INDUSTRIAL | MULTI-FAMILY | OFFICE | RETAIL | MIXED-USE

2023 YEAR-END SALES REPORT

NORTHERN MANHATTAN

RMF

INTRODUCTION & REGIONAL ANALYSIS

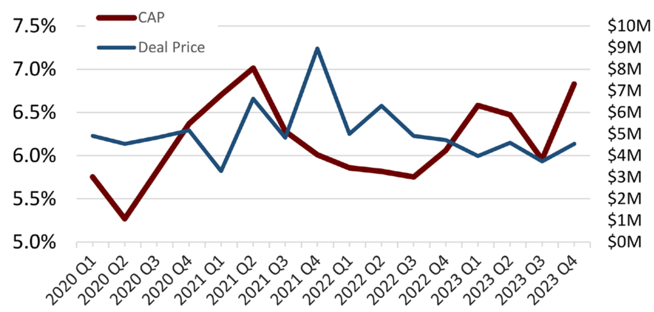
THE OPPORTUNITIES OF 2023

Will the commercial real estate industry one day regard the year 2023 as an unparalleled buying opportunity? Volume was down across the board in 2023, but there are a few reasons why the select few investors who had the 'intestinal fortitude' and compelling motivation to transact might one day be regarded as CRE visionaries when economic challenges have abated.

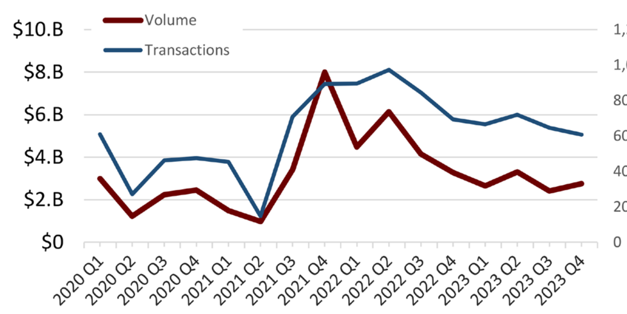
In 2023, a challenging situation unfolded for many investors. Transaction volumes saw a widespread decline, and pricing for various asset types reached decade-plus lows, while mortgage rates simultaneously soared to twenty-year highs. Numerous investors hesitated to enter a declining market, and some had lost hope in the potential rebound of the New York area, still grappling with the lingering impact of the political and economic upheavals of the past five years, experiencing a profound sense of shock and uncertainty.

However, a small group of cash-heavy investors remained actively involved, making aggressive offers and acquiring top-tier assets in highly desirable locations. These investors took a long position, expressing confidence in both the newly acquired assets, the future of the New York metro area, and the potential for refinancing in 3, 5, or 10 years in a softer rate environment.

AVG. CAP RATE * **AVG. DEAL PRICE***



VOLUME* **TRANSACTIONS***



**All investment class building sales in The Bronx, Northern Manhattan, Brooklyn, Queens, Westchester and Fairfield. Capitalization Rate data is limited as per third party reporting/availibility.*

Some crucial factors when determining the success of buyers in 2023 will be whether or not interest rates peaked, if valuations bottomed, if inflation will be restrained, New York's economic future, population changes, and legislative developments. Time will tell.

MULTIFAMILY

Multifamily in NY has become an increasingly fragmented asset class in recent years. Per unit pricing metrics have been all over the map, with free-market and/or high-rent buildings achieving the best pricing, and low-rent, stabilized assets showing the weakest metrics. Marco Lala, managing director at RMF, sums up the opportunities of this sector, "The pummeling that rent-stabilized apartments have taken over the past few years has provided an interesting opportunity for long-term, entrenched family offices to pick up extremely well-located properties at some of the lowest prices in about twenty years."

OFFICE & INDUSTRIAL

Concerning office and industrial spaces, the future still appears to depend on state and local government initiatives, possibly involving re-zoning or tax incentives, as numerous outdated buildings no longer cater to tenants' needs, particularly in suburban areas.

Regarding office John Barrett, Managing Director at RMF, believes that in the future, "there will be far less office space in Westchester County, I can see 5 million square feet of the 27 million square being repurposed for alternate use. This is especially true for B and C class buildings." One positive aspect for the industrial sector is the sustained demand for distribution/logistical sites and smaller user sites.

INTRODUCTION & REGIONAL ANALYSIS

RETAIL & MIXED USE

Marco Lala is bullish on retail and mixed-use, "Right now, there is a stronger demand for single-story, commercial (multi-tenant) retail in solid corridors. Although the interest rate environment has changed the dynamics of underwriting, the lack of rent controls and other regulatory requirements has made these attractive. Equally attractive are mixed-use with free-market apartments above."

