Northern Manhattan 2024 Year-End Commercial Real Estate Trends

by Ariel Property Advisors, a Member of GREA

Released January 2025

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Investment Sales
Capital Services
Research

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2024 Year-End Overview

Volume 2024 VS 2023

51% ↑ $1.26B Dollar Volume

10% ↑ 98 Transaction Volume

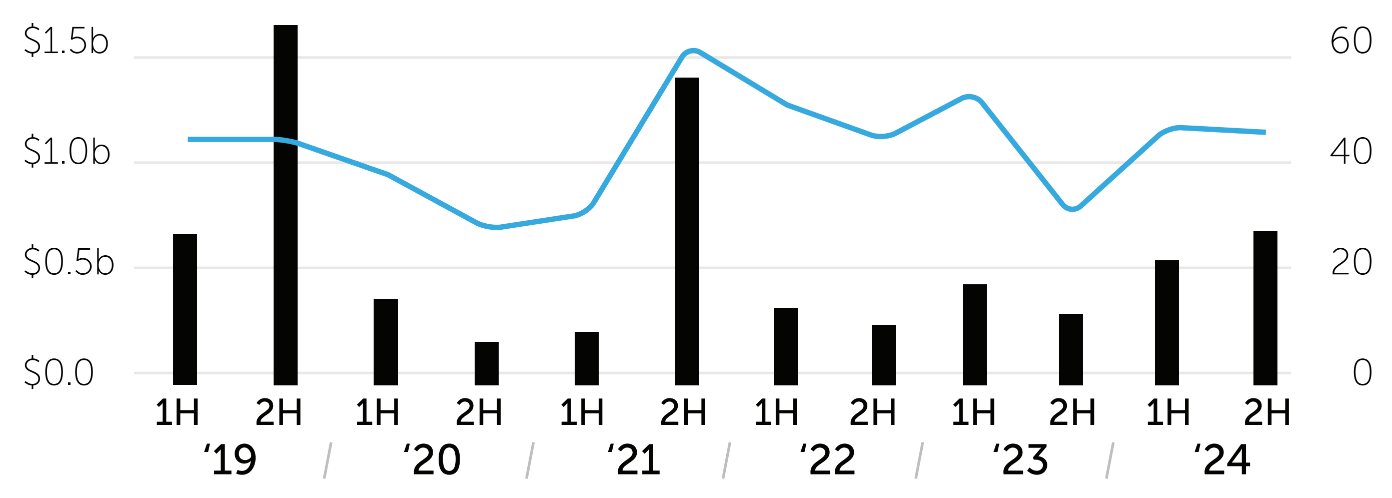
9% ↑ 168 Building Volume

The Northern Manhattan investment sales market grew in 2024, particularly in the second half, leading the largest dollar volume increase among NYC submarkets and posting gains in transaction and building volume compared to 2023.

The market recorded $1.26 billion in sales across 98 transactions involving 168 buildings, a 51% rise in dollar volume and nearly 10% growth in transaction volume. Development sites led percentage growth with $189.95 million in sales, a 168% increase, driven by Extell Development Company's $70 million sale of 167 E 124th St, the highest year-over-year dollar volume jump in NYC. Most land sales, however, were under $25 million, reflecting limited institutional activity. Multifamily assets dominated, making up 68 of 97 transactions.

Government-funded projects are gaining momentum. Mayor Eric Adams announced plans to redevelop an Inwood parking lot into 570 affordable housing units. Other initiatives, such as the Manhattan Waterfront Greenway and Second Avenue Subway Extension.

Real Estate Timeline



Dollar Volume Comparison

Product Type	2024	2024 VS 2023	2023	2024 VS 2022	2022
Multifamily	$674.48M	7%	$632.45M	41%	$478.76M
MF-MU 10+ resi units	$624.02M	3%	$607.65M	44%	$432.92M
MF-MU 6-9 resi units	$28.01M	153%	$11.07M	41%	$19.85M
MF-MU Small	$22.45M	63%	$13.74M	-14%	$26.00M
Retail	$41.87M	-5%	$43.85M	38%	$30.33M
Ind / WH / Sto*	$21.64M	-5%	$22.85M	N/A	$0
Development	$189.95M	168%	$70.96M	62%	$117.40M
Office	$4.68M	-92%	$56.23M	175%	$1.70M
Hotel	$0	N/A	$0	N/A	$17.02M
Special Purpose	$327.87M	4,944%	$6.50M	1,991%	$15.68M
GRAND TOTAL	**$1,260.50M**	**51%**	**$832.83M**	**91%**	**$660.89M**

*Ind / Wh / Sto: Industrial / Warehouse / Self Storage

2024 Year-End Outlook

The commercial real estate market is poised for a period of optimism in 2025, underpinned by a newfound clarity in the economic and regulatory landscape. The resolution of key uncertainties has created a stable environment conducive to growth and investment.

