

# The **RPG** Office Condominium Report

Mid-Year 2011



## First Half 2011 Office Condominium Sales

### At a Glance

- **Buyers reemerge:** In the first half of 2011 the total square footage of sales increased by two and a half times; 100,000 square feet more than the same period a year earlier.
- **Pricing stabilizes:** The citywide average price per square foot has decreased primarily due to the absorption of the recent office condominium conversions in the high priced Chinatown submarket.
- **Limited availability:** While several new office condominium conversions have come to market, the demand continues to far outweigh supply.

## Market Overview

There are 88 office condominium buildings in Manhattan, totaling 9,992,500 square feet. The Midtown submarket is comprised of 5.67 million square feet, the Midtown South submarket is comprised of 2.46 million square feet, and the Downtown submarket is comprised of 1.86 million square feet. There are 3.3 million square feet of class A office condominiums, 4.36 million square feet of class B, and 2.33 million square feet of class C.

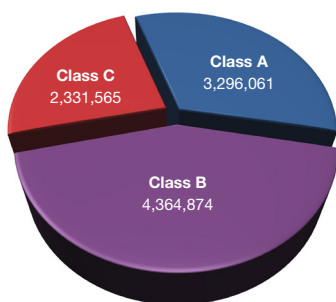
**First Half of 2011 Office Condominium Sales:** In the first half of 2011 there were 162,736 square feet of office condominium sales in Manhattan, averaging \$531 per square foot and totaling \$86,403,400. In aggregate, a total of 31 office condominium units were sold in 19 different buildings, averaging 5,250 square feet per sale.

**Square Footage of Sales:** In the first half of 2011 there were 162,736 square feet of office condominium sales, nearly three times more than the first half of 2010, but still 38,000 square feet less than the second half of 2010. The total square footage of sales in the first half of 2011 was just shy of the five year average of 187,325 square feet sold per half year.

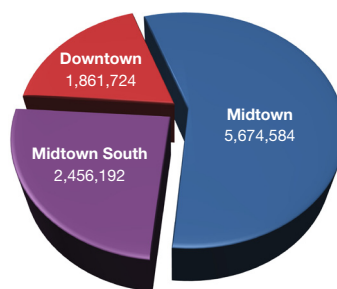
**Dollar Value of Sales:** In the first half of 2011 the dollar value of office condominium sales was \$86,403,000, an increase of nearly \$50 million from the first half of 2010, but a decrease of 24% from the second half of 2010.

While the dollar value of sales in the first half of 2011 was strong compared to the past several years, it was still 27% off the five year average of \$114,989,327.