Mixed use in particular is a transactionally active asset class in Brooklyn and Queens, typically making up more than 1/3 of all trades. Al Holloman, Associate Broker at RMF believes that, "due to the relatively low acquisition price point and tenant mix, this asset class will continue to lead all classes as an attractive investment opportunity."

OUTLOOK FOR 2024

When considered in isolation, several indicators point toward a more favorable year for commercial real estate. Interest rates have decreased (as of this report), the Federal Reserve is indicating additional rate cuts, alternative lenders have entered the market and CRE brokers continue to navigate robust investment appetites from 'long-view' buyers. Coupled with forecasts anticipating a rebound in CRE financing in 2024, these factors are expected to initially result in reduced bid-ask spreads, heightened deal volume, and increased valuations.

However, the obstacles that the industry struggles with are far from over. Lending requirements continue to tighten, costs continue to increase, and low-rate debt continues to mature in 2024.

According to Marco Lala, "Although the higher rates have clearly lowered velocity, it's the banks' 'liquidity' or ability to lend which has been a higher hurdle to investors. With speculation that there will be 3-6 rate cuts this year, even at 25 basis points each, the lowering rates will have a smaller effect. Maturing debt is looming closer and closer, and with many property values at or below mortgage balances, there will be pain ahead."

Marco continues, "The harsh reality of rising expenses, and in many cases, faster than revenue, will bring many landlords to a crossroads. They will have to seriously scrutinize their business plan and honestly project the next 24-36 months of operations. This includes reserves, collections, refinance capability, and anticipated regulatory requirements. We have seen insurance line items alone increase by 25-50%, and in some cases DOUBLE. Many carriers are even leaving the Bronx and some other NYC submarkets."

Al Holloman believes that, "the increase in operating expenses has contributed to the devaluation of assets, particularly multifamily. Inflated operating expenses coupled with inflated debt service will force property owners to determine whether or not they will continue to hold onto properties they are carrying at a loss."

John Barrett anticipates a surge in transaction volume in the second half of 2024. "I believe we will see higher transaction volume in the 3rd and 4th quarter of 2024. It will be spurred on by lower interest rates and owners who can't refinance properties purchased in the past. Interest rates will be lower than they are today but still much higher than the 3% loans that were taken out previously. These properties while not necessarily distressed will be "financially distressed" and in need of additional equity and adaptive re-use. One area where there will be some significant opportunities is in the office market. There are many Class B and C office buildings in great locations that will need to be repurposed to an alternate use."

WHAT TO EXPECT IN THE REPORT – Q&A WITH OUR MARKET EXPERTS

Marco Lala, Associate Broker - Team Lala
Dave Raciti, Associate Broker - Team Lala
Michelle Lala, Real Estate Salesperson - Team Lala
Jack Lala, Associate Broker - Team Lala

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1) WHAT INVESTMENT OPPORTUNITIES DO YOU SEE GIVEN CURRENT MARKET CONDITIONS? ARE THERE PARTICULAR ASSET TYPES OR GEOGRAPHICAL AREAS THAT PRESENT PROMISING PROSPECTS FOR INVESTORS RIGHT NOW?

DAVE RACITI: Approximately 80% of properties in Northern Manhattan are multifamily, and a vast majority of those are rent-stabilized.

MARCO LALA: The pummeling that rent-stabilized apartments have taken over the past few years has provided an interesting opportunity for long-term, entrenched family offices to pick up extremely well-located properties at some of the lowest prices in about twenty years.

2) HOW HAVE RECENT CHANGES IN INTEREST RATES IMPACTED COMMERCIAL REAL ESTATE FINANCING? ARE THERE ANY FINANCING TRENDS OR CHALLENGES THAT YOU THINK INVESTORS SHOULD BE MADE AWARE OF?

JACK LALA: The obvious impact higher interest rates have had on pricing is evident. Lenders have been stricter in their criteria, leading investors to factor all of this into how they calculate an offer. Owners now have to take a step back and reevaluate their portfolios and 5–10 year strategies.

MARCO LALA: Although the higher rates have clearly lowered velocity, it's the banks' 'liquidity' or ability to lend which has been a higher hurdle to investors. With speculation that there will be 3-6 rate cuts this year, even at 25 basis points each, the lowering rates will have a smaller effect. Maturing debt is looming closer and closer, and with many property values at or below mortgage balances, there will be pain ahead.

DAVE RACITI: Expanding lending, along with the associated interest and fees it generates, can be viewed as a potential solution to liquidity challenges for banks. The key is that lenders need to make good, sound and performing loans. Because of this, I think the more cautious approach to lending we've seen recently will persist and possibly become more stringent in 2024. However, if—and this is a 'big if'—the banks, regulators, lawmakers, and the Federal Reserve can continue to find a way to smooth out any liquidity challenges, similar to what was done in response to the banking crisis of March 2023, I would expect to see a continuation of maturing debt being refinanced in increasingly creative ways, such as extended I/O terms.