For multifamily investors, the ultimate passage of the Good Cause Eviction law, while not warmly embraced by landlords, provided clarity to both landlords and tenants, fostering a more predictable operating environment.

For developers, the passage of 485-x tax exemption in addition to the City of Yes initiative, with its focus on zoning reform and unlocking underutilized spaces, is expected to generate new opportunities for development and adaptive reuse.

On a macro level, with the 2024 presidential election settled and the potential for clearer policy direction, investors will be better equipped to navigate the evolving economic landscape. Moreover, the stabilization of federal interest rates has alleviated concerns over fluctuating borrowing costs. Predictable financing conditions have revived investor confidence, spurring transactions and development projects across the City.

Overall, the added clarity across multiple segments of New York City's commercial real estate market is expected to aid increased activity in 2025 as investors go from defense to offense.

Transaction Volume Comparison

Product Type	2024	2024 VS 2023	2023	2024 VS 2022	2022
Multifamily	69	11%	62	-1%	69
MF-MU 10+ resi units	46	-2%	47	-2%	47
MF-MU 6-9 resi units	12	71%	7	20%	10
MF-MU Small	10	25%	8	-17%	12
Retail	7	-22%	9	0%	7
Ind / WH / Sto*	2	100%	1	N/A	0
Development	16	14%	14	-6%	17
Office	1	0%	1	0%	1
Hotel	0	N/A	0	N/A	1
Special Purpose	3	50%	2	50%	2
GRAND TOTAL	**98**	**10%**	**89**	**0%**	**97**

*Ind / Wh / Sto: Industrial / Warehouse / Self Storage

Multifamily Highlights

- The multifamily market experienced year-over-year (YOY) growth of 7% in dollar volume and 11% in transaction volume, marking the highest levels in the past five years, though still well below pre-HSTPA levels.
- A notable shift occurred in the rent-stabilized segment, which accounted for a larger share of transactions compared to 2023. In 2024, 59% of transactions involved rent-stabilized properties, up from 47% in 2023. Specifically, buildings with at least 75% rent-stabilized units saw their transaction volume rise from 36% in 2023 to 48% in 2024. This increase was largely driven by mortgage maturities and market distress stemming from the 2019 HSTPA. However, average pricing metrics reflected the strain, with the average price per square foot ($/SF) falling 20% YOY from $164 to $132. A striking example is the sale of 720 W 181st St, which traded for $32 million in 2017 but resold in 2024 for just $10.4 million, a 68% decline.
- The affordable housing sector has emerged as a standout performer as the segment accounted for 35% of total dollar volume despite representing only 16% of transactions. Noteworthy trades included 226 & 259 W 144th St and 34 W 139th St, brokered by Ariel Property Advisors, which sold a month apart for a combined $48 million from Azure Partners to RJ Block Properties. 226 & 259 W 144th St was sold with a J-51 tax exemption expiring in 2039, while 34 W 139th St had a 421-A tax exemption expiring in 2034. Both transactions involved the inclusion of Section 610 of the Private Housing Finance Law as amendments in the regulatory agreements with HDC.

