

The **RPG** Office Condominium Report

Second Half 2023



Second Half of 2023 Office Condominium Sales

At a Glance

- **Sales Velocity is 64% Below the Five-Year Average:** In the second half of 2023 there were \$41.5 million in sales compared to the five-year average of \$115 million in sales.
- **Pricing Continues to Drop:** Office condominium pricing was \$643 per square foot in the second half of 2023, down 13% from the \$741 per square foot of the first half of 2023 and 16% lower than the five-year average of \$762 per square foot.
- **Unlocking NYC's Office Condo Revival in 2024:** The five necessary steps for market rebound.

Market Overview

The Manhattan office condominium market is made up of 106 buildings, occupying a total of 12.3 million square feet. The Midtown submarket is comprised of 6.5 million square feet; Midtown South is comprised of 3.5 million square feet; and Downtown is comprised of 2.3 million square feet. There are 3.6 million square feet of Class A office condominiums, 6.2 million square feet of Class B, and 2.5 million square feet of Class C.

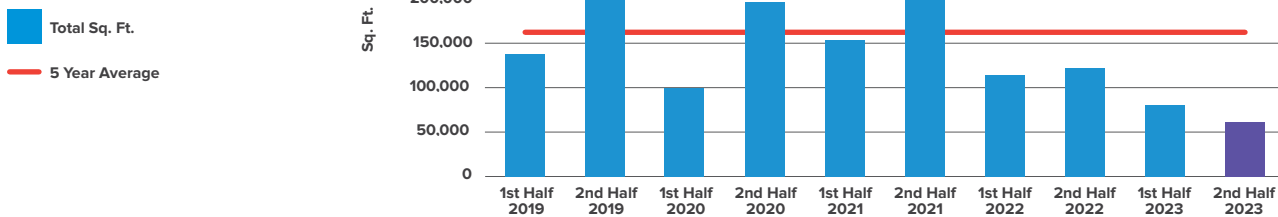
Second Half of 2023 Office Condominium Sales:

In the first half of 2023, there were 64,619 square feet of office condominium sales in Manhattan totaling \$41,532,675. There were 18 office condominium sales, averaging 3,590 square feet per sale, at an average of \$643 per square foot.

Market Overview (continued)

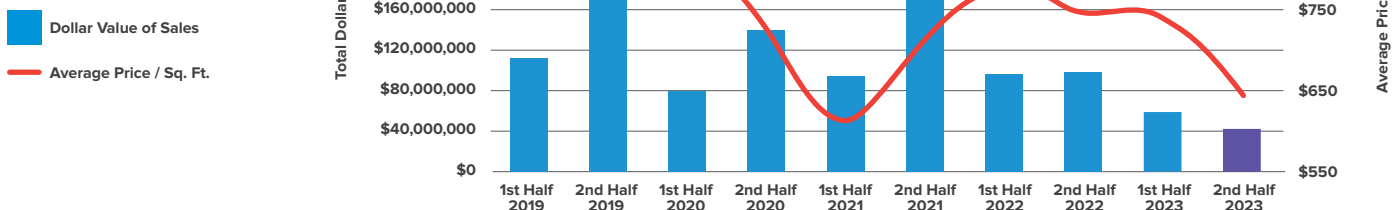
Square Footage of Sales: The 64,619 square feet sold in the second half is 23% less than the 83,388 square feet sold in the first half of 2023 and 57% lower than the five-year average of 150,978 square feet sold. Out of the 18 sales, only one sale was larger than 7,000 RSF.

Sq. Ft. Sold per Half Year



Dollar Value of Sales: In the second half of 2023, office condominium sales totaled \$41,532,675, which is 33% less than the \$61,759,496 in sales for the first half of 2023. The dollar value of sales is 64% less than the five-year average of \$115,021,042.

Dollar Value of Sales per Half Year



Average Price Per Square Foot: In the second half of 2023, the average price per square foot was \$643. This is 13% lower than the first half of 2023 average of \$741 per square foot and 16% lower than the five-year average of \$762 per square foot.

Number of Sales: There were 18 sales in the second half of 2023, two sales less than the first half of 2023. The number of office condominiums sold in the second half of 2023 was one less than the five-year average of 19 sales. There were also no sales in any Class A buildings in the second half of 2023.

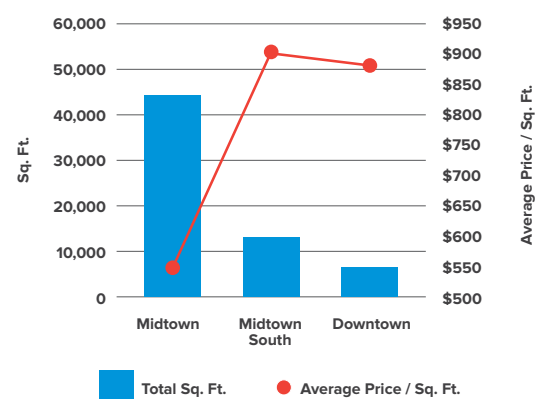
Submarket Statistics

The Midtown submarket is Manhattan's largest office condominium submarket, comprised of approximately 6.5 million square feet. In the second half of 2023, there were 9 sales totaling 45,652 square feet. The dollar value of these sales totaled \$24,171,050, averaging \$529 per square foot.