3) HOW HAVE INCREASES IN UTILITIES, INSURANCE AND OTHER OPERATING EXPENSES CONTRIBUTED TO VALUATIONS AND DAY TO DAY MANAGEMENT OF ASSETS.

MARCO LALA: The harsh reality of rising expenses, and in many cases faster than revenue, will bring many landlords to a crossroads. They will have to seriously scrutinize their business plan and honestly project the next 24-36 months of operations. This includes reserves, collections, refi capability, and anticipated regulatory requirements. We have seen insurance line items alone increase by 25-50%, and in some cases, DOUBLE. Many carriers are even leaving the Bronx and some other NYC submarkets.

MICHELLE LALA: With the increasing operating expenses, landlords are definitely going to have some major decisions to make. Is this something they can maintain and keep up with? We've had clients make the choice of signing a listing agreement the day after getting a quote on their new insurance policy.

4) ARE THERE ANY RECENT OR UPCOMING REGULATORY CHANGES THAT COULD INFLUENCE THE COMMERCIAL REAL ESTATE MARKET IN YOUR REGION?

MICHELLE LALA: In New York, you never know what new regulatory change could come in and completely alter the market. I am hoping that New York might consider reversing the elimination of the 421A, given the need for more housing, but I won't hold my breath! Right now, I think rates will have the biggest influence on our market..

MARCO LALA: Unless there are any "rent control" or imposing rent guidelines, commercial real estate will only be subject to economic factors. With high-interest rates and inflation, there has been downward pressure on consumption. Credit card debt, home equity lines of credit, and tapping into 401Ks are at their highest level ever.

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5) SPANNING ACROSS DIVERSE ASSET CATEGORIES SUCH AS INDUSTRIAL, OFFICE, RETAIL, AND MULTIFAMILY, HAVE THERE BEEN DISCERNIBLE CHANGES IN THE PREFERENCES, REQUIREMENTS, AND FINANCIAL CIRCUMSTANCES OF TENANTS LATELY? WHAT ARE THE RAMIFICATIONS OF THESE CHANGES FOR PROPERTY OWNERS?

MICHELLE LALA: Due to tenants not facing consequences for non-payment and the incessant rise in expenses, landlords are attempting to offset lost time by significantly raising rents wherever possible and seeking quality tenants. Consequently, tenants are exploring other options, opting for shorter-term leases, and potentially falling back into arrears while trying to cope with escalating rents.

MARCO LALA: Many property owners view collections as the determining factor between meeting their mortgage obligations or falling behind. One landlord stated that any collections between 85-90% of scheduled gross make the difference between negative and positive cash flow.

JACK LALA: The pressure extends to tenants as well. Multifamily apartment rents have surged, causing tenants to fall into arrears, ultimately complicating landlords' financial situations.

DAVID RACITI: Regarding office and industrial… With many antiquated building no longer meeting tenants' needs (especially in the suburbs), it looks like to future of office and industrial hinges on state and local government action which could come in the form of re-zoning or tax incentives.

JACK LALA: Retail tenants, too, are grappling with rising rents, prompting them to explore spaces with lower rents within the same block or neighborhood. In a recent conversation with an owner, the existing tenant's rent was revealed to be double the current market rate.

6) HOW WOULD YOU DESCRIBE THE OVERALL STATE OF THE COMMERCIAL REAL ESTATE MARKET TODAY?

MARCO LALA: The most significant risk factor right now is maturing debt. Without some form of a "bailout," which is highly unlikely, or drastic rate cuts, there will be major distress.

DAVE RACITI: The expertise of a good brokerage team is more important than ever, especially when it comes to presenting diligence to a lender. I've seen small $10 or $20 rent discrepancies create week-long delays. Having someone who has jumped through every hoop a hundred times before will save time, money, and your deal.

JACK LALA: There's a lot of rough terrain; however, there are deals to be made!

7) WHAT POTENTIAL RISKS OR CHALLENGES DO YOU FORESEE IN THE MARKET IN THE NEAR FUTURE? HOW CAN PROPERTY OWNERS AND INVESTORS MITIGATE THESE RISKS?

MICHELLE LALA: One of the biggest challenges we are currently facing and will continue to face with investors is that many of them would actually like to sell their property but have the dilemma that their loan is higher than the current market value of their property.

MARCO LALA: Unless you are low-leveraged and plan to stay in the business for a long time, selling anything with any equity left is a major recommendation. GPs sitting with underwater properties need to start communicating with their LPs and decide if they should engage the bank now and prepare to take losses, pay down debt, or look for rescue capital.