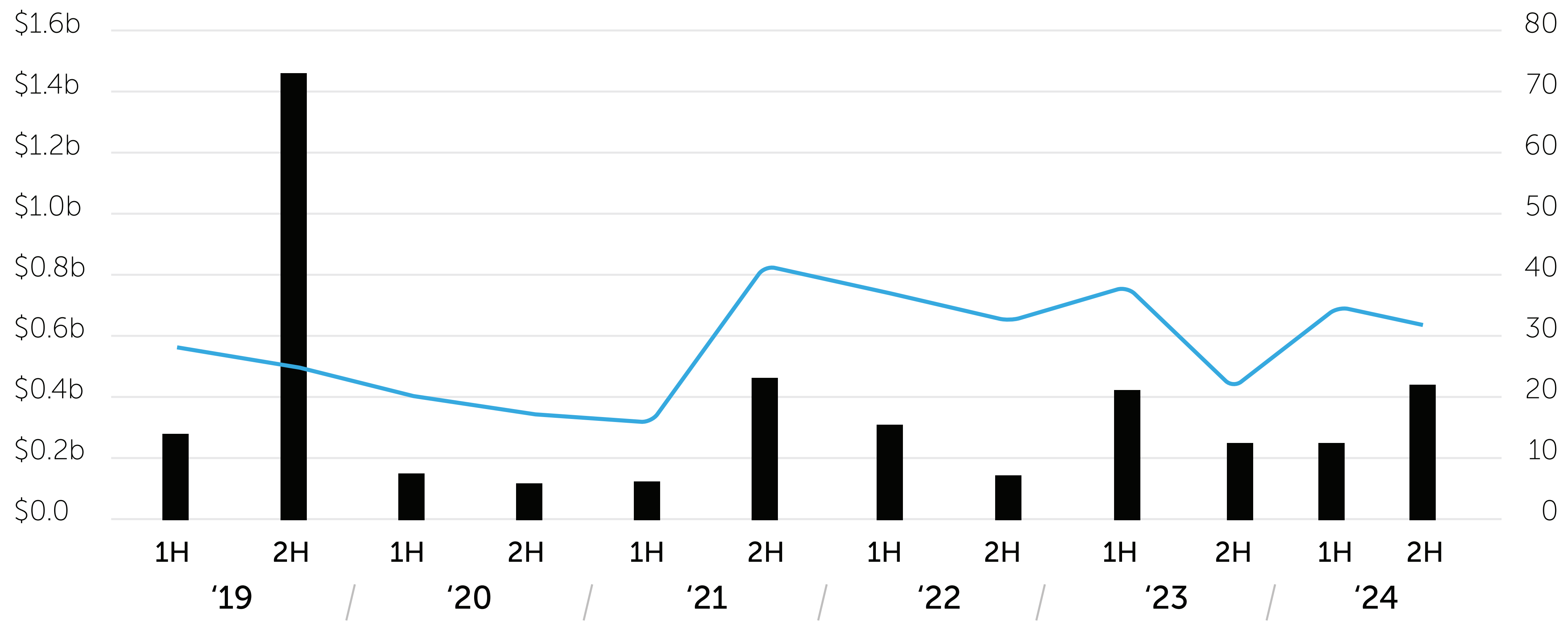
For more insights about the multifamily asset class performance, read our latest Multifamily Year-End In Review Report

Volume 2024 VS 2023

7% ↑ **$674.5M** Dollar Volume

11% ↑ **69** Transaction Volume

Real Estate Timeline



Property Value Metrics - Multifamily*

Year	2018	2019	2020	2021	2022	2023	2024
$/SF	$376	$353	$321	$283	$312	$284	$236
$/Unit	$314,012	$307,738	$220,654	$214,364	$212,971	$207,287	$160,445
Cap Rate	4.06%	4.73%	5.25%	5.41%	5.33%	6.34%	7.46%
GRM	15.36	13.72	10.08	10.06	10.45	9.11	7.58

*reflects multifamily transactions of 10+ residential units

2H'24 Featured Transaction

Central Harlem

34 West 139th Street

Sale Amount:
$31,500,000
$/SF:
$182
Buyer:
RJ Block Properties, LLC
Seller:
Azure Partners

Sale Date: **10/9/2024**

Development Highlights

- The first half of 2024 signaled ongoing challenges for Northern Manhattan development properties, following 2023's five-year low in dollar and transaction volumes. However, the second half marked a significant turnaround, achieving the strongest six-month performance since 2021 and a notable year-over-year rebound. This recovery was driven by key legislation, including the 485x tax exemption and the vested 421a extension, which incentivize rental housing development by requiring low-income units in exchange for 35 to 40 years of tax benefits.

- Despite these gains, challenges persist. Average pricing per buildable square foot remained low at $160, matching 2022 levels, while property volume rose to 16 development site sales, a 14% increase from 2023's 14 sales. A standout transaction was Extell's sale of 167 East 124th Street, where the vested 421a development site with a FRESH Zone bonus will be loacted next to the soon to be expanded the Second Avenue Subway, which the MTA Financing Committee hailed as the "most critical improvement to public transportation for East Harlem residents in over 100 years."

