How the Big Apple Shakes the Tree: State of the NYC CRE Market

The New York City (NYC) property market has long been the most expensive and competitive in the country and often the world, the bleeding edge of commercial real estate (CRE). Not only is it the most populous city in the US, but it is a center of industry and commerce, synonymous with big deals, ambitious developments and the American dream.

There are so many contributing factors at play here, but this info sheet from Crexi provides a fantastic summary for Manhattan and other boroughs and counties, including some insight into why the NYC market is the trend-leader that it is:

- "The New York MSA is the unofficial capital of the world, the most populous MSA in the US, and has a GDP larger than many first-world nations";
- Some "73 of the Fortune 500 Companies are located in the New York MSA, including JPMorgan Chase, Verizon Communications, Citigroup, MetLife, Pfizer, Goldman Sachs Group, and Morgan Stanley".

The Costs of 2020

When the shine came off the Big Apple ever so slightly in 2020, it caused major ructions and ripples across the broader CRE sphere – nationally and abroad.

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As CNBC has reported: In Q2 2020, "Manhattan apartment sales saw their largest percentage decline in 30 years, as residents fled the city during the Covid pandemic and brokers were largely unable to show places to prospective buyers". It was the worst sales quarter on record for the city, and even media prices declined some 18% - the biggest dip in a decade. Developments were stalled and offices emptied out. By the end of 2020, offices had a vacancy rate of over 15% - another three decade high.

According to Curbed, among others, the origins of the slump pre-date the pandemic though. They write: "…beginning in 2017, a series of changes to state and federal tax law put a chill on the city's sales, particularly at the high end in Manhattan". This includes the 2019 state law that levied a one-time sales tax on homes over $1 million.

State of 2021

The 2020 pandemic then effectively shut down the property sector, causing a crash in the data trendlines, and a strong correction as the sector opened up again.

In July 2021, the mood seems to shift towards sustained optimism, with some declaring "New York is back". Data from appraisal firm Miller Samuel says average sale prices (residential) rose 12% in the quarter, topping $1.9 million. Plus, the Real Estate Board of New York's latest quarterly Real Estate Broker Confidence Index shows that commercial brokers are feeling positive about both current conditions and expectations.

Reading the Signs

Clearly, this is still a shifting story as the economy recovers and people and workplaces adjust. Some trends that may still shape the CRE market include ongoing rent concessions and eviction moratoriums, as well as office-to-residential conversions and office subleasing.

As we know, however, the re-opening of the economy hasn't been linear, so the CRE data continues to show pockets of sunshine and considerable volatility.