increase from the prior month. Compared to the peak of eight sales in September 2019, the results for the months following the start of the crisis were significantly lower. May 2020 was marked by a significant increase in the number of sales and dollar sales volume compared to April, and more notably they were all in the "Over \$100 Million" category. June, July and August figures demonstrated a drop off from May figures, containing only one transaction in each month. Following this, September and October demonstrated zero sales in each month. The figures are portrayed graphically below.



**Dollar Volume of Sales Transactions**

In 2019, the average monthly sales volume was over \$1.0 billion, with the peak occurring in June 2019 at over \$3 billion.

<b>Historical Transaction Volume - Manhattan Office Class A &amp; B (in Millions) - 2019</b>														
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 \$10.0 Million	\$5.8	\$0.0	\$2.1	\$9.9	\$0.0	\$0.0	\$1.6	\$4.2	\$9.5	\$0.0	\$0.0	\$0.0	\$33.0	0.3%
\$10.001 to \$30.0 Million	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$18.0	\$25.7	\$0.0	\$20.5	\$0.0	\$11.5	\$0.0	\$75.7	0.6%
\$30.001 to \$50.0 Million	\$0.0	\$0.0	\$43.3	\$0.0	\$0.0	\$0.0	\$37.3	\$39.5	\$0.0	\$0.0	\$0.0	\$34.8	\$154.9	1.2%
\$50.001 to \$75.0 Million	\$0.0	\$0.0	\$75.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$75.0	0.6%
\$75.001 to \$100.0 Million	\$0.0	\$0.0	\$0.0	\$0.0	\$89.0	\$0.0	\$97.5	\$0.0	\$0.0	\$0.0	\$92.0	\$0.0	\$278.5	2.2%
Over \$100 Million	\$1,224.1	\$0.0	\$715.6	\$0.0	\$1,058.3	\$3,106.6	\$430.7	\$1,211.8	\$1,935.2	\$982.5	\$798.5	\$476.8	\$11,940.0	95.1%
<b>Total Dollar Volume</b>	<b>\$1,229.8</b>	<b>\$0.0</b>	<b>\$836.0</b>	<b>\$9.9</b>	<b>\$1,147.3</b>	<b>\$3,124.6</b>	<b>\$592.7</b>	<b>\$1,255.5</b>	<b>\$1,965.2</b>	<b>\$982.5</b>	<b>\$902.0</b>	<b>\$511.6</b>	<b>\$12,557.0</b>	<b>100.0%</b>
% Change from Prior Month	-	-100.0%	N/A	-98.8%	11548.1%	172.3%	-81.0%	111.8%	56.5%	-50.0%	-8.2%	-43.3%	-	-

Comparatively, the average monthly sales volume in 2020 was approximately \$0.39 billion as of October 2020, reflecting a decrease of approximately 63%. We tracked the dollar volume of monthly sales by tranche as seen below.