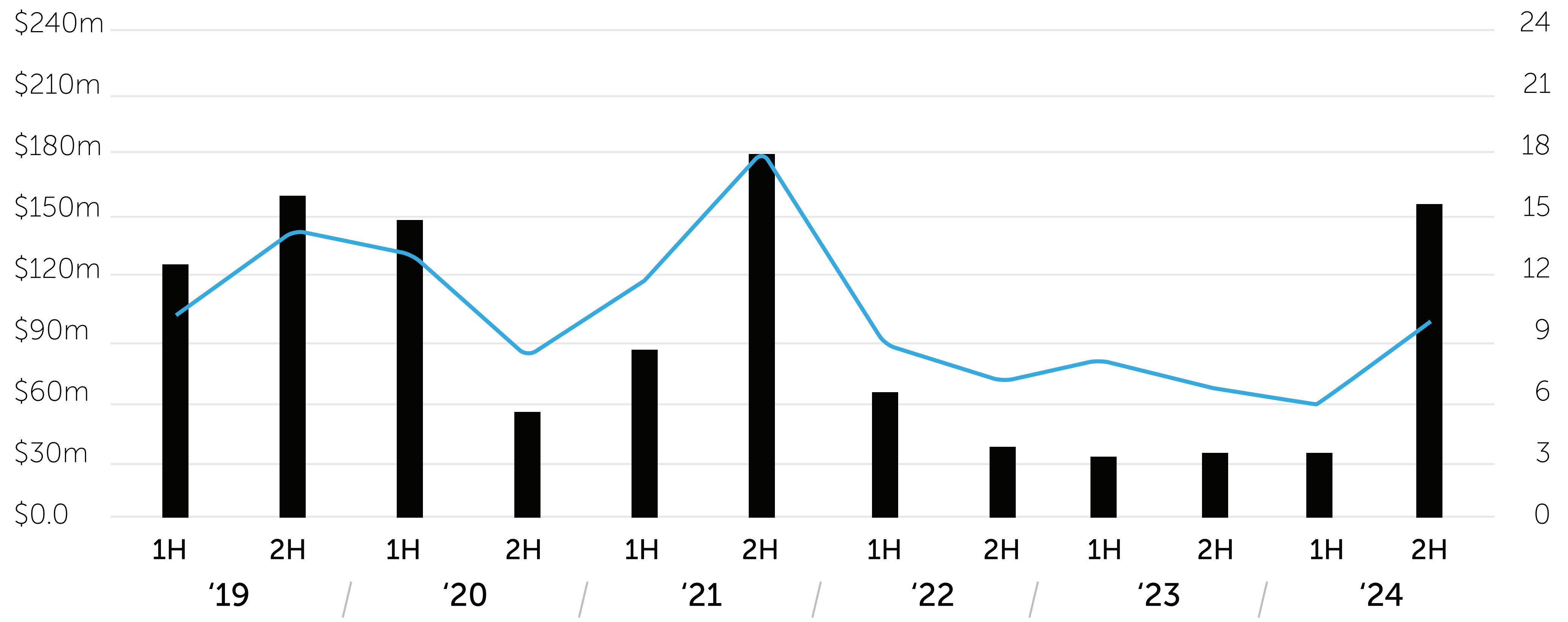
- The December approval of the "City of Yes" zoning initiative promises to enable up to 82,000 new housing units citywide over 15 years, potentially boosting market activity as developers navigate the initiative's zoning changes.

Volume 2024 VS 2023

168% ↑ **189.9M** Dollar Volume

14% ↑ **16** Transaction Volume

Real Estate Timeline



Property Value Metrics - Development*

Year	2018	2019	2020	2021	2022	2023	2024
$/BSF	$218	$216	$169	$176	$163	$161	$160

*reflects transactions of vacant land or equivalent development sites

2H'24 Featured Transaction

East Harlem

167 East 124th Street

Sale Amount:
$70,000,000
$/BSF:
$170
Buyer:
JCS Realty Group LLC
Seller:
Extell Development Company

Sale Date: **11/25/2024**

Financing Overview

Bank Lenders

- Banks maintained a strategic focus on depository relationships to strengthen and optimize deposit, reserve, and liquidity ratios.
- There has been a noticeable shift in leadership as incumbent banks addressed or resolved legacy multifamily loan portfolios.
- Efforts have intensified in commercial, industrial, and bridge lending, with a reduced emphasis on multifamily term loans, particularly within the RS sub-asset class.

Agency Lenders

- Agency lenders remained active in 2024, providing financing for market-rate, workforce, and affordable housing nationwide.
- However, recent market distress has prompted revised underwriting standards, emphasizing the physical condition of collateral and enhanced due diligence, particularly for older properties (pre-1970s multifamily) and assets in tertiary markets.
- Rate buy-downs enabled borrowers to secure financing below market rates, effectively increasing loan proceeds.

