

2024 MID-YEAR SALES REPORT

T H E B R O N X



109
TRADES

\$305 M
VOLUME

\$2.8 M
AVG DEAL
PRICE

CURRENT TRENDS AND OPPORTUNITIES IN INVESTMENT SALES

By Marco Lala, Managing Director at RM Friedland

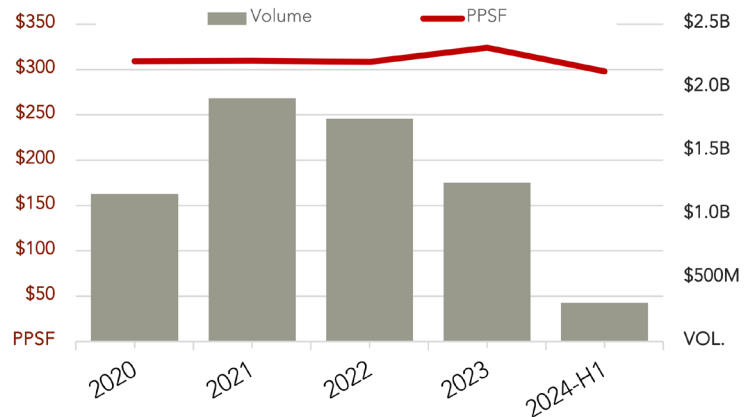
With COVID-19 now a distant memory, the commercial and retail asset classes have made a significant rebound. Properties with regional or national tenants are in high demand, as are neighborhood retail spaces in strong corridors. Mixed-use properties with stores on the ground floor and free-market units above, as well as single-story, multi-tenant 'taxpayers', are especially popular. Demand for larger free-market multifamily remains high, though it has been somewhat tempered by the recent signing of the Good Cause Eviction Bill. Now, landlords must renew existing leases and are capped at increases of the lessor of 5% + CPI or 10% (unless the tenant moves out or other exceptions apply). The implementation of the 485X tax abatement has also spurred land sales. In areas like the Bronx, it is critical to stay under 99 units as costs begin to escalate due to wage requirements and other demands on developers.

Regarding supply, my brother and longtime partner, Jack Lala, has stated, "The current environment following all of the restrictions, circumstances, and laws that have taken place since June 2019 has led many owners who have been in the business for decades to consider retirement more seriously or to cash out and move their investments elsewhere. This shift has allowed other seasoned and experienced investors to grow their portfolios and purchase properties that would have never otherwise hit the market."

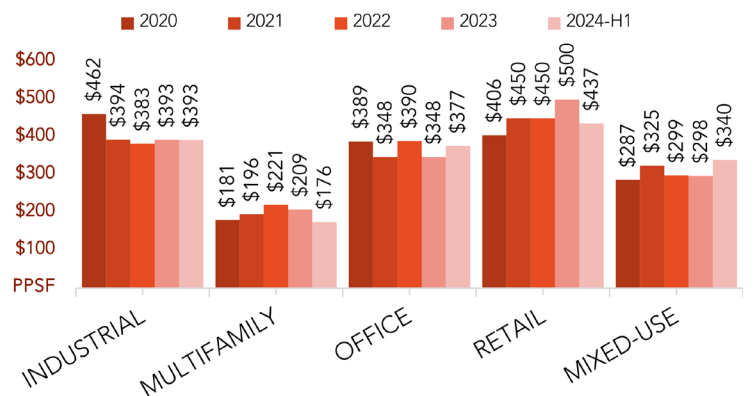
LENDING STANDARDS AND FINANCING VOLUME

Since the collapse of Signature Bank and NYCB requiring a cash injection from private equity, lenders have become extra cautious. Their inspections and coordination with other third-party vendors like insurance companies, engineers, and environmental consultants have been tremendously heightened. They are now monitoring city websites like NYC.gov and HPD for any changes in violation counts, lead paint issues, or

