

# The **RPG** Newsletter

*News and Insight on New York City's Office Condominium Market*



## Five Reasons Why Office Condos are Faring Better than the Leasing Market

Despite the pandemic's negative impact on the Manhattan real estate market, there has been an uptick of office condominium sales since Labor Day. In contrast, the leasing market is reeling as tenants rush to downsize, cancel their leases or sublet their existing office spaces. To better understand how and why office condominiums are faring better than the leasing market, we've compiled five of the most significant factors supporting the office condo market when compared to leasing.

### 1. Supply Remains Constrained:

Office condominiums are a highly sought-after asset, but supply remains limited. While office condominiums only make up 2% of the 500 million square foot Manhattan office market, 93% of the office condominium market is occupied and is not available. With no new major office condominium conversions in the pipeline, the supply/demand imbalance will continue for the foreseeable future.

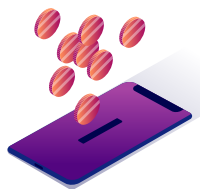
The tight office condominium market is a stark contrast to the current office leasing market. The availability of office space for lease is at 14% and rapidly growing. More than 11 million square feet of office space became available for lease in the 3rd quarter of 2020.



## 2. Deep Discounts:

Today, office condominiums are being listed for sale at a discount of more than 20% from pre-pandemic prices.

As a result, opportunistic buyers are taking advantage of this once-in-a-decade chance to purchase an office condominium at a considerable discount. With significantly lower purchase prices, the new owner/occupier's annual cost of ownership is far less than what they would pay in rent over a 10-year period, and in many cases, buyers are able to look for a larger or more desirable location than originally planned. Additionally, many investors are achieving high rates of returns through office condominium investments due to the lower purchase prices.



## 3. International Purchasers:

The most active office condominium purchasers are owned by entrepreneurial business owners from countries where culturally, the concept of office ownership is more common. Simply put, these individuals prefer to buy their space rather than rent it. Since these individuals have an ownership mentality, they are less concerned with a recession versus US-born business owners, these international buyers are confident in New York's recovery and bullish on the long-term appreciation of real estate values.

## 4. Recession-Resistant Buyers:

Many of the sectors that have historically purchased office condominiums are not as impacted by the pandemic and recession. These businesses include medical professionals, lawyers, eCommerce companies, technology firms and well-funded non-profits. These buyers recognize that by purchasing an office condominium, they can eliminate future rent escalations while securing their long-term space needs.



**5. Aggressive Financing:** Owner/occupied office condominium loans remain readily available. With interest rates at record lows, lenders continue to offer a variety of financing options that make owning an office condominium more affordable for businesses and non-profit organizations. Borrowers can often secure loans with a loan-to-value ratio as high as 90% with interest rates below 3.5%.

***As you can see, the NYC office condominium market is well-positioned to weather the current storm, and will continue to perform well moving forward.***

## RUDDER PROPERTY GROUP

Rudder Property Group is a commercial real estate services firm that specializes exclusively in the sale of office condominiums in the New York metropolitan area. With 20 years of experience in this niche market, the principals of Rudder Property Group have sold over two million square feet of office condominiums with a dollar value in excess of \$1 billion. In the small, highly specialized field of office condominium sales, Rudder Property Group is the market leader.

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## RPG Featured Availabilities



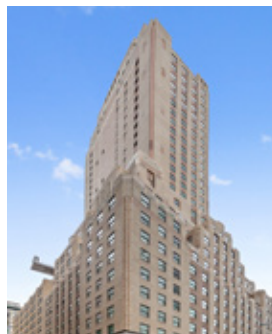
### 35 W 36TH ST

Availabilities from  
3,300 RSF to 38,000 RSF



### 121 VARICK ST

2nd & 5th Floors  
12,623 RSF each



### 88 GREENWICH ST

Commercial Unit  
43,564 RSF



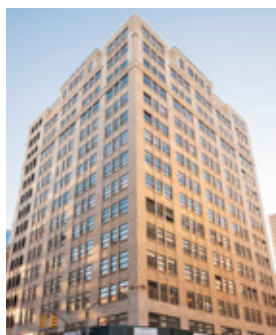
### 438 W 37TH ST

2nd & 3rd Floors  
14,384 RSF each



### 241 W 14TH ST

Commercial Townhouse  
12,320 RSF



### 99 HUDSON ST

Partial 12th Floor  
9,816 RSF



### 14 E 4TH ST

Partial 4th Floor  
7,000 RSF



### 18 W 33RD ST

Entire 5th Floor  
2,811 RSF



### 545 W 45TH ST

Entire 9th Floor  
11,252 RSF



### 24 W 40TH ST

4th & 5th Floors  
5,579 – 11,158 RSF



### 820 SECOND AVE

Partial 7th Floor  
5,150 RSF



### 246 W 38TH ST

Entire 6th Floor  
7,950 RSF