CMBS Lenders

- The commercial mortgage-backed securities (CMBS) market sustained robust growth through the end of the year, driven by full-term interest-only payments and more flexible underwriting standards compared to FNMA and Freddie Mac.
- For multifamily assets, leverage reached up to 70% LTV at a 1.20x DSCR on interest-only payments, with a minimum 8.5% debt yield. Spreads have narrowed significantly.
- The 5-year product remains a preferred option for investors seeking shorter defeasance periods to minimize prepayment penalties.

Debt Fund & Bridge Lenders

- Activity in the debt fund and bridge lending space increased significantly, bolstered by multiple Federal Reserve rate cuts and heightened scrutiny on regulated lenders.
- The narrowing rate gap between bridge and permanent financing, driven by falling short-term indexes (e.g., Prime, SOFR), has enhanced the appeal of bridge loans due to their higher proceeds, simplified underwriting processes, and prepayment flexibility.

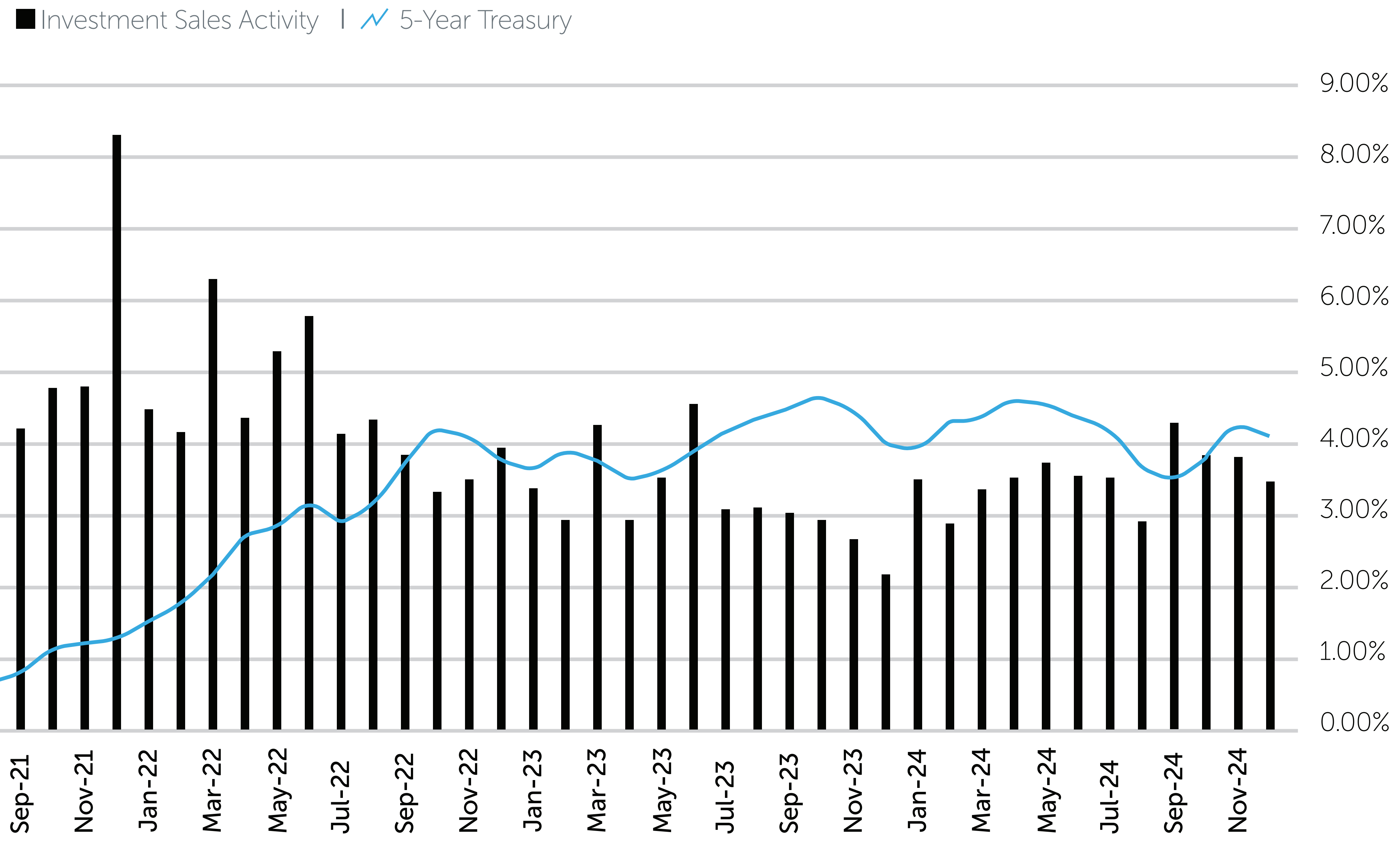
Preferred Equity & Mezzanine Debt

- Banks have adopted a highly selective approach to construction lending, prioritizing markets and sponsors with strong track records and established relationships.
- Bank construction loans are still available, with spreads starting at SOFR + 300 and underwriting increasingly focused on rental fallback scenarios.
- Many lenders view the current environment as an opportune time to support construction lending, particularly in supply-constrained markets where the development pipeline has significantly contracted.
- Non-bank debt funds have gained market share in the institutional $50M+ loan segment, as regulatory constraints limit depository institutions' exposure to HVCRE loans.

