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

2024 MID-YEAR SALES REPORT

NORTHERN MANHATTAN

39
TRADES

$183 M
VOLUME

$4.7 M
AVG DEAL PRICE

RMF

CURRENT TRENDS AND OPPORTUNITIES IN INVESTMENT SALES

By Marco Lala, Managing Director at RM Friedland

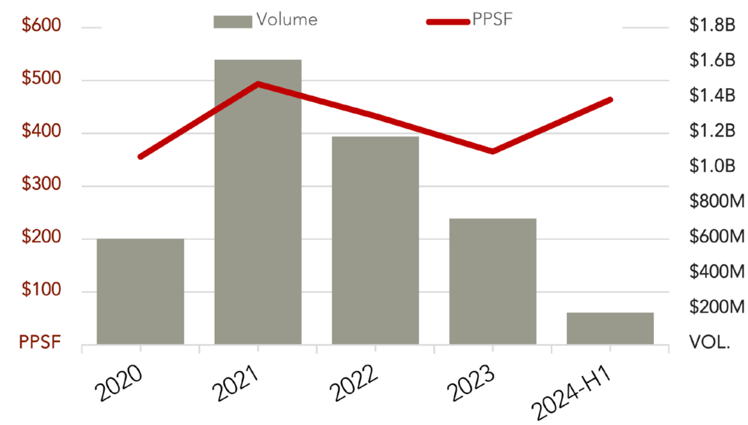
With COVID-19 now a distant memory, the commercial and retail asset classes have made a significant rebound. Properties with regional or national tenants are in high demand, as are neighborhood retail spaces in strong corridors. Mixed-use properties with stores on the ground floor and free-market units 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.

Regarding supply, my brother and longtime partner, Jack Lala, has stated, "Northern Manhattan has always been a market characterized by minimal trades, often involving quiet, off-market deals with steep prices. In today's climate, I am seeing and hearing from more and more clients about properties they either received offerings on or recently acquired in Northern Manhattan, with pricing comparable to what you would find in the Bronx."

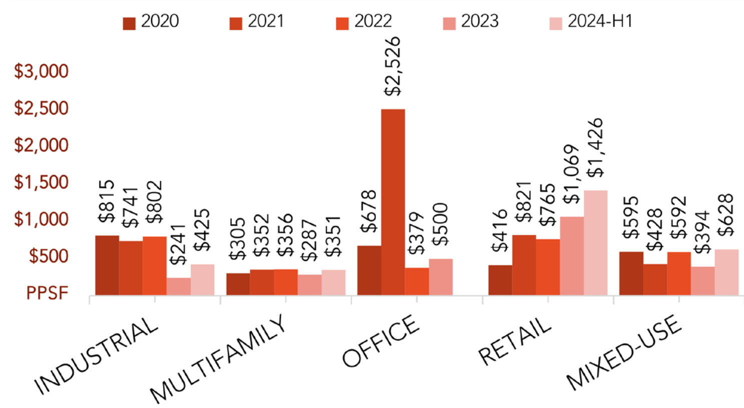
LENDING STANDARDS AND FINANCING VOLUME

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

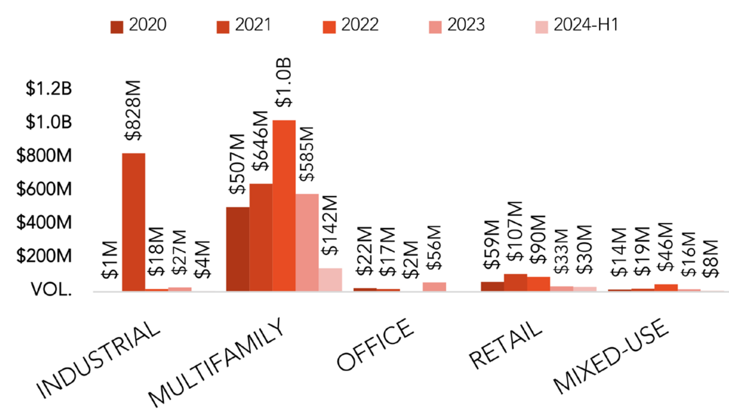
AVERAGE PPSF & TOTAL VOLUME [1,2]



MARKET SEGMENTS: AVERAGE PPSF [1]



MARKET SEGMENTS: VOLUME [1]



1) N. Manhattan Investment/Building Sales

2) Data Excludes Known Development Sites & Specialty Use Properties

CURRENT TRENDS AND OPPORTUNITIES IN INVESTMENT SALES

lead paint issues, or 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.

