

# A Message from the Chairman:

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## Land Rush Continues in 2014

The market for land revolves around what is probably the most perplexing product type in New York City today. While underlying fundamentals in the commercial real estate market have improved, on average, by 15 percent to 20 percent, land values have, in some cases, doubled, tripled and in some rare cases quadrupled.

The disconnect between underlying fundamentals and present land values leaves some market observers scratching their heads. Notwithstanding these dynamics, the market continues to soar and the number of new developers coming into the market continues to grow month after month. An overwhelming sense of optimism about the future of our market in New York is attracting developers from around the country and around the globe who want to get a piece of the action. This massive demand has the land market hitting new record levels on many fronts.

With regard to the number of land and development properties sold in the city, in the first half of 2014, there have been 506 properties sold. If annualized, the total of 1,012 properties sold would be an all-time record for New York City surpassing the 678 development properties sold in 2012 by a whopping 49 percent. When development properties were at their trough in terms of attractiveness, in 2009, there were just 161 properties which traded hands. With regard to the submarkets which have shown the best year-over-year results comparing 2014 to 2013, Queens was up from 126 development properties sold last year to 121 sold in the first half of this year. If annualized, the 242 sales would reflect an increase of 92 percent. Queens was followed by Manhattan which experienced a 75 percent increase in 1H14 versus 2013.

The submarkets which could not quite keep pace with Manhattan and Queens were Brooklyn at 31 percent and Northern Manhattan in which there were 36 trades in 2013 and 23 trades in 1H14. If annualized, the 46 sales would reflect an increase of 28 percent. Even with these submarkets showing the lowest increases, the increases are themselves very healthy and indicative of a very strong market. Rounding out the field was the Bronx, coming in at a 69 percent increase over 2013. This widespread citywide demand is impressive to say the least.

The dollar volume of sales in the land and development market is also on pace for an all-time record. In 1H14, there was about \$3.5 billion in sales volume. If annualized, the \$7 billion would reflect a

33 percent increase over the \$5.3 billion in 2013. The dollar volume of sales has increased consistently since 2009 with totals showing \$401 million, \$879 million, \$2.04 billion, \$4.98 billion and \$5.3 billion respectively from 2009 to 2013. Comparing 1H14 to 2013, the submarket with the smallest increase in dollar volume was Manhattan at 8 percent. Huge increases were observed in Queens and the Bronx at 133 percent and 149 percent respectively.

With volume, both in terms of number of properties sold and dollar volume, soaring, we have also seen values rising dramatically as well. As values have risen, potential sellers are finding the prices they can achieve for their properties compelling. This is adding to the supply of available properties, but even in the face of increased supply, values are continuing to escalate. Only in Northern Manhattan have values dropped in 2014 versus 2013, falling 16 percent to an average of \$136 dollars per buildable square foot. This statistic must be put into perspective however. In 2013, there was such a surge in volume and value in Northern Manhattan that it was the best performing submarket in the city. A decline in this market is not at all indicative of weakness in the market, rather a natural adjustment to what was an extraordinary year.

In the other submarkets, increases in value have been fantastic. Brooklyn has seen its average price per buildable square foot hit \$163, a 21 percent increase over the year before. The Queens average hit \$148, a 22 percent increase. The average in the Bronx rose to \$55, a 31 percent increase. In Manhattan, values increased by just 12 percent but has hit an average of \$500 per buildable square foot for the first time in history. The citywide average climbed to \$219 in 1H14, the highest that average has ever been.

As we enter the second half of 2014, the question is whether this momentum can continue. Some participants in the market believe it will while others are dubious. Here's to hoping the optimists are correct!



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