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REAL ESTATE IN-DEPTH

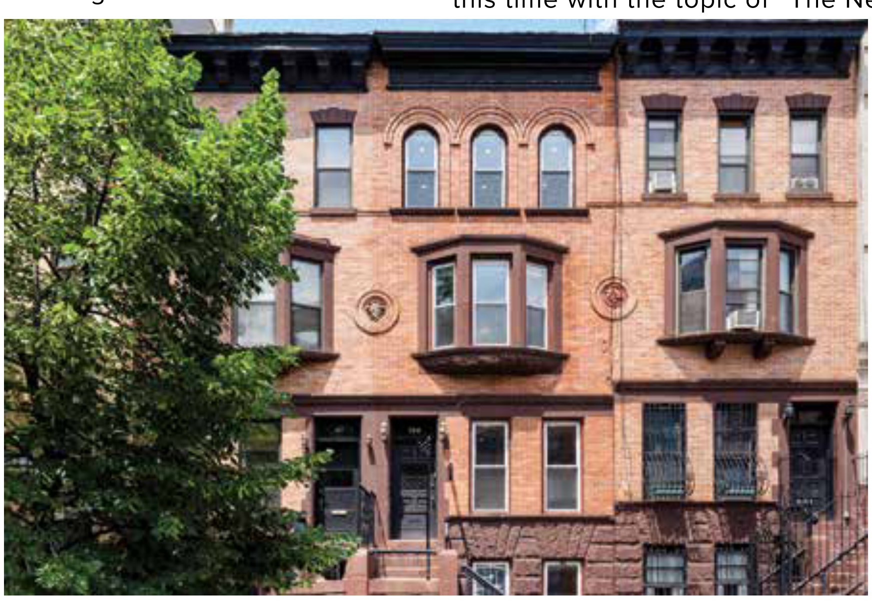
Official Publication of the Hudson Gateway Association of Realtors

FOCUS ON MANHATTAN

The New Manhattan

By Mary T. Prenon

Despite the recent uptick in Delta variant COVID cases in the New York metro area, New York City is essentially open for business. Most Broadway theaters are reopening in September, restaurants and bars are now allowing vaccinated patrons to dine indoors and the residential real estate market is back in full swing.



A 3,436-square-foot, five bedroom, five-and-a-half bath two-family townhouse in Hamilton Heights, Manhattan, offered for sale by the Brian Phillips Team of Douglas Elliman for $2,450,000.

New developments are soaring—from Hudson Yards to Penn Station to Roosevelt Island—and both the sales and rental markets in Manhattan are experiencing an influx of young professionals, as well as empty nesters, who are ready to call the Big Apple their home.

Over the past year, Brian Tormey of TitleVest in Midtown Manhattan has had his hands on the pulse of the residential real estate market, hosting a series of “Be Your Best” webinars on “Getting the Deal Done” sponsored by the Hudson Gateway Association of Realtors and OneKey MLS throughout the length of the pandemic. Awarded the “Best Title Agency” by the *New York Law Journal* reader rankings since 2013, TitleVest and Tormey have been at the forefront of a topsy-turvey real estate market since March of 2020.

“I've been impressed with the resilience I've seen from real estate professionals throughout the New York area,” said Tormey. “The pandemic has proven again one of the strengths of our region—we know how to take care of one another.”

On September 9, Tormey will host another one of his popular webinars, this time with the topic of “The New Manhattan.” Tormey and a panel of real estate experts will discuss how the once seemingly abandoned “city that never sleeps” is making its official comeback from a harrowing year with streets teeming with moving vans barreling toward the suburbs.

Now, new civic and private developments seem to be fueling a newfound interest in New York City, and Manhattan, especially. “To quote a good friend and past panelist, Bruce Cohen, ‘for every sale, there is a purchase.’ Now we're starting to see time on market shorten and prices rising—both indicators of a strengthening market,” said Tormey.

As a result of increased seller concessions, low interest rates and available inventory during the height of the pandemic, Tormey and his team began to see an interest from buyers who may not have ordinarily been able to afford Manhattan. “People from all walks of life have taken advantage of that to shift from renting to owning, upsizing, downsizing or, for the first time, snagging their own slice of the Manhattan pie,” he noted. “I believe that we will see a vibrant Manhattan again, and soon, but it may look and feel a bit different than before, with adjusted work schedules, new commuting patterns and a renewed appreciation of alfresco living.”

Brian Phillips of Douglas Elliman Real Estate in the Bronx agrees that New York City real estate is back. “I'm definitely seeing people moving back in and I've noticed a lot of younger people—especially those without children,” he said. “While the post-pandemic prices are lower, I think they're going to start slowly creeping back up.”