8) HOW IS AI AND/OR OTHER TECHNOLOGY INFLUENCING YOUR BUSINESS AND THE BUSINESS STRATEGIES OF YOU CLIENTS? ARE THERE EMERGING TECHNOLOGIES OR INNOVATIVE APPROACHES THAT ARE HAVING A NOTABLE IMPACT ON THE MARKET?

MICHELLE LALA: AI, I believe, could enhance the way we market properties and reach out to new clients.

DAVE RACITI: I see parallels with the late '90s dot-com excitement and subsequent burst in the year 2000. There's a likelihood that the majority of offerings to investors and consumers won't deliver. But, the ventures and breakthroughs that do thrive hold the promise of far-reaching transformation and societal change.

REGIONAL BUILDING SALES SNAPSHOT

INDUSTRIAL

Area	Trades		Volume		Deal Price		Price Per SF			
	Total	YoY	Total	YoY	Average	YoY	Average	YoY	Lowest	Highest
Bronx	33	↓ 8.3%	$251M	↓ 45.1%	$7.6M	↓ 40.1%	$393	↗ 2.7%	$20	$1,093
Westchester	54	↑ 8.0%	$249M	↑ 9.8%	$4.6M	↗ 1.7%	$239	↓ 11.4%	$10	$706
Fairfield	62	↗ 1.6%	$105M	↓ 16.2%	$1.7M	↓ 17.5%	$136	↗ 2.4%	$3	$417
Queens	70	↓ 26.3%	$613M	↓ 29.5%	$8.8M	↘ 4.4%	$542	↘ 2.2%	$99	$2,840
Brooklyn	82	↓ 30.5%	$675M	↓ 53.3%	$8.2M	↓ 32.8%	$517	↗ 1.1%	$50	$3,183
N. Manhattan	2	↑ 100%	$27M	↑ 50.9%	$13.6M	↓ 24.5%	$241	↓ 70.0%	$161	$321
Combined	**303**	↓ **16.1%**	**$1.9B**	↓ **38.9%**	**$6.3M**	↓ **27.2%**				

MULTIFAMILY

Area	Trades		Volume		Deal Price		Price per Unit or Price per SF			
	Total	YoY	Total	YoY	Average	YoY	Average	YoY	Lowest	Highest
Bronx	93	↓ 38.4%	$690M	↓ 29.1%	$7.4M	↑ 15.2%	$157K /U	↓ 12.3%	$58K /U	$378K /U
Westchester	78	↓ 25.0%	$354M	↓ 67.7%	$4.5M	↓ 57.0%	$217 /SF	↓ 21.5%	$20 /SF	$561 /SF
Fairfield	22	↓ 52.2%	$106M	↓ 89.8%	$4.8M	↓ 78.6%	$166 /SF	↓ 23.1%	$31 /SF	$379 /SF
Queens	157	↓ 20.7%	$592M	↓ 27.6%	$3.8M	↓ 8.6%	$251K /U	↗ 0.7%	$5K /U	$1.1M /U
Brooklyn	308	↓ 34.6%	$1.4B	↓ 57.4%	$4.5M	↓ 34.8%	$358K /U	↘ 3.1%	$13K /U	$1.6M /U
N. Manhattan	91	↑ 9.6%	$585M	↓ 43.0%	$6.4M	↓ 48.0%	$215K /U	↓ 22.3%	$17K /U	$1.2M /U
Combined	**749**	↓ **28.9%**	**$3.7B**	↓ **54.7%**	**$4.9M**	↓ **36.4%**				

OFFICE

Area	Trades		Volume		Deal Price		Price Per SF			
	Total	YoY	Total	YoY	Average	YoY	Average	YoY	Lowest	Highest
Bronx	12	→ 0.0%	$67M	↑ 70.8%	$5.6M	↑ 70.8%	$325	↓ 16.5%	$160	$543
Westchester	40	↓ 11.1%	$220M	↓ 47.5%	$5.5M	↓ 40.9%	$263	↓ 14.7%	$27	$983
Fairfield	41	↓ 46.8%	$117M	↓ 82.3%	$2.9M	↓ 66.8%	$232	↓ 16.2%	$29	$889
Queens	35	↓ 7.9%	$287M	↑ 21.2%	$8.2M	↑ 31.5%	$550	↑ 11.6%	$267	$1,524
Brooklyn	38	↓ 7.3%	$184M	↓ 43.4%	$4.8M	↓ 39.0%	$515	↓ 5.6%	$43	$1,741
N. Manhattan	1	→ 0.0%	$56M	n/a	$56.2M	n/a	$500	↑ 31.7%	$500	$500
Combined	**167**	↓ **22.0%**	**$932M**	↓ **44.7%**	**$5.6M**	↓ **29.2%**				