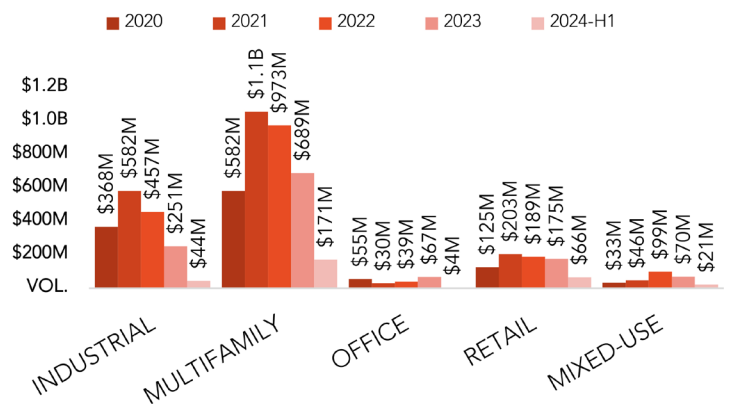
AVERAGE PPSF & TOTAL VOLUME ^{1 2}



MARKET SEGMENTS: AVERAGE PPSF ¹



MARKET SEGMENTS: VOLUME ¹



1) Bronx Investment/Building Sales

2) Data Excludes Known Development Sites & Specialty Use Properties

CURRENT TRENDS AND OPPORTUNITIES IN INVESTMENT SALES

other red flags made public. The higher rates have obviously tempered loan amounts. The regulatory environment and rising operating costs are also making DSCR ratios higher and BPS spreads wider. I don't see the data suggesting a rate cut of any consequence for the remainder of the year, but there appears to be a consensus of a rate cut in September. The hikes were very high and very quick, and a quarter-point decrease may not fix anything in the short term other than providing a psychological benefit.

Jack adds, "Despite the challenges, deals can still reach the finish line. It's important to have your paperwork in order and maintain good communication throughout the entire process. If you have good relationships with sellers, buyers, attorneys, and mortgage brokers, and maintain clear communication, it greatly facilitates the process."

OPERATING EXPENSES AND ASSET MANAGEMENT

Besides lending criteria, the rising utility costs, insurance, and other operating expenses are making it very difficult for owners to reinvest in their buildings. In addition to anemic rent increases, reserves are being tapped into just to pay the bills. A minor fix-up versus a total gut rehab is typically the only way an owner can justify getting an apartment unit 'rent-ready' for new tenants. Harder still to recover from is a scenario in which, an owner might be blindsided by an emergency repair to the roof, boiler, or electrical system. Speaking specifically about insurance increases: we've seen increases ranging from 50% to even 200% at renewals. How does one underwrite this in their 'opinion of value' or financing illustration? Now apply this to three, four, or more expense line items, and you can see how values could drop 25-50% from the heights of the market.

Michelle Lala points out, "Rising costs have taken a toll on landlords. Many are faced with serious business decisions about whether they can carry all these increasing expenses while hoping their tenants actually pay their rent. Landlords now face the tough decision of buckling down and trying to find ways to lessen their financial burden by taking on fewer projects, revamping their management style, or outright selling the property. I have personally had clients sign listing agreements a day after receiving a quote for their new insurance policy."

MANAGING RISK

Property management and an extreme all hands on deck approach to running one's properties are more important than ever. This includes shopping for insurance quotes, internalizing some repairs, staying on top of non-payers, and ensuring lead paint repairs are done minimally, possibly getting units 'lead exempt' on city records. Those who use third-party managers must manage the management company by scrutinizing every monthly report. It's crucial to actually go out and walk the properties on a regular schedule, both with and without your property manager. This approach can lead to cost savings or preventative measures should something come to your attention.

Michelle adds, "There are so many challenges and risks to keep track of that can occur unexpectedly. Owners have to stay on top of their paperwork now more than ever, do their best with preventative maintenance, and keep an eye on expenses, shopping around for competitive rates where possible."

CONCLUSION

Despite current market challenges, now remains a favorable time to list properties. Stable demand, coupled with a low inventory, creates a conducive atmosphere for sellers to achieve competitive pricing and favorable terms.

