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2011 Market Recap

The New York City property sales market's recovery is, generally, trending positive but remains uneven.

In 2011, there were $25.6 billion of investment sales transactions city-wide. This figure is up 80% over 2010's $14.25 billion. It is also over 4 times the $6.1 billion that occurred in 2009. These increases, while substantial, remain 58% below the 2007 peak of a whopping $62.2 billion.

In terms of number of properties sold in 2011, there were 2,122 properties sold, up 25 percent over the 1,696 which sold in 2010. This figure was 50% higher than the 1,410 properties sold in 2009, but remains 58% below the 2007 peak of 5,018.

The average price of a property selling in New York City last year was just over $12 million. This is up 44% from the 2010 average of $8.4 million and is nearly 3 times the $4.3 million average in 2009. Notably, the $12 million average is approaching the $12.4 million average seen at the peak of the market in 2007.

On a city-wide basis, overall property values increased by 6.1% in 2011, over 2010 levels, on a price per square foot basis.

Larger transactions also returned to the market with gusto as there were 58 sales which closed at prices of $100 million or more. This is up significantly from the 28 such sales occurring in 2010 and more than 8 times the meager 7 that sold in 2009.

All of the statistics mentioned above sounds extremely positive. So why did I refer to the recovery as "uneven" in the first sentence?

Comparing the sales metrics on a year-over-year basis, the marketplace looks fantastic. However, and interestingly, on a quarterly basis, the figures look okay-to-good but if we dig deeper and look at the stats on a monthly basis, they only look fair.

This is because in the second half of 2011, we saw the dollar volume drop. This occurred from the second quarter, in which there was $8.5 billion in sales, to the third quarter in which there was $7.1 billion. We saw the figures drop again in the fourth quarter, in which there was $6 billion in dollar volume representing a 15% drop in activity.

In terms of number of properties sold, we saw a peak in 3Q11 with a drop in the fourth quarter. In 3Q11, there were 593 properties sold and the 4Q11 total was 505, a similar 15% drop.

This dynamic, in which both dollar volume and number of properties sold are both retreating, would normally have led us to believe that a double dip in the property sales market might be starting. However, the observance of healthy appreciation in property values leads us to draw the conclusion that we are, and have been, in a supply constrained market as opposed to a market that is sliding into a double dip.

We do not think we are out of the woods yet, however, as we have seen the rate of appreciation occurring at a declining rate throughout the year. At the end of 1H11, the appreciation rate was running at over 9%. By the end of 3Q11, the rate had dropped to 7.3%. By the end of 2011, the rate was 6.1%.

Fluctuations in these metrics over a one, two or three quarter period can be often misleading due to large transactions that skew the numbers or based upon short-term externalities. We will be keeping a very watchful eye on these figures as we get deeper into 2012.

We do expect sales volume to be up significantly in 2012, both from a dollar volume and number of properties sold perspective. This is due to a natural regression toward long-term trend lines (which we remain well below) and a looming, perhaps major, increase in 2013 capital gains rates which should drive hundreds of properties into the market.