RETAIL

Area	Trades		Volume		Deal Price		Price Per SF			
	Total	YoY	Total	YoY	Average	YoY	Average	YoY	Lowest	Highest
Bronx	54	↓ 23.9%	$175M	↓ 7.2%	$3.2M	↑ 22.1%	$500	↑ 11.1%	$112	$1,479
Westchester	81	↓ 26.4%	$410M	↓ 20.6%	$5.1M	↑ 7.8%	$380	↑ 12.0%	$37	$2,063
Fairfield	108	↓ 19.4%	$316M	↓ 29.9%	$2.9M	↓ 13.1%	$314	↓ 16.9%	$10	$1,348
Queens	133	↓ 10.1%	$524M	↓ 16.5%	$3.9M	↓ 7.1%	$633	→ 0.0%	$34	$3,158
Brooklyn	120	↓ 29.4%	$631M	↓ 20.7%	$5.3M	↑ 12.3%	$721	↑ 6.6%	$118	$3,901
N. Manhattan	11	→ 0.0%	$35M	↓ 60.8%	$3.2M	↓ 60.8%	$1,085	↑ 41.9%	$323	$2,215
Combined	**507**	↓ **21.3%**	**$2.1B**	↓ **21.7%**	**$4.1M**	↘ **0.5%**				

MIXED-USE

Area	Trades		Volume		Deal Price		Price Per SF			
	Total	YoY	Total	YoY	Average	YoY	Average	YoY	Lowest	Highest
Bronx	53	↓ 11.7%	$70M	↓ 29.2%	$1.3M	↓ 19.8%	$298	↘ 0.4%	$97	$636
Westchester	91	↓ 36.8%	$114M	↓ 47.9%	$1.3M	↓ 17.6%	$281	↗ 2.4%	$63	$966
Queens	217	↓ 20.2%	$297M	↓ 23.2%	$1.4M	↘ 3.8%	$438	↘ 0.6%	$36	$1,498
Brooklyn	398	↓ 30.9%	$767M	↓ 33.8%	$1.9M	↘ 4.1%	$518	↗ 1.6%	$19	$1,875
N. Manhattan	8	↓ 46.7%	$16M	↓ 66.1%	$2.0M	↓ 36.5%	$394	↓ 33.5%	$180	$755
Combined	**767**	↓ **28.1%**	**$1.3B**	↓ **33.8%**	**$1.6M**	↓ **7.9%**				