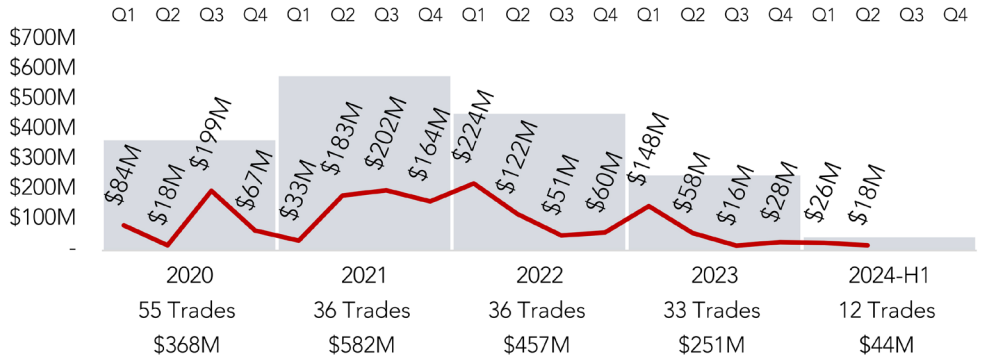
DATA POINTS

METRICS: 2024-H1

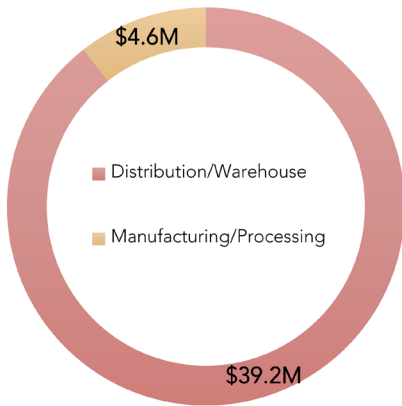
Metric	%Δ
\$44M Total Volume	↓ 78.8%
12 Trades	↓ 42.9%
\$3.7M Average Deal Price	↓ 62.8%
\$393 Average Price Per SF	↓ 5.1%

From 2023-H1

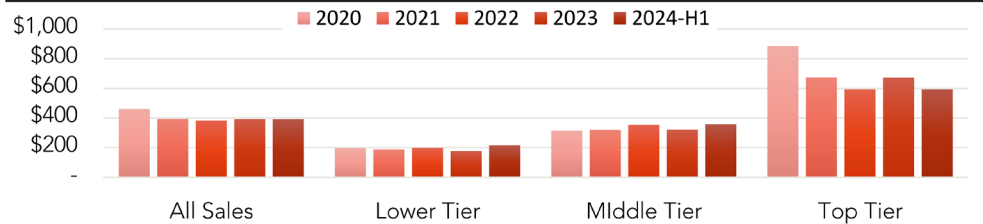
VOLUME HISTORY



VOLUME BY TYPE: 2024-H1



AVERAGE PRICE PER SF



FEATURED TRANSACTIONS



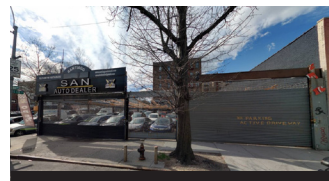
4551 Furman Ave | Wakefield

SALE PRICE: \$10,500,000
BUILDING SF: 24,810 SF
PPSF: \$423.00



780 E 138th St | Port Morris

SALE PRICE: \$8,853,649
BUILDING SF: 76,100 SF
PPSF: \$116.00



4261-63 3rd Ave | Tremont

SALE PRICE: \$7,245,900
BUILDING SF: 9,800 SF
PPSF: \$740.00



533 Concord Ave | Mott Haven

SALE PRICE: \$4,000,000
BUILDING SF: 6,792 SF
PPSF: \$589.00

VIEWPOINTS

DAVID RACITI: In the first half of 2024, the Bronx industrial market faced significant challenges. Transaction volume decreased by 78.8% compared to 2023 H1 and remained relatively flat compared to 2023 H2. The number of trades fell by 42.9% compared to 2023 H1 and was also flat compared to 2023 H2. Notable transactions such as the sale of 4551 Furman Ave for \$10.5 million, which included 24,810 square feet at \$423 per square foot, highlight ongoing investor interest in strategic industrial properties. The market continues to grapple with rising operational costs and shifts in demand, but the growth of e-commerce and logistics presents long-term opportunities.