Sq. Ft. per Building Class

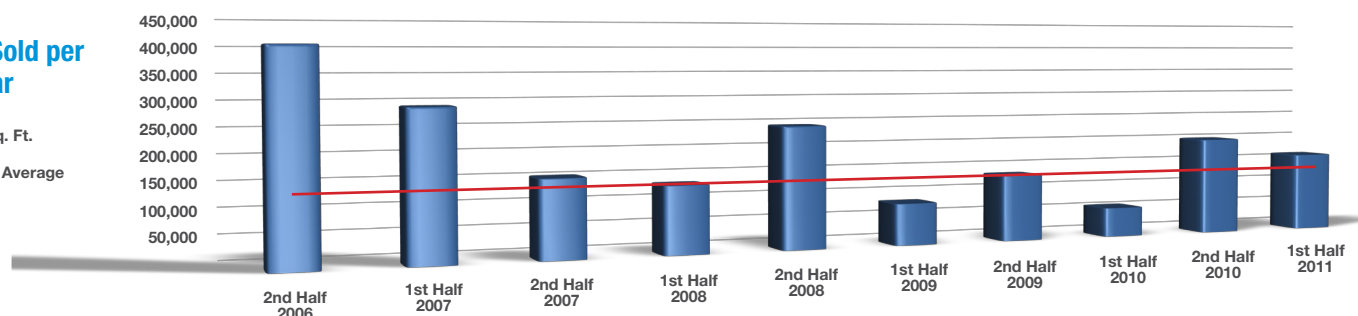


Sq. Ft. per Submarket



Sq. Ft. Sold per Half Year

■ Total Sq. Ft.  
— 5 Year Average

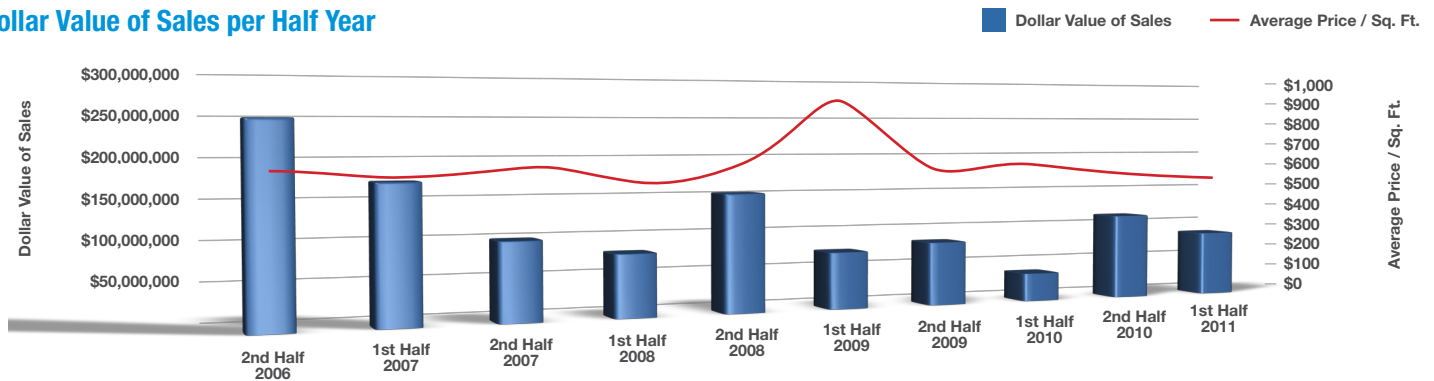


**Average Price Per Square Foot:** In the first half of 2011 the average price per square foot was \$531, down 6% from the previous half year. The average price per square foot has fluctuated over the past three years due to an influx of new office condominium offerings in the Chinatown submarket. These Chinatown offerings, including 139 Centre Street, 98 East Broadway, and 86 Bowery, have sold from \$700 per square foot to over \$1,200 per square foot. There have been over 200,000 square feet of Chinatown office condominium sales since 2008. These sales have raised the five year average price per square foot citywide to \$629. The bulk of the new Chinatown offerings have been absorbed and the current average of \$531 per square foot more accurately represents the citywide pricing.

Additionally, the average size of sales over the past eighteen months has been 3,432 square feet, compared to 5,250 square feet in the first half of 2011. The larger size of sales in the first half of 2011 has decreased the average price per square foot because larger units typically sell at a discount over smaller units.

**Number of Sales:** In the first half of 2011 there were 31 sales, 31% fewer than the 45 sales in the previous half year. However, in the first half of 2011 there were several large transactions, and the average size of the units sold was nearly twice the average size of the units sold in the previous year. These sales occurred in 19 different buildings.

## Dollar Value of Sales per Half Year



## Submarket Statistics

**The Midtown submarket** is Manhattan's largest office condominium submarket, comprised of 5.7 million square feet. In the first half of 2011 there were 17 sales totaling 97,848 square feet. The dollar value of these sales totaled \$51,009,263, averaging \$521 per square foot.

The average price per foot was brought down by several low priced sales, including the 11,800 square foot sale at 450 West 31st Street for \$220 per square foot. The purchaser was Ken Smith a renowned landscape architecture. The low price per square foot was due to the fact that the building is an older loft building located on the far West Side of Manhattan. 450 West 31st Street is a 13-story, 115,000 square foot class C office condominium building which was built in 1918. Located just off Tenth Avenue, the building is near the recently opened second phase of the High Line. Other unit owners in the building include Steven Holl Architects and design firm Atta Studios.

**The Midtown South submarket** is comprised of approximately 2.5 million square feet. In the first half of 2011 there were eight sales totaling 31,408 square feet. The dollar value of these sales totaled \$15,428,395, averaging \$491 per square foot.