2023 YEAR-END | N Manhattan Sales

RMF

MULTI-FAMILY

SALES VOLUME

$585M IN 2023

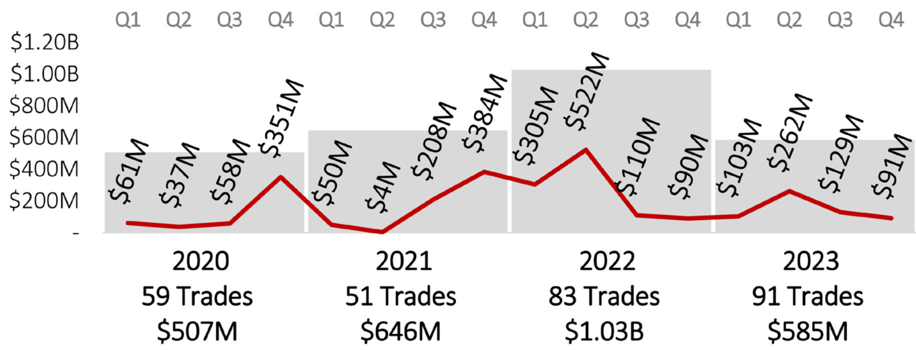
-43% FROM 2022

AVERAGE PPU

$215K IN 2023

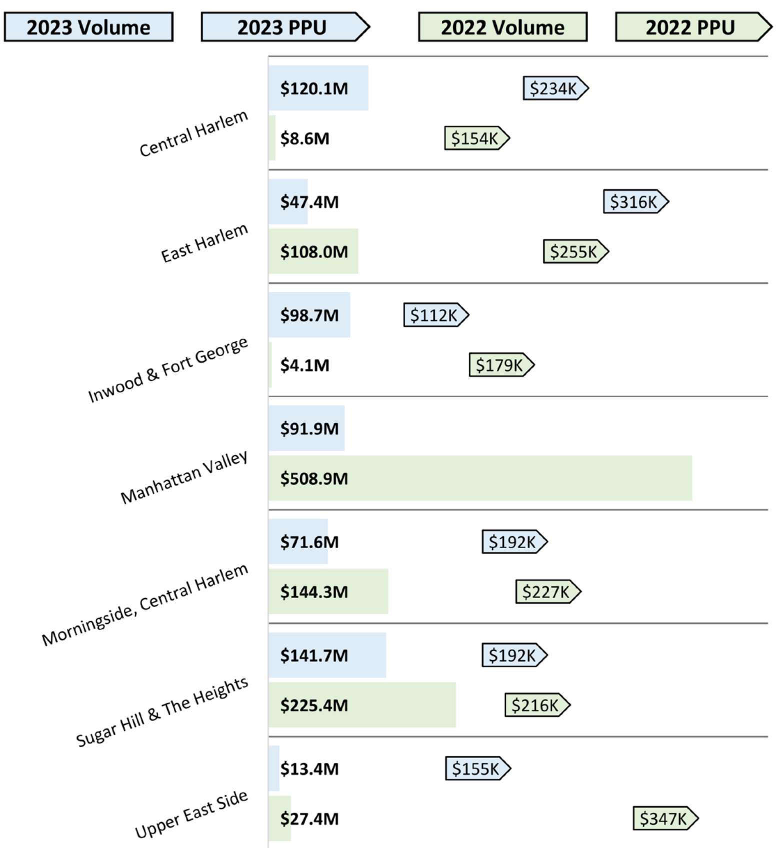
-22% FROM 2022

SALES VOLUME HISTORY



- The average CAP rate for multifamily in 2023 was $6.5% and the median CAP rate was $6.5%.
- The average transaction price in 2023 was $6.4M, down $48.0% from 2022.

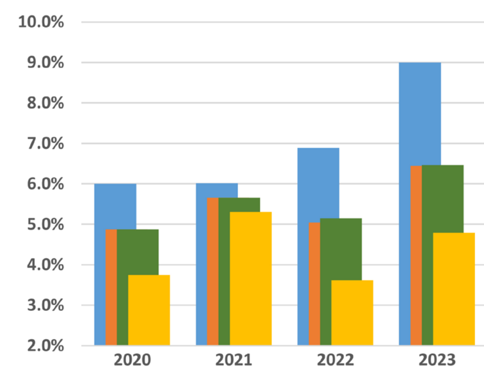
SUBMARKET METRICS



AVERAGE PRICE PER UNIT

Each tier represents approximately 1/3 of transactions.

CAPITALIZATION RATES



	2020	2021	2022	2023
High	6.00%	6.01%	6.89%	9.00%
Median	4.88%	5.66%	5.04%	6.45%
Average	4.88%	5.66%	5.15%	6.46%
Low	3.75%	5.30%	3.62%	4.79%