Preferred Equity/Mezzanine Lenders

- Subordinate capital providers have exploded in relevance since the banking crisis and run-up in interest rates allowing for preferred equity and mezzanine debt investors to fill in the shortfall in the capital stack.
- Subordinate capital is available for both new acquisitions and recapitalizations for distressed opportunities.
- Senior lenders can often view a Preferred Equity or Mezzanine Lender as a "credit enhancement". furthering the likelihood that they consent to subordinate financing.

NYC Monthly Transaction Activity vs. 5-Year Treasury



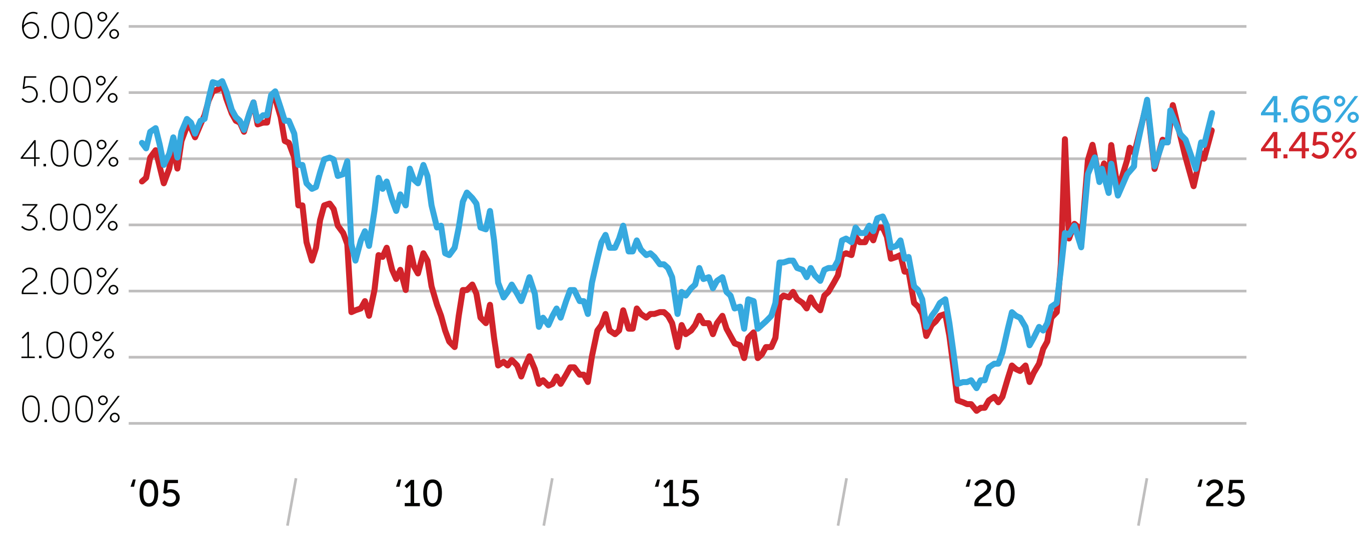
Macro Economic Charts

A number of macro-economic indicators affect the bottom line of commercial real estate investments in New York City and, in turn, the pricing and demand for these assets during any given period. Ariel Property Advisors' Research Division tracks national and local metrics to identify key market drivers influencing the real estate industry.