The most notable Midtown South sale occurred at 137-139 West 25th Street, where Micropower Career Institute, an adult school specializing in technology and business training, purchased a 29,700 square foot office condominium consisting of floors five through nine. The purchase price was \$10 million, or \$337 per square foot. The seller was Zoomba Recording, a division of Sony. 137-139 West 25th Street is a 12-story, 72,217 square foot office condominium building located between Sixth and Seventh Avenues. Other unit owners in the building include the Fashion Accessories Shipper's Association and The New York Immigration Coalition.



450 West 31st Street  
11,800 Sq. Ft. sold for \$220/Sq. Ft.

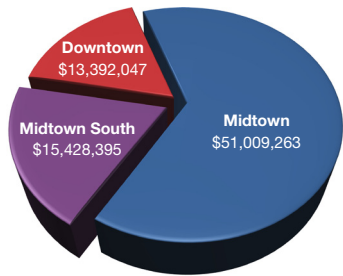


137-139 West 25th Street  
29,700 Sq. Ft. sold for \$337/Sq. Ft.

**The Downtown submarket** is comprised of approximately 1.9 million square feet. In the first half of 2011 there were 8 sales totaling 24,364 square feet. The dollar value of these sales totaled \$13,392,047, averaging \$550 per square foot.

One of the most recent Downtown office condominium conversions is 40 Rector Street, a 17-story, 575,000 square foot class B office condominium which was built in 1922. The building is located on the corner of Rector Street and West Street just south of the World Trade Center site. Philips International has owned the building since 2001 and it has been predominately leased to nine separate New York City agencies. The New York City agencies will be vacating soon, which has prompted Philips International to convert the building to office condominium. The asking price on each of the 34,000 square foot floors is \$375 per square foot.

### 1st Half of 2011 Dollar Value of Sales per Submarket

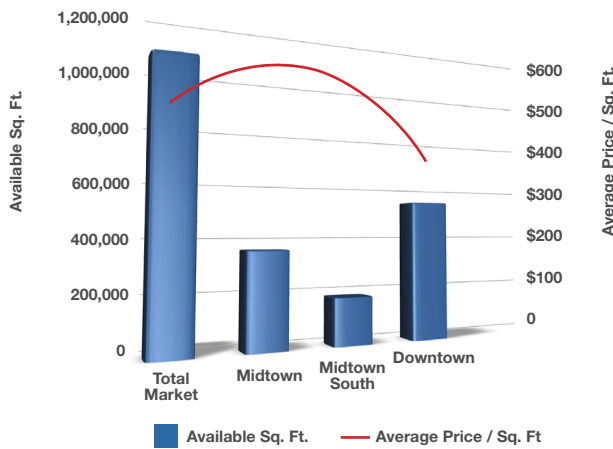


40 Rector Street  
A recent 575,000 Sq. Ft. office condominium conversion

## Availability

In Manhattan there are currently 118 office condominiums for sale in 45 buildings. These units total 1,066,552 square feet, and the availability rate is 10.6%. The average asking price is \$458 per square foot. In the Midtown submarket there are 346,600 square feet for sale, with an average asking price of \$534 per square foot. In the Midtown South submarket there are 175,394 square feet for sale, with an average asking price of \$535 per square foot. In the Downtown submarket there are 544,558 square feet for sale, with an average asking price of \$385 per square foot.

### Office Condominium Availability



127 West 24th Street  
7,500 Sq. Ft. office co-op for sale

\*The recent conversion of 40 Rector Street increased the citywide availability rate from 5.6% to 10.6%, and decreased the citywide average asking price per square foot from \$533 to \$458.

# New Non-Profit Condominium Financing Program

Historically, the New York City Industrial Development Agency (IDA) tax-exempt bond financing was frequently used by non-profit organizations to acquire office condominiums. However, since January 2008, the IDA has been unable to issue tax-exempt financing because its authority to issue these bonds was not renewed in the State Legislature. As a result, purchases of office condominiums by non-profits have decreased.