RETAIL

SALES VOLUME

$35M IN 2023

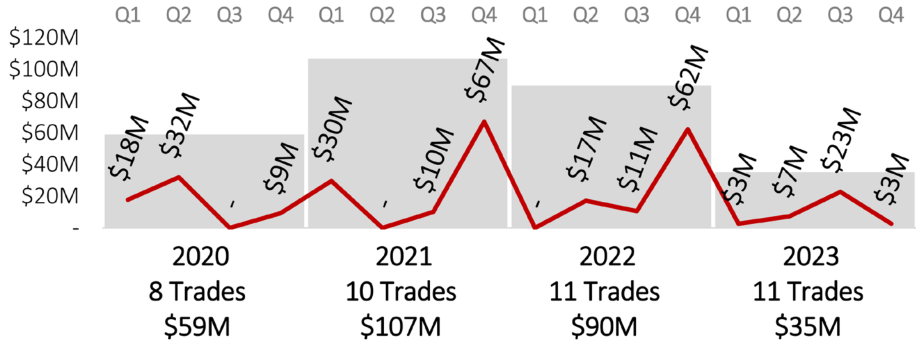
-61% FROM 2022

AVERAGE PPSF

$1,085 IN 2023

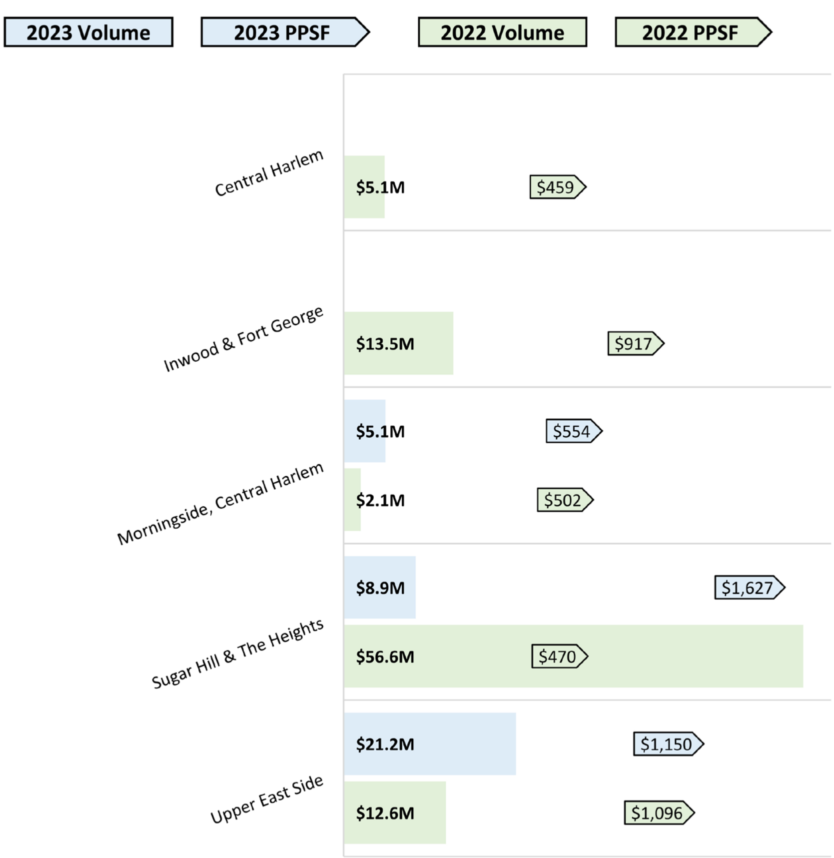
+42% FROM 2022

SALES VOLUME HISTORY



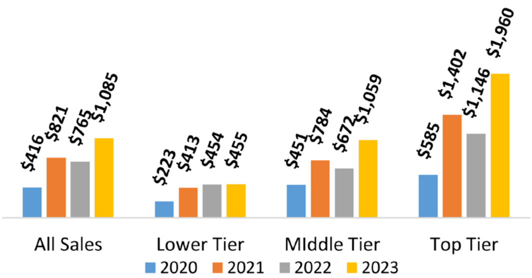
- Notably, 1868 Third Avenue (1,625 SF with 8,500+ SF in air rights) sold in May for $3.6M or $2,215/SF
- The average transaction price in 2023 was $3.2M, down $60.8% from 2022.

SUBMARKET METRICS



AVERAGE PRICE PER SF

Each tier represents approximately 1/3 of transactions.