My daughter and teammate Michelle Lala points out, "Right now, it seems banks are continuing to tighten their standards for lending on commercial real estate and are actually doing even more due diligence, especially when examining sources like HPD and DOB. Depending on the asset types, some banks are even turning away deals. Investors should be aware that if they are seeking a loan from a bank on a particular property, the more information and paperwork they have on the property, the better. It is imperative to have all of your ducks in a row!"

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.

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.

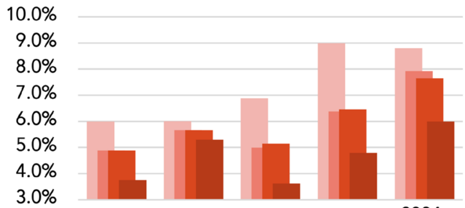
DATA POINTS

METRICS: 2024-H1

METRICS: 2024-H1	%Δ
$142M Total Volume	↓ 61.2%
31 Trades	↓ 36.7%
$4.6M Average Deal Price	↓ 38.6%
$208K Average Price Per Unit	↓ 17.7%

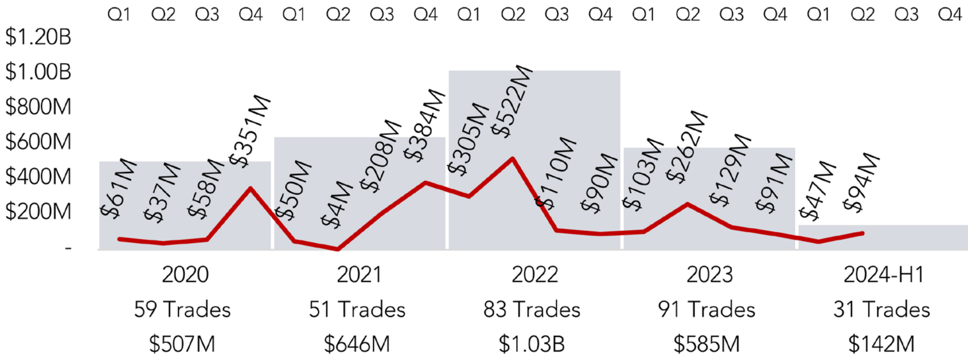
From 2023-H1

CAPITALIZATION RATES



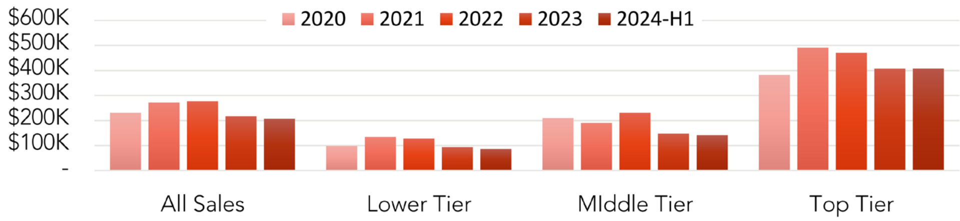
	2020	2021	2022	2023	2024-H1
High	6.0%	6.0%	6.9%	9.0%	8.8%
Median	4.9%	5.7%	5.0%	6.4%	7.9%
Mean	4.9%	5.7%	5.1%	6.5%	7.7%
Low	3.8%	5.3%	3.6%	4.8%	6.0%

VOLUME HISTORY



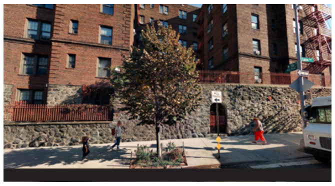
AVERAGE PRICE PER UNIT

Each tier represents approximately 1/3 of transactions.

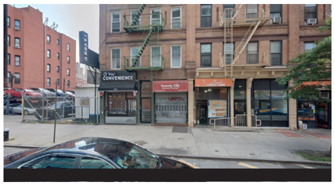


FEATURED TRANSACTIONS

425 W 205th St | Inwood
SALE PRICE: $9,000,000
BUILDING UNITS: 72
PPU: $125,000.00



186 Pinehurst Ave | Washington Heights
SALE PRICE: $8,000,000
BUILDING UNITS: 65
PPU: $123,077.00



1557 Lexington Ave | East Harlem
SALE PRICE: $5,850,000
BUILDING UNITS: 9
PPU: $650,000.00

240 W 111th St | Harlem
SALE PRICE: $5,650,000
BUILDING UNITS: 54
PPU: $104,630.00

VIEWPOINTS

DAVID RACITI: In the first half of 2024, the Northern Manhattan multifamily market experienced notable declines. The number of trades decreased by 36.7% compared to 2023 H1 and by 26.2% compared to 2023 H2. Total sales volume also dropped significantly by 61.2% compared to 2023 H1 and by 35.6% compared to 2023 H2. The average deal price fell by 38.6% compared to 2023 H1 and by 12.7% compared to 2023 H2.