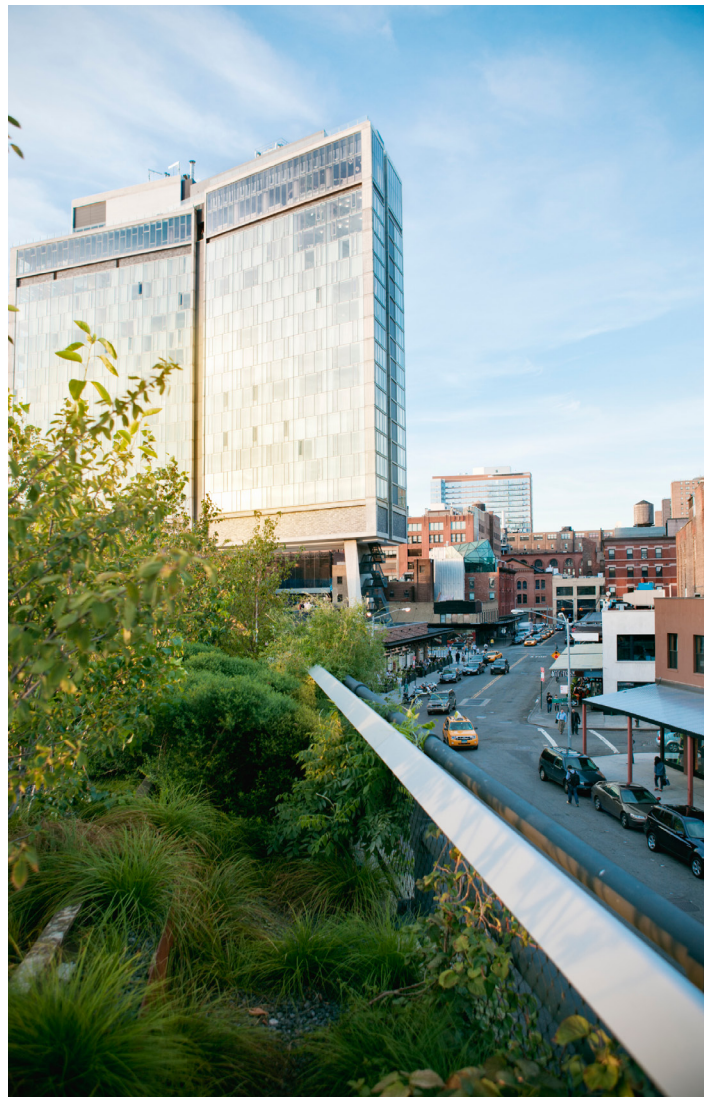
Responding to this problem, Mayor Bloomberg has announced plans to create a new bonding authority to provide financing for non-profits. This new financing source is expected to significantly increase the demand from non-profits for office condominiums.

Mayor Bloomberg said,

*“New York City is home to tens of thousands of non-profits that are looking to expand, create jobs or move into new facilities, but for the past few years they have faced more expensive financing costs, while some have had to forgo expansion altogether. This new entity will make it easier and more inexpensive for our critical non-profit sector to grow and expand.”*

Since June 2009 at least 13 non-profits in New York City have had to seek assistance from non-local issuers to finance projects totaling more than \$337 million. There are now at least 20 known non-profit capital projects in the pipeline, including office condominium acquisitions, of more than \$400 million in value that have yet been unable to obtain tax-exempt financing. City officials believe that there are many more non-profits that have not come forward because the city does not have a local financing mechanism to help them for financial assistance.

The new bonding authority is expected to be created in the next four to six months and will be able to issue triple-tax exempt financing to eligible entities. Like the IDA, the Borough Presidents and the Comptroller will nominate directors to serve on the board of the new entity.



## Rudder Property Group

Rudder Property Group is a commercial real estate brokerage and advisory firm that represents purchasers, sellers, developers, owners and lenders in the acquisition and sale of office condominiums. Our team can orchestrate the entire conversion process on your behalf – from developing a conversion business plan to Attorney General approval to marketing and sales of the units. With over a decade of experience in office condominiums, the principals of Rudder Property Group have sold over 500,000 square feet of Manhattan office condominiums, in excess of \$200 million. In the growing and highly specialized field of office condominium sales, we are the market leaders.

For more information on Manhattan’s office condominium market, contact:

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