Financing:

10-Year: 4.66% | 5-Year: 4.45% | As of January 15th, 2025

Treasury Yield Curve Rates 10-year | 5-year

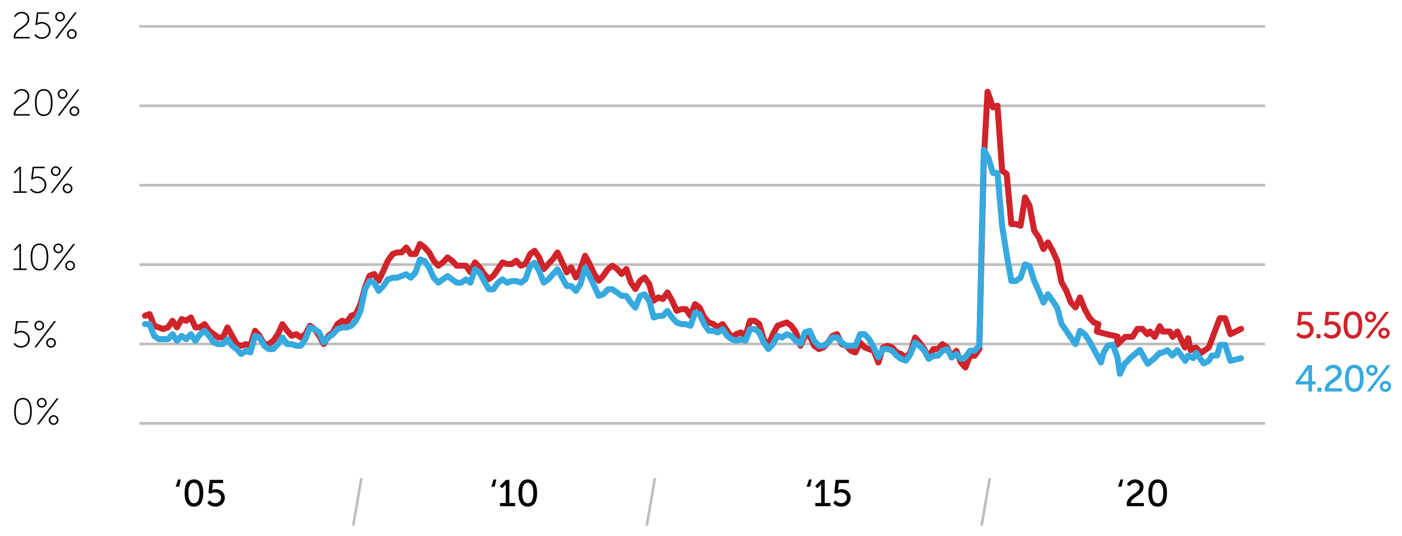


Source: U.S. Department Of The Treasury

Unemployment Timeline:

NYS: 4.20% | NYC: 5.50% | As of November 2024

Unemployment Rate History | **NYS** & **NYC** (Not Seasonally Adjusted)

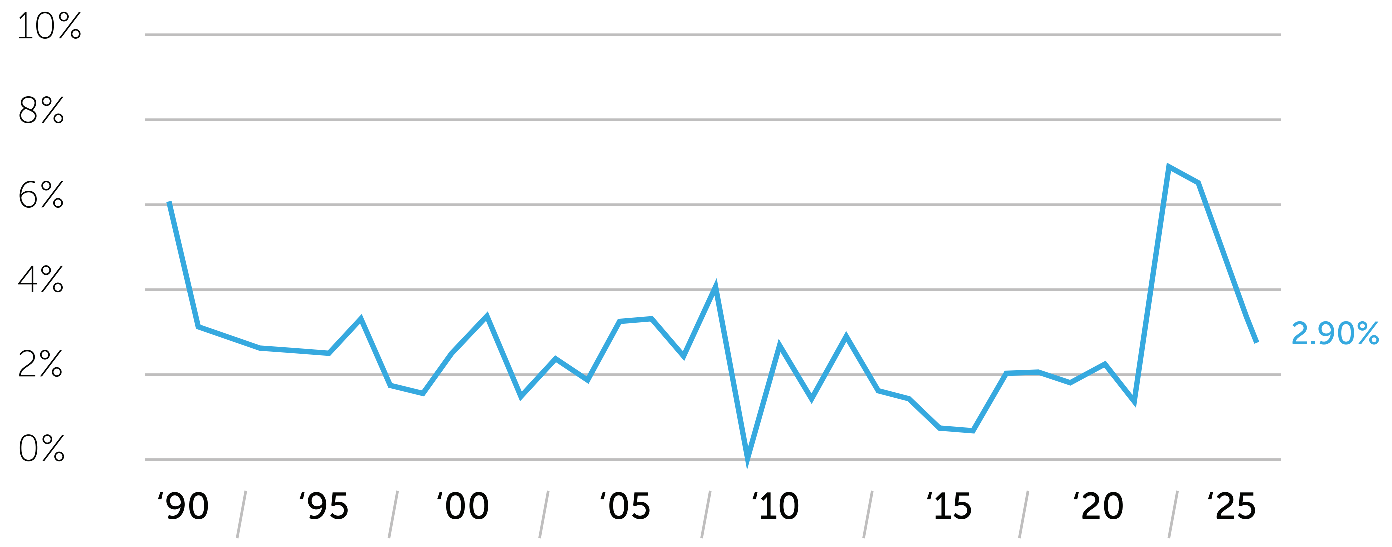


Source: Department Of Labor

Consumer Price Index (CPI):