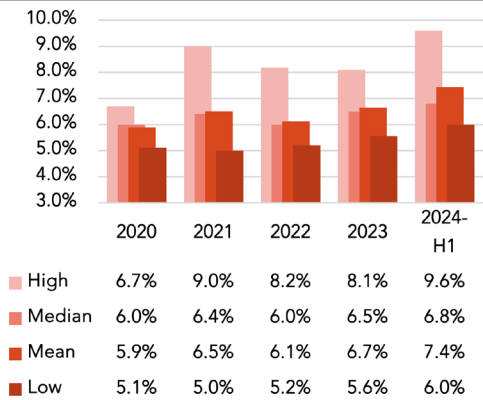
DATA POINTS

METRICS: 2024-H1

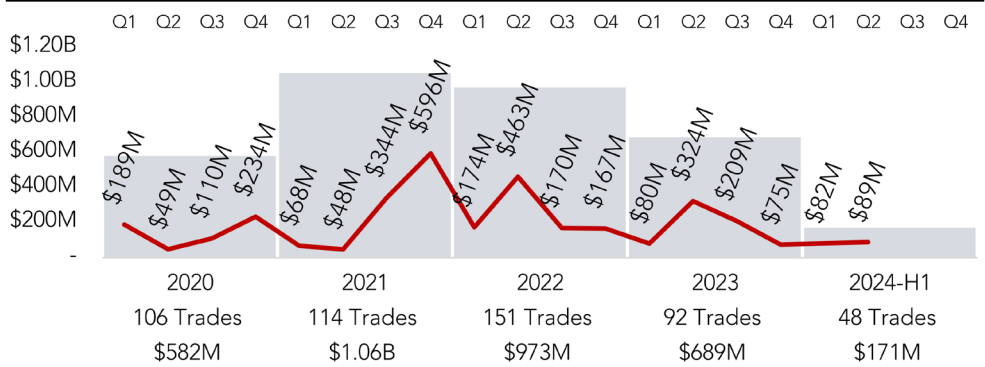
Metric	%Δ
\$171M Total Volume	↓ 57.7%
48 Trades	→ 0.0%
\$3.6M Average Deal Price	↓ 57.7%
\$139K Average Price Per Unit	↓ 10.2%