The Midtown South submarket is comprised of approximately 3.5 million square feet of office condominiums. In the second half of 2023, there were 4 sales totaling 12,114 square feet. The dollar value of these sales was \$11,242,600, averaging \$928 per square foot.

The Downtown submarket is comprised of approximately 2.3 million square feet of office condominiums. In the second half of 2023, there were 5 sales totaling 6,853 square feet. The dollar value of these sales was \$6,119,025, averaging \$893 per square foot.

2H 2023 Sales by Submarket



Availability

There are currently 1,554,497 square feet of office condominiums available in Manhattan (204 units are for sale across 84 buildings) with an average asking price of \$836 per square foot. This equates to a 12.6% availability rate which is a 12.5% increase from the first half of 2023. In the Midtown submarket, 934,304 square feet are for sale with an average asking price of \$838 per square foot. In the Midtown South submarket, 321,178 square feet are for sale with an average asking price of \$873 per square foot. In the Downtown submarket, 299,015 square feet are for sale with an average asking price of \$789 per square foot.



Notable Office Condominium Sales



110 EAST 40TH STREET

Unit 301: 6,033 Sq. Ft.
Price: \$3,350,000 (\$555/Sq. Ft.)
Sale Date: 12/28/23
Purchaser: Qral Group LLC
Seller: Iluna USA LLC



32 WEST 39TH STREET

16th Floor: 3,970 Sq. Ft.
Price: \$2,585,000 (\$651/Sq. Ft.)
Sale Date: 09/29/23
Purchaser: United Fortune Inc.
Seller: R&B Realty



438 WEST 37TH STREET

Unit 4FG: 2,888 Sq. Ft.
Price: \$2,227,000 (\$771/Sq. Ft.)
Sale Date: 09/24/23
Purchaser: Samia Halaby
Seller: Marcom Visual Creation



32 WEST 39TH STREET

10th Floor: 4,949 Sq. Ft.
Price: \$3,216,850 (\$650/Sq. Ft.)
Sale Date: 09/07/23
Purchaser: Remi Hu
Seller: R&B Realty



6 WEST 20TH STREET

2nd Floor: 5,000 Sq. Ft.
Price: \$5,450,000 (\$1,090/Sq. Ft.)
Sale Date: 07/12/23
Purchaser: Ulmin LLC
Seller: McDean Studio



35 WEST 36TH STREET

Unit 9E/W: 6,737 Sq. Ft.
Price: \$4,042,200 (\$600/Sq. Ft.)
Sale Date: 07/07/23
Purchaser: Damee Inc.
Seller: Hidrock

Reviving the NYC Office Condo Market in 2024: Five Essential Steps

The landscape of New York City's office condo market has faced unprecedented challenges in recent times, grappling with shifting economic tides, pandemic-induced transformations, and evolving business paradigms. As 2024 unfolds, the revival of this market hinges on five critical factors that could inject vitality and momentum into its realms.



1. Interest Rates Must Decline

The sudden surge in interest rates throughout 2023 cast a shadow over the office condo market, causing a significant drop in sales velocity. However, a glimmer of hope emerges with the Federal Reserve's intent to embark on a series of interest rate reductions in 2024. As Covid-era inflation ebbs, lower rates will ease borrowing costs, enticing sidelined buyers back into the market, breathing new life into the dormant transactions.



2. Aligning Pricing with Market Rents

A pivotal aspect for office condos to become enticing lies in aligning their pricing with the current market rents. The leasing sector witnessed a substantial dip in rental rates, necessitating a commensurate adjustment in office condo pricing. Ensuring that the annual cost of ownership equals or falls below leasing costs for comparable spaces becomes imperative to rekindle buyer interest.



3. Embrace a Contrarian Approach: Convert Vacant Spaces to Condos

Building owners holding vacant spaces can wield a contrarian strategy by converting these areas into office condos for sale instead of pursuing leasing options. This infusion of available office condo spaces will bolster demand, offering a wider array of choices to prospective buyers and reinvigorating the market with increased activity.



4. Diversification of Industries and Market Entry

The NYC market's rejuvenation lies not only in catering to traditional white-collar professions but also in welcoming a broader spectrum of industries. The resurgence of sectors previously priced out, such as apparel, textiles, healthcare, distribution, and maker/creative industries, signifies an expansionary shift. By providing space conducive to a diverse range of business operations, the city can amplify its appeal and reignite market vitality.



5. Shift in Media Sentiment

Perception matters, and the narrative surrounding the NYC office market requires a positive overhaul. Years of negative headlines have cast a pall over potential buyers, fostering hesitancy and caution. However, a change in the media's portrayal, coupled with positive developments and success stories, can serve as a catalyst for renewed confidence and reengagement from buyers.

The resurgence of the NYC office condo market in 2024 hinges on these interconnected factors working in harmony. An amalgamation of favorable interest rates, market-aligned pricing, strategic conversions, diversified industry presence, and a shift in media sentiment can collectively breathe life back into this pivotal sector, marking a promising chapter in the city's real estate landscape.

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, Rudder Property Group has 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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