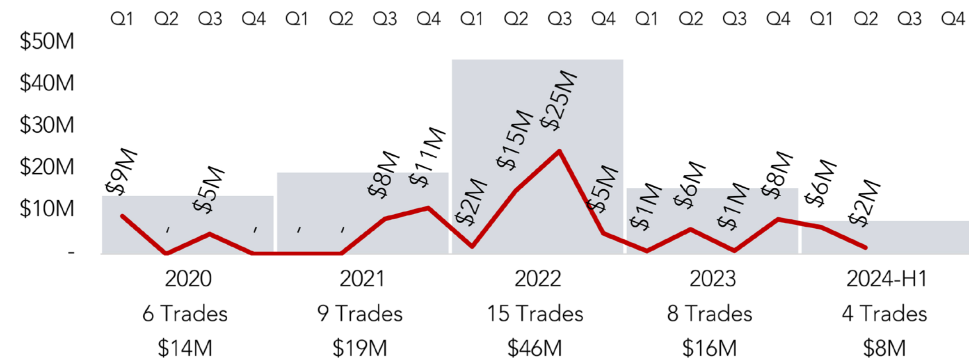
MICHELLE LALA: Prices in Northern Manhattan have been on a downward trajectory for quite some time, a result of increasing regulations in NYC and rising interest rates. For example, we recently sold a very well-maintained 73-unit property in the Inwood area, at 425 West 205th Street. The seller originally paid $12,600,000 in 2014, and in 2024, we helped him sell the property for $9,000,000.

DATA POINTS

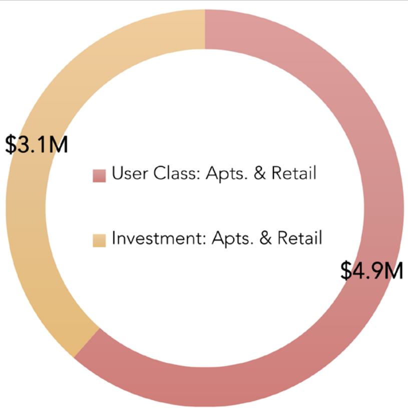
METRICS: 2024-H1	%Δ
$8M Total Volume	19.6%
4 Trades	0.0%
$2.0M Average Deal Price	19.6%
$628 Average Price Per SF	73.0%

From 2023-H1

VOLUME HISTORY

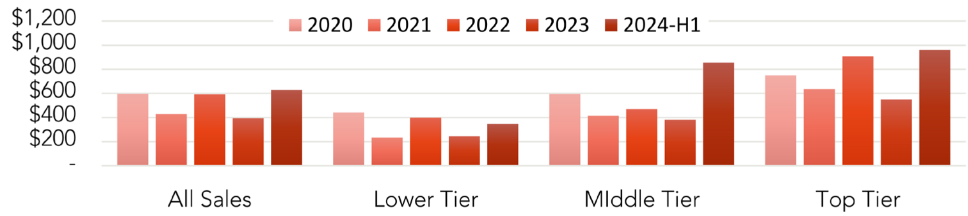


VOLUME BY TYPE: 2024-H1



AVERAGE PRICE PER SF

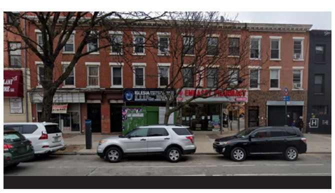
Each tier represents approximately 1/3 of transactions.



FEATURED TRANSACTIONS

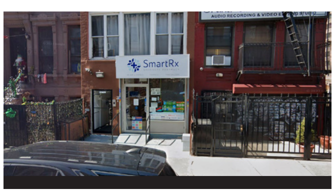
147 E 116th St | East Harlem

SALE PRICE: $3,050,000
BUILDING SF: 3,570 SF
PPSF: $854.00



1873 Amsterdam Ave | Harlem

SALE PRICE: $1,800,000
BUILDING SF: 1,872 SF
PPSF: $962.00



1706 Lexington Ave | East Harlem

SALE PRICE: $1,500,000
BUILDING SF: 3,920 SF
PPSF: $383.00

VIEWPOINTS

DAVID RACITI: In the first half of 2024, the Northern Manhattan mixed-use market showed stability in terms of the number of trades, which remained unchanged compared to both 2023 H1 and 2023 H2. Total sales volume increased by 19.6% compared to 2023 H1, but decreased by 13.1% compared to 2023 H2. The average deal price mirrored these trends, rising by 19.6% compared to 2023 H1, but falling by 13.1% compared to 2023 H2. The average price per square foot saw a significant increase of 73.0% compared to 2023 H1 and 47.8% compared to 2023 H2. Notable transactions include the sale of 147 E 116th St for $3,050,000 ($854/SF), indicating strong investor interest in this asset class.