2023 VOLUME BY TYPE

2023 YEAR-END | N Manhattan Sales

MIXED-USE

SALES VOLUME

$16M IN 2023

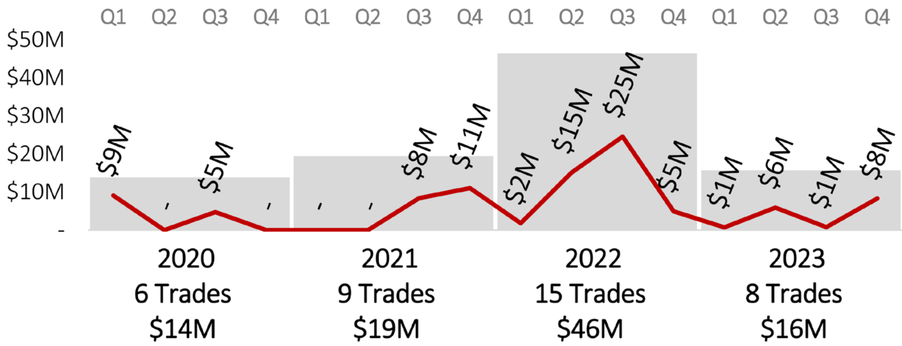
-66% FROM 2022

AVERAGE PPSF

$394 IN 2023

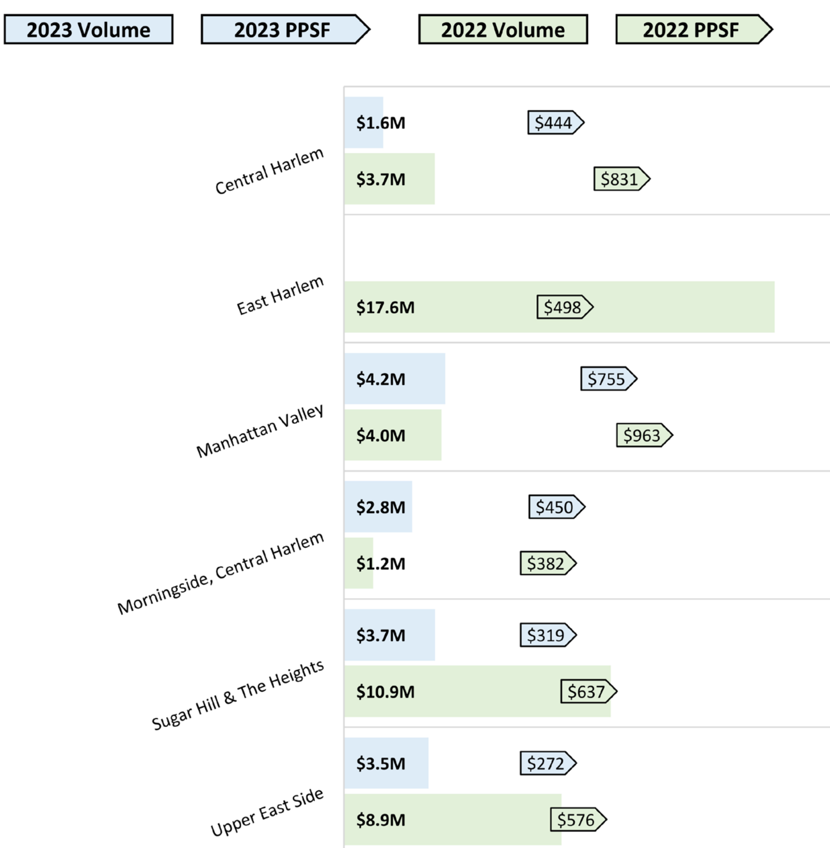
-33% FROM 2022

SALES VOLUME HISTORY



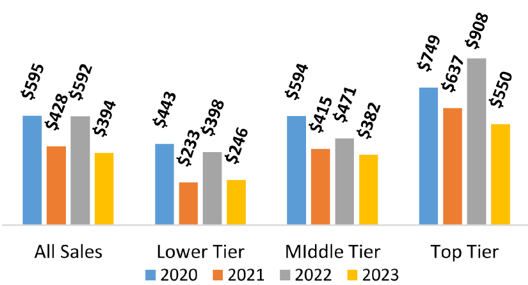
- With lower inventory compared to other areas, mixed-use trades in Northern Manhattan tend to be sporadic.
- The average transaction price in 2023 was $2.0M, down $36.5% from 2022.

SUBMARKET METRICS

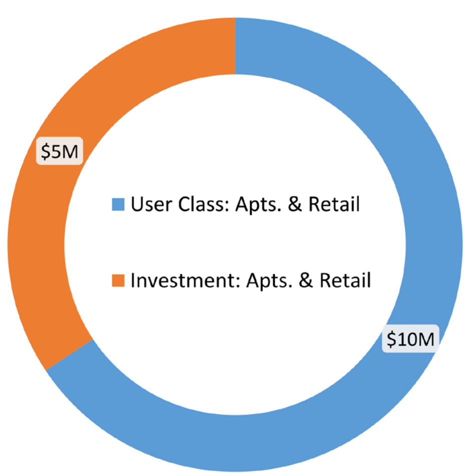


AVERAGE PRICE PER SF

Each tier represents approximately 1/3 of transactions.



2023 VOLUME BY TYPE



FEATURED MARKET TRANSACTIONS

MULTI-FAMILY

149 E 121st St Pkg | Harlem
SALE PRICE: $2,900,000
BUILDING UNITS: 18
PPU: $161,111

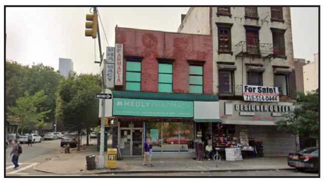
2802 Fredrick Douglass Blvd | Harlem
SALE PRICE: $83,000,000
BUILDING UNITS: 550
PPU: $150,909

2660 Broadway | Manhattan Valley
SALE PRICE: $54,500,000
BUILDING UNITS: 89
PPU: $612,360

18 W 125th St | Upper West Side
SALE PRICE: $5,450,000
BUILDING UNITS: 5
PPU: $1,090,000

RETAIL

4138 Broadway | Harlem
SALE PRICE: $8,880,000
BUILDING SF: 5,458 SF
PPSF: $1,627.00



1868 3rd Ave | East Harlem
SALE PRICE: $3,600,000
BUILDING SF: 1,625 SF
PPSF: $2,215.00

1870 3rd Ave | East Harlem
SALE PRICE: $2,750,000
BUILDING SF: 1,350 SF
PPSF: $2,037.00

2116 3rd Ave | East Harlem
SALE PRICE: $1,000,000
BUILDING SF: 2,570 SF
PPSF: $389.00

MIXED-USE

200 Lenox Ave | Harlem
SALE PRICE: $2,788,425
BUILDING SF: 6,195 SF
PPSF: $450.00

355 E 116th St | East Harlem
SALE PRICE: $2,655,000
BUILDING SF: 7,294 SF
PPSF: $364.00

1781 Lexington Ave | East Harlem
SALE PRICE: $800,000
BUILDING SF: 4,444 SF
PPSF: $180.00

2313 Adam Clayton Powell Blvd | Harlem
SALE PRICE: $1,600,000
BUILDING SF: 3,600 SF
PPSF: $444.00

RM FRIEDLAND

COMMERCIAL REAL ESTATE SERVICES

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