From 2023-H1

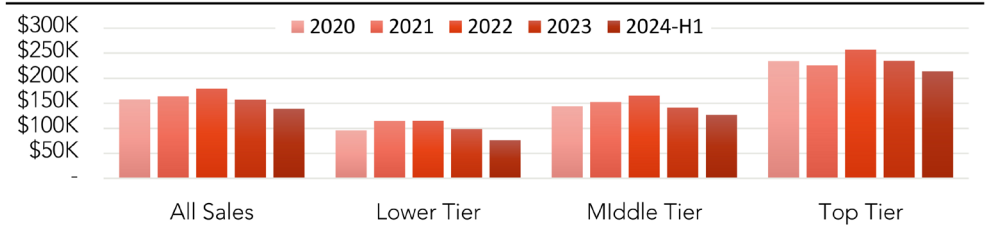
CAPITALIZATION RATES



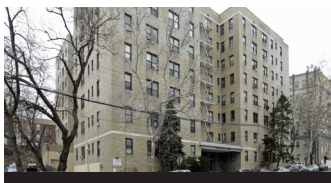
VOLUME HISTORY



AVERAGE PRICE PER UNIT

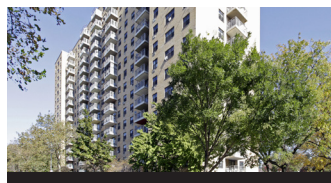


FEATURED TRANSACTIONS



530 E 234th St | Woodlawn

SALE PRICE: \$11,500,000
BUILDING UNITS: 88
PPU: \$130,682.00



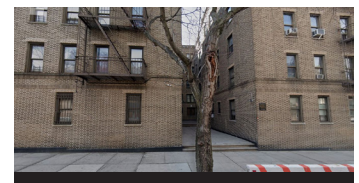
1500 Noble Ave | Parkchester

SALE PRICE: \$26,000,000
BUILDING UNITS: 238F
PPU: \$109,244.00



200 E 205th St | Bedford Park

SALE PRICE: \$7,700,000
BUILDING UNITS: 61
PPU: \$126,230.00



3043 Villa Ave | Bedford Park

SALE PRICE: \$7,230,000
BUILDING UNITS: 48
PPU: \$150,625.00

VIEWPOINTS

MARCO LALA: We recently sold a property where a rent freeze from DHCR was identified during due diligence. A contentious back-and-forth ensued with the buyer pushing for a six-figure price reduction on a \$9M deal. With the rent freeze starting in 1989, regulations indicate that every rent charged from that point to the present was technically illegal and could lead to an overcharge claim. Although technically capped at six years, a judge can rule otherwise, potentially leading to hundreds of thousands in fines and back rent. Upon further investigation, it was discovered through paperwork dating back to 1991 that the rent had actually been restored and a decision in favor of the landlord was made. Who would think that something misfiled over 35 years ago could detrimentally affect the value of an apartment building? Anecdotal evidence like this illustrates why volume and average deal prices are down so significantly.

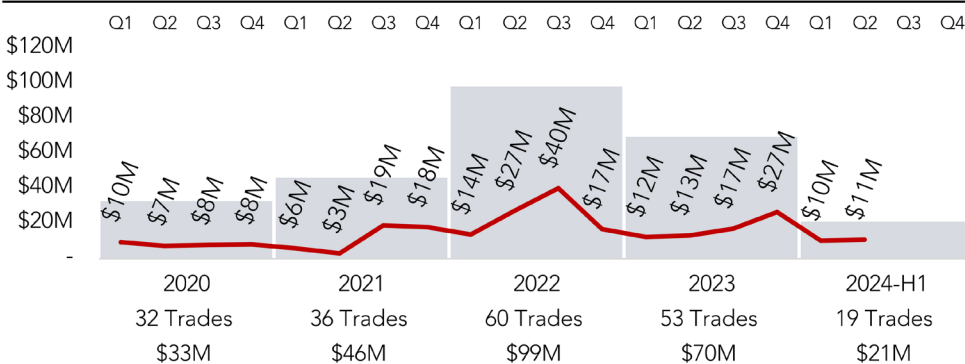
DATA POINTS

METRICS: 2024-H1

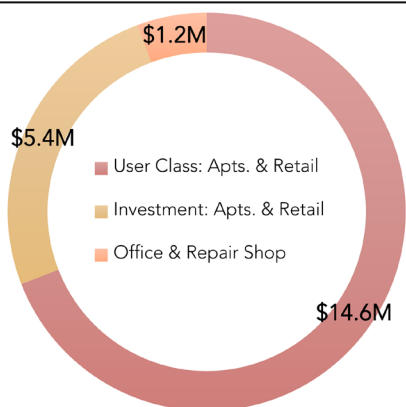
Metric	%Δ
\$21M Total Volume	↓ 17.8%
19 Trades	↓ 38.7%
\$1.1M Average Deal Price	↑ 34.1%
\$340 Average Price Per SF	↑ 9.1%