National CPI

Growth - December 2024 Y-O-Y

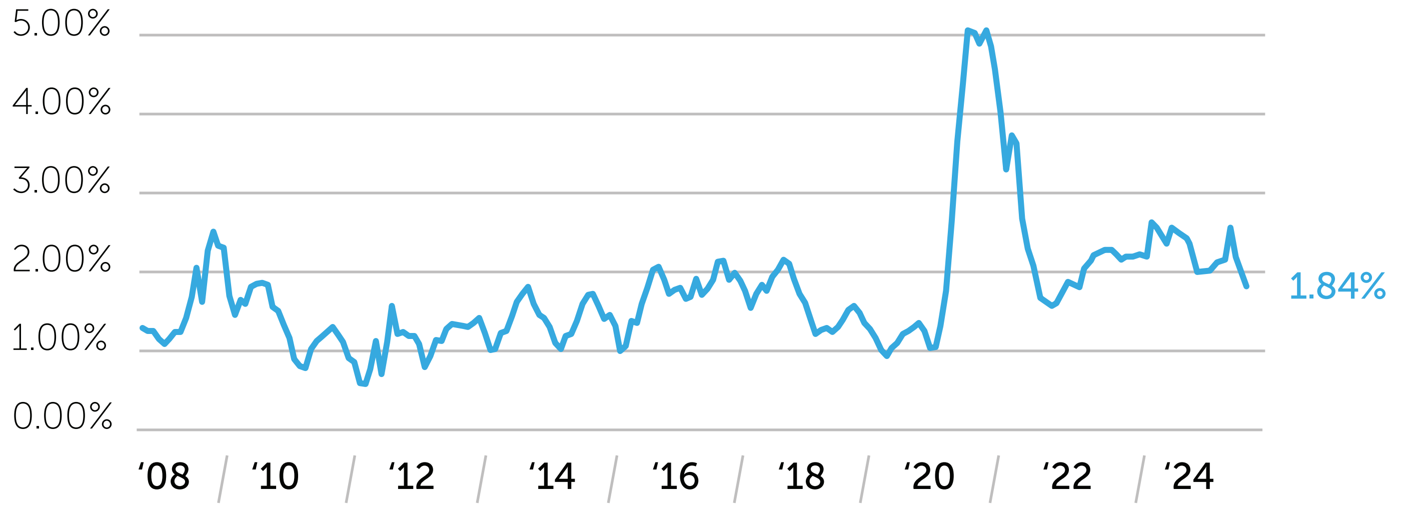


Source: U.S. Bureau Of Labor Statistics

Rental Market / Vacancy:

Manhattan Residential

Rental Vacancy January 2008- December 2024



Source: Corcoran

Thought Leadership

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12/17/2024

'Yes' In My Backyard: NYC's Rezoning Ushers In New Era Of Housing Development

Local lawmakers took a major step toward solving New York City's housing crisis by approving a rezoning initiative called the City of Yes for Housing Opportunity.

11/25/2024

One Million Reasons Rents Are High In New York City

Rent regulations reduce the housing supply and push rents to new heights as newcomers, young people and others compete for NYC's 1.1 million free market apartments.

10/22/2024

New York City Office-To-Residential Conversions: Here's What We Know

The sale of NYC office buildings suitable for conversion to housing accounted for approximately 25% of the $2.2 billion in development sales citywide in 1H 2024.

9/13/2024

New York City Transaction Volume Poised To Rise: Here's The Opportunity

With mortgage maturities forcing sales, real estate prices falling and fresh capital entering the market, NYC is expecting a surge of trades at attractive prices.

8/7/2024

3 Drivers Behind The Surge In New York City Investment Sales

Three drivers contributed to a pickup in New York City investment sales in 1H 2024 resulting in $11.79 billion in trades, up 26% from 2H 2023.

About Ariel Property Advisors

Geographic Coverage System

Ariel's unique company structure, with separate groups for Investment Sales, Capital Services and Research, ensures outstanding service for our clients. Whether it's implementing a strategic marketing process, compiling a comprehensive Asset Evaluation, securing financing or providing timely market information, every assignment is served by a team of specialized professionals.

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