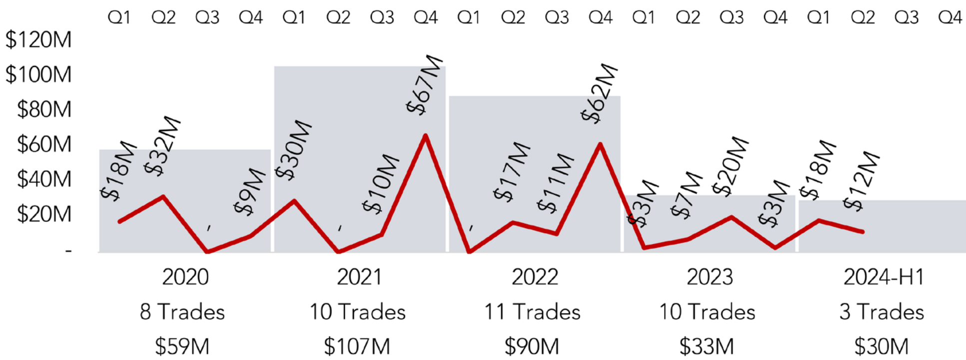
DATA POINTS

METRICS: 2024-H1

METRICS: 2024-H1	%Δ
$30M Total Volume	↑ 202.3%
3 Trades	↓ 25.0%
$10.0M Average Deal Price	↑ 303.0%
$1,426 Average Price Per SF	↑ 8.5%

From 2023-H1

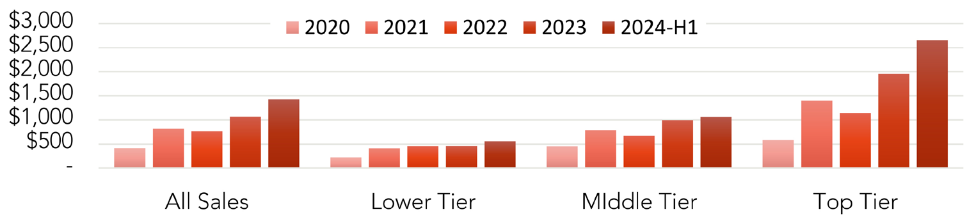
VOLUME HISTORY



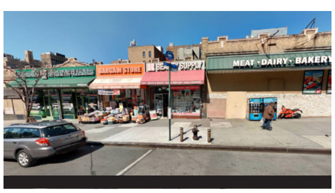
VOLUME BY TYPE

AVERAGE PRICE PER SF

Each tier represents approximately 1/3 of transactions.

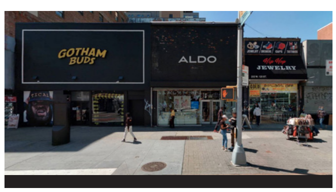


FEATURED TRANSACTIONS



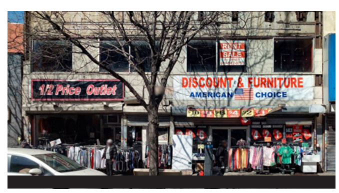
1221 St Nicholas Ave | Washington Heights

SALE PRICE: $18,200,000
BUILDING SF: 17,100 SF
PPSF: $1,064.00



250 W 125th St | Harlem

SALE PRICE: $6,300,000
BUILDING SF: 2,375 SF
PPSF: $2,653.00



2148 3rd Ave | East Harlem

SALE PRICE: $5,500,000
BUILDING SF: 9,895 SF
PPSF: $560.00

VIEWPOINTS

DAVID RACITI: The Northern Manhattan retail market in the first half of 2024 showed mixed results. The number of trades decreased by 25.0% compared to 2023 H1 and by 50% compared to 2023 H2. However, total sales volume increased significantly by 202.3% compared to 2023 H1 and by 31.6% compared to 2023 H2. The average deal price also saw substantial increases of 303% compared to 2023 H1 and 163% compared to 2023 H2. A key transaction was the sale of 250 W 125th St for $6,300,000, with an impressive price per square foot of $2,653, showcasing the high value placed on prime retail locations with air-rights in Northern Manhattan.

RM FRIEDLAND

COMMERCIAL REAL ESTATE SERVICES

For more information, contact:

MARCO LALA
Associate Broker
914.968.8500 x321
mlala@rmfriedland.com

JACK LALA
Associate Broker
914.968.8500 x330
jlala@rmfriedland.com

MICHELLE LALA
Real Estate Salesperson
914.968.8500 x309
mplala@rmfriedland.com

Research compiled and organized by:

David Raciti
Associate Broker

Tenerria Hughes
Marketing Associate

NEW YORK | CONNECTICUT | RMFRIEDLAND.COM | 914.968.8500