From 2023-H1

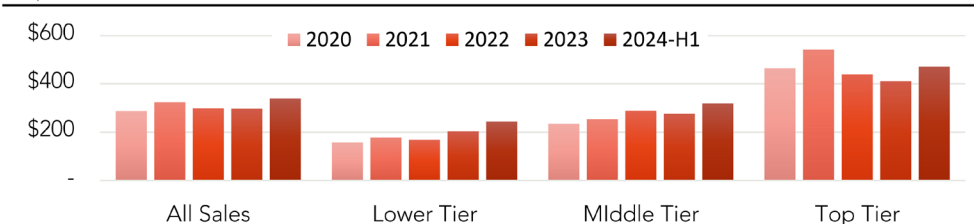
VOLUME HISTORY



VOLUME BY TYPE: 2024-H1



AVERAGE PRICE PER SF



FEATURED TRANSACTIONS



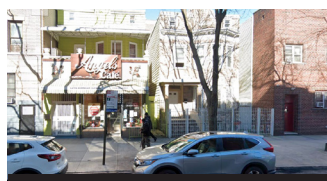
2809 3rd Ave | Mott Haven

SALE PRICE: \$3,075,000
BUILDING SF: 7,248 SF
PPSF: \$424.00



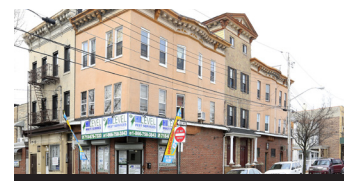
3060 3rd Ave | Melrose

SALE PRICE: \$2,000,000
BUILDING SF: 7,905 SF
PPSF: \$253.00



743 E 187th St | Belmont

SALE PRICE: \$1,500,000
BUILDING SF: 2,940 SF
PPSF: \$510.00



1705 Taylor Ave | Van Nest

SALE PRICE: \$1,350,000
BUILDING SF: 5,180 SF
PPSF: \$261.00

VIEWPOINTS

MICHELLE LALA: Despite deal volume trending downward, the price per square foot and overall pricing have increased. I think that speaks volumes about the strength of this asset type. Mixed-use properties seem attractive to many investors because they don't necessarily have to deal with rent stabilization laws and can also obtain higher rents from retail tenants. It allows landlords who traditionally invest in multifamily assets to diversify their portfolio without completely turning away from an asset type they are familiar with.

DATA POINTS

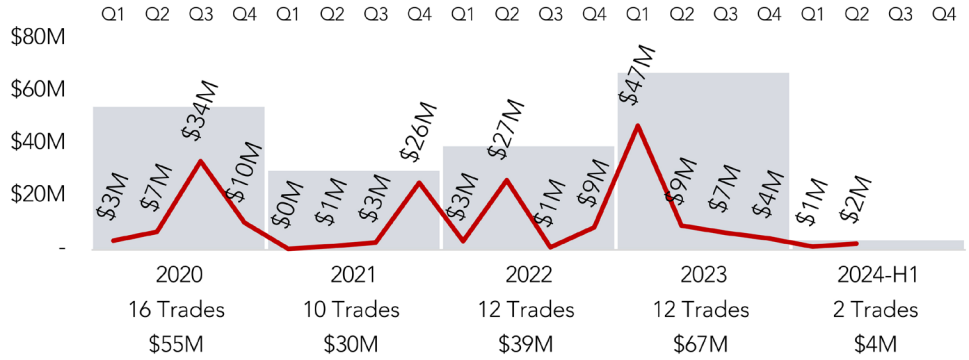
METRICS: 2024-H1	%Δ
\$4M Total Volume	↓ 93.7%
2 Trades	↓ 71.4%
\$1.8M Average Deal Price	↓ 77.8%
\$377 Average Price Per SF	↑ 31.3%

From 2023-H1

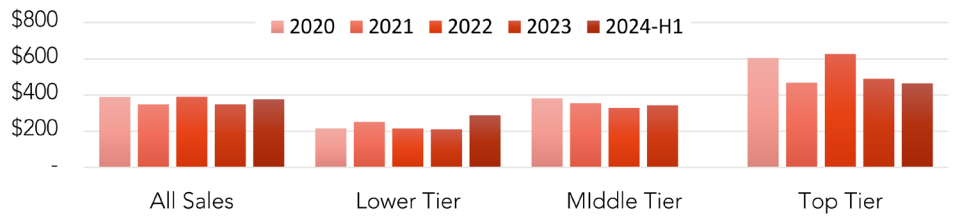
VOLUME BY TYPE: 2024-H1



VOLUME HISTORY



AVERAGE PRICE PER SF

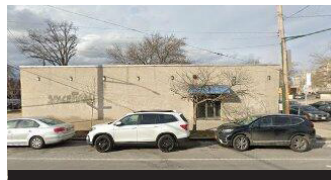


FEATURED TRANSACTIONS



3117 Buhre ave | Pelham Bay

SALE PRICE: \$2,325,000
BUILDING SF: 5,000 SF
PPSF: \$465.00



1201 Morris Plk Ave | Morris Park

SALE PRICE: \$1,270,000
BUILDING SF: 4,391 SF
PPSF: \$289.00

VIEWPOINTS

DAVID RACITI: With low inventory and unusually sparse sales activity, the Bronx office market experienced a decline in the first half of 2024. Transaction volume decreased by 93.7% compared to 2023 H1 and by 66.9% compared to 2023 H2. The number of trades fell by 71.4% compared to 2023 H1 and by 60.0% compared to 2023 H2. One notable transaction was the sale of 1201 Morris Park Avenue in the Morris Park section of the Bronx for \$1.27 million. This property, encompassing 4,080 square feet, reflects a price of \$637 per square foot. Although currently grandfathered into a residential zone, this property is slated to benefit from redistricting along the Metro North corridor.