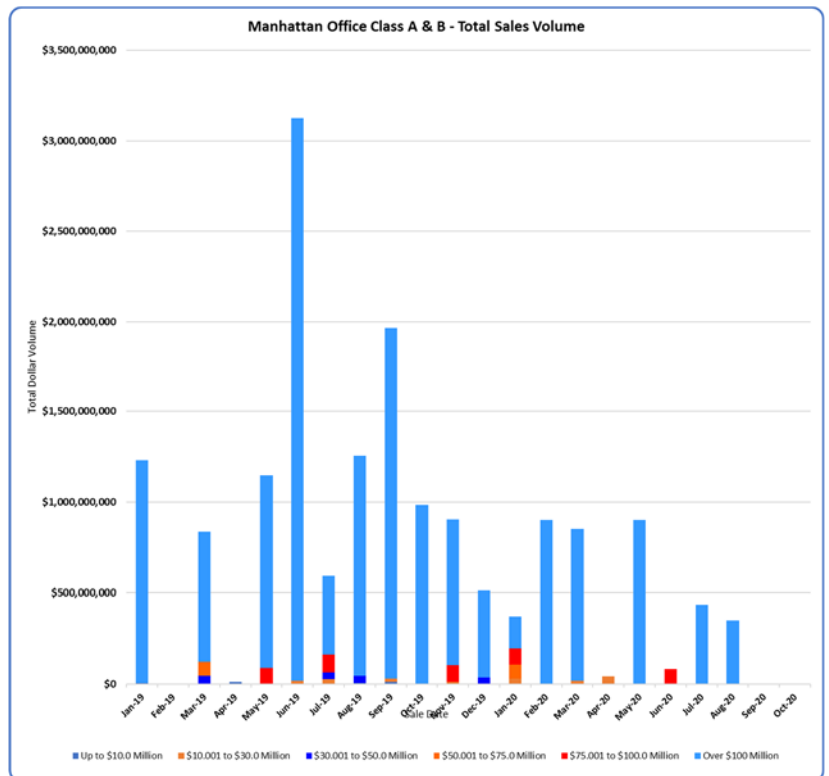
<b>Historical Transaction Volume - Manhattan Office Class A &amp; B (in Millions) - 2020</b>													
Dollar Volume of Transactions	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Total	% of Total	
Up to \$10.0 Million	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	0.0%	
\$10.001 to \$30.0 Million	\$30.0	\$0.0	\$16.8	\$41.1	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$87.9	2.2%	
\$30.001 to \$50.0 Million	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	0.0%	
\$50.001 to \$75.0 Million	\$75.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$75.0	1.9%	
\$75.001 to \$100.0 Million	\$90.0	\$0.0	\$0.0	\$0.0	\$0.0	\$82.5	\$0.0	\$0.0	\$0.0	\$0.0	\$172.5	4.4%	
Over \$100 Million	\$175.0	\$900.0	\$833.8	\$0.0	\$900.2	\$0.0	\$435.0	\$350.0	\$0.0	\$0.0	\$3,594.0	91.5%	
<b>Total Dollar Volume</b>	<b>\$370.0</b>	<b>\$900.0</b>	<b>\$850.5</b>	<b>\$41.1</b>	<b>\$900.2</b>	<b>\$82.5</b>	<b>\$435.0</b>	<b>\$350.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$3,929.3</b>	<b>100.0%</b>	
% Change from Prior Month	N/A	143.2%	-5.5%	-95.2%	2090.3%	-90.8%	427.5%	-19.5%	-100.0%	0.0%	-	-	

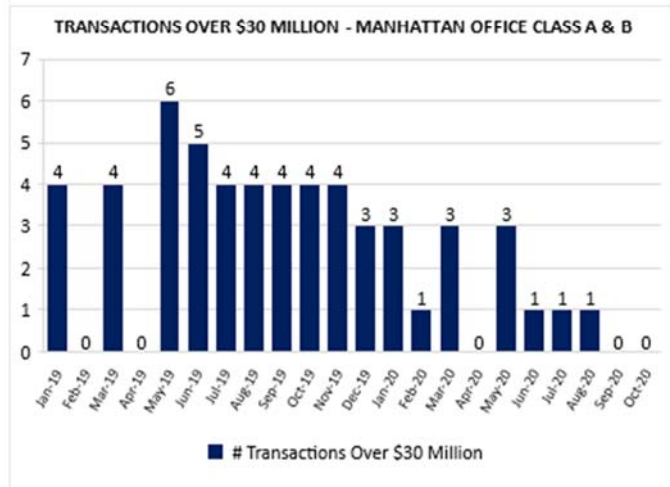
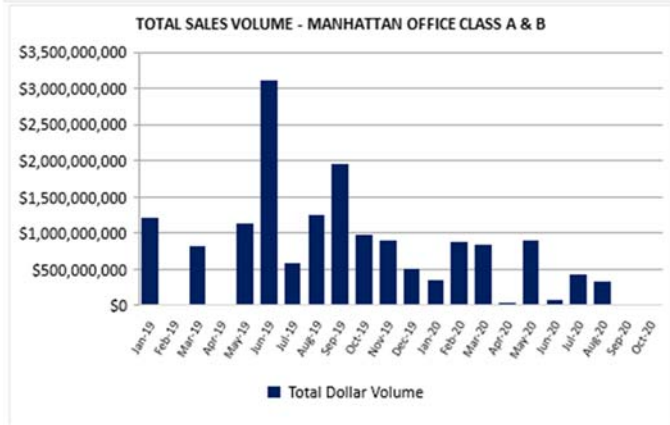
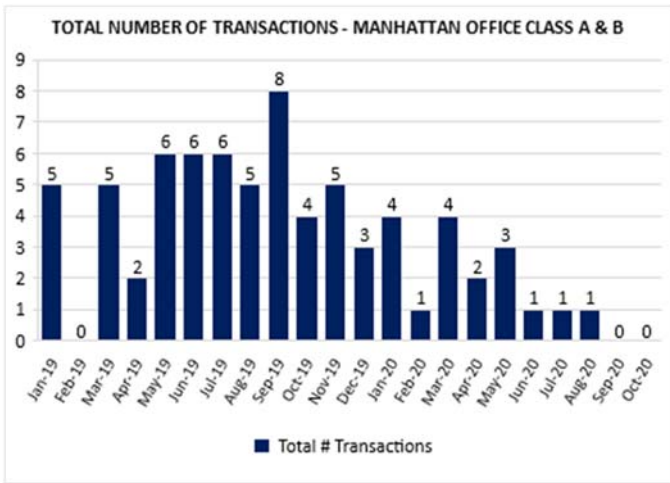
Over the analysis period, the category with the highest transaction volume is in the "Over \$100 Million" category, for both 2019 and 2020 figures, which comprises nearly 94% of all dollar volume. The category that recorded the second highest amount of transactions was the "\$75.001 to \$100.0 Million" category, for both 2019 and 2020 figures, which comprises only 2.7% of all dollar volume.