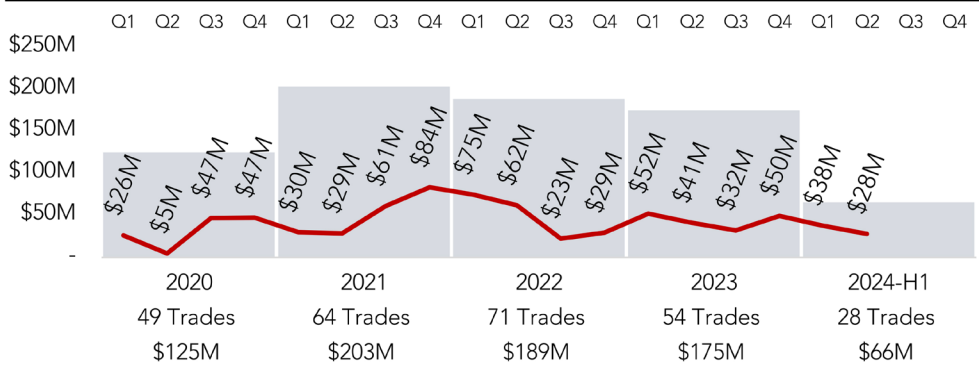
DATA POINTS

METRICS: 2024-H1

Metric	%Δ
\$66M Total Volume	↓ 29.6%
28 Trades	↑ 12.0%
\$2.3M Average Deal Price	↓ 37.2%
\$437 Average Price Per SF	↓ 8.5%

From 2023-H1

VOLUME HISTORY

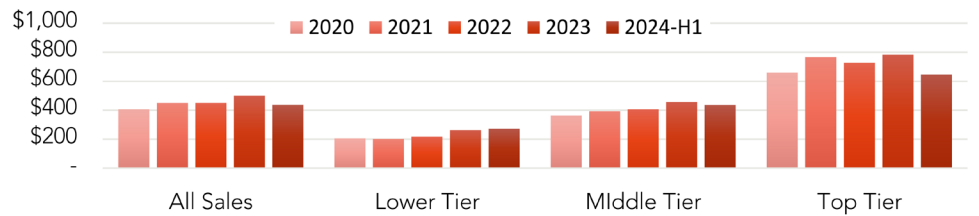


VOLUME BY TYPE: 2024-H1



AVERAGE PRICE PER SF

Each tier represents approximately 1/3 of transactions.

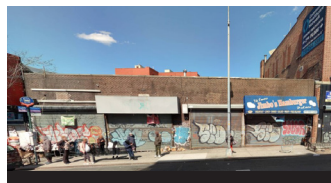


FEATURED TRANSACTIONS



151 E 170th St | Mount Eden

SALE PRICE: \$8,553,068
BUILDING SF: 9,700 SF
PPSF: \$882.00



509-15 E Tremont Ave | Tremont

SALE PRICE: \$8,225,000
BUILDING SF: 19,455 SF
PPSF: \$423.00



3575 Boston Rd | Williamsbridge

SALE PRICE: \$6,000,000
BUILDING SF: 10,495 SF
PPSF: \$572.00



3251 Westchester Ave | Morris Park

SALE PRICE: \$5,000,000
BUILDING SF: 8,639 SF
PPSF: \$579.00

VIEWPOINTS

MICHELLE LALA: When looking at the data, you can see that the number of trades is increasing for this asset type. With retail rebounding and strengthening in the Bronx, I think we could see the number of trades continue to increase throughout 2024. When speaking with landlords about even mixed-use properties, some feedback I receive is, "absolutely no apartments—ONLY retail."

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