Over the analysis period, the total sales volume in the Manhattan Class A and B office market has been characterized by high priced deals, with a lower amount of dollar volume being attributed to smaller deals.

Compared to June, July demonstrated an uptick in total dollar volume, up to \$435 million. This number declined slightly in August, down to \$350 million, and declined even further in September and October, both down to \$0 in sales. September and October are now the first months since the onset of the pandemic to demonstrate zero sales. Investors could be wary of this asset type given the changing dynamics of demand for office space.

<b>Total Dollar Volume - Manhattan Office</b>	
Jan-19	\$1,229,804,370
Feb-19	\$0
Mar-19	\$836,000,000
Apr-19	\$9,850,000
May-19	\$1,147,338,580
Jun-19	\$3,124,550,888
Jul-19	\$592,660,207
Aug-19	\$1,255,467,500
Sep-19	\$1,965,230,991
Oct-19	\$982,500,000
Nov-19	\$902,000,000
Dec-19	\$511,582,330
Jan-20	\$370,000,000
Feb-20	\$900,000,000
Mar-20	\$850,500,000
Apr-20	\$41,100,000
May-20	\$900,200,000
Jun-20	\$82,466,668
Jul-20	\$435,000,000
Aug-20	\$350,000,000
Sep-20	\$0
Oct-20	\$0
Min	\$0
Max	\$3,124,550,888
2019 Ave	\$1,046,415,406
2020 Ave	\$392,926,667





**SALES (2019-2020): Volume**

Pre-COVID-19, sales volume fluctuated, ranging from zero to eight sales per month from January 2019 through March 2020. In the first seven months following the COVID-19 outbreak, there were eight total transactions, with three of them occurring in May, and zero in September and October. Comparing October 2019 to October 2020, the decline in the number of transactions was 100%. It is no surprise to see the number of transactions drop to zero, although market watchers will be anxiously awaiting the results for November 2020.

**Dollar Volume of Sales**

The number of transactions increased from April to May 2020, and dollar volume followed, with an increase from April at \$41 million to \$900 million in May. Compared to the positive figures demonstrated in May, sales volume declined in June (\$83 million), July (\$435 million) and August (\$350 million). Although these figures are well below historic norms, in the months of September and October 2020 there were **ZERO** transactions. The first half of 2020 tallied \$3.1 billion in sales volume, which is significantly lower than the \$6.3 billion recorded in the same period in 2019. From January 2019 through March 2020, the average deal size was \$258 million. In October 2020, there were no deals.

**Transactions over \$30M**

Market participants were hesitant to pursue higher priced deals in April 2020, as there were no sales exceeding \$30 million. The four months following April turned this trend around slightly, with six deals exceeding \$30 million. This trend stopped in September and October, when zero sales occurred. Between January 2019 and March 2020, the average number of sales over \$30 million was 3.1 per month, which is significantly higher than the number of transactions in this category since May. Market participants will continue to track these metrics as the effects of the crisis continue to unfold.



**Patrick T. Craig, MAI, MRICS**  
 Executive Managing Director  
 Real Estate Valuation Practice  
 212.897.9481  
 pctcraig@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

SOURCE: U.S. Bureau of Labor Statistics, CoStar, and Marshall & Stevens