Phillips, who lists and sells throughout the five boroughs, noted that studios and one-bedrooms are being snatched up very quickly. “I'm also finding that there's a lot less loyalty to specific neighborhoods—people are looking in Manhattan, Brooklyn, Queens or wherever they can find good deals,” he added.

A one-bedroom, one-bath co-op in Bedford Park, Bronx, listed for sale by Corcoran for $265,000.

Some of his clients are traveling from as far away as Florida, while others tend to be from Westchester, Long Island, New Jersey and Connecticut. “People still want to be in New York City—offices are reopening, Broadway is coming back, and restaurants and bars are opening again. There's definitely a new influx into the city.”

Currently, in upper Manhattan, one-bedroom co-ops are starting at about $300,000 for a walk-up building, where an elevator or doorman building starts at about $400,000. Two bedrooms are much higher, averaging $500,000. “The further north you go, the less expensive it gets, and the more space you have,” added Phillips.

A lot of his clients are also requesting terrace space, as well as a washer and dryer located in the unit. “After COVID, I think everyone is more concerned about having their own personal laundry appliances rather than using a public laundry room in the building,” he said.

As for rentals, Phillips sees landlord concessions starting to fade away. “During the pandemic, a lot of landlords had been offering one month free on a one-year lease and two months free on two-year leases,” he explained. “Also, we're starting to see the real estate fees being paid by the tenant again, as opposed to the landlord paying them.”

Because of Phillips' diversified listings, he didn't experience a downturn during the pandemic. He found properties under $500,000 were moving in all five boroughs. “Since last year, transactions are faster now as well,” he noted. “There are electronic signatures and other forms of technology that make the deals go much quicker and smoother.”

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Manhattan Office Leasing Activity Showed Some Improvement in Second Quarter

NEW YORK—Manhattan's office market showed clear signs of breaking out of the pandemic shutdown during the second quarter of 2021, as leasing activity increased on the strength of several large deals signed. Officials with commercial real estate brokerage firm Transwestern Real Estate Services noted that while the market is not back to pre-pandemic levels, availability increased and rent rates declined in a second quarter of mixed results.

During the second quarter, tenants leased 4.4 million square feet of office space, up slightly from 4.3 million square feet in the previous quarter. Approximately a dozen leases were signed exceeding 50,000 square feet in size, including four leases topping 100,000 square feet. Sublease levels, which had grown during the past several quarters, eased considerably.

“The overall uptick in market activity, particularly with the large leases signed during the quarter, is fueling the return of Manhattan's office market,” said Rory Murphy, partner at Transwestern. “We are seeing an increased confidence on the part of tenants who want to both leverage current market conditions and secure a long-term strategy in the city.”

Among the key highlights from the report included:

- At 4.4 million square feet, the quarterly leasing total is about half of the five-year pre-pandemic average of 9.4 million square feet.
- Approximately 18.2 million square feet were leased during the last four quarters, about 46% below the prior four-quarter tally from third quarter 2019 to second quarter 2020.
- Availability rose to 18.2%, marking the eighth straight quarter of increases.
- Sublet availability remained unchanged at 4.7%, representing 25.8% of all availability in Manhattan, which is down from 27.8% last quarter.
- Manhattan asking rents decreased 1.8% from last quarter to $70.69 per -square-foot The decline is less than what we've seen in previous recent quarters.

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SL Green Realty Corp. announced recently that the law firm Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C. had signed a 101,394 square-foot, 20-year lease at 919 Third Ave. The 47-story tower will become the firm's New York headquarters.

5 QUESTIONS WITH Bess Freedman, CEO, Brown Harris Stevens

By John Jordan

During the COVID-pandemic, Brown Harris Stevens Chief Executive Officer Bess Freedman has participated in several webinars hosted by the Hudson Gateway Association of Realtors and OneKey MLS and offered some frank assessments of market conditions, as well as her views on lockdowns and tax policies and their impacts on the market.

In preparing for this year's Focus on Manhattan Supplement, HGAR felt there was no one better to update the readership of *Real Estate In-Depth* on where the New York City real estate market is heading in 2021 and beyond.

Freedman is Brown Harris Stevens first CEO and oversees the firm's 55 offices and more than 2,300 agents across New York, Connecticut, New Jersey, and Florida. Under her leadership, Brown Harris Stevens has grown into one of the largest and most successful privately held real estate companies in the United States with annual sales of more than $9 billion.

She originally joined Brown Harris Stevens in 2013 to oversee business development. Her insights are frequently sought out by media including *CNBC, Bloomberg, Fox News, The New York Times,* and *The Wall Street Journal.*

She is the former Co-President of Brown Harris Stevens and was a Senior Managing Director of the Corcoran Group's East Side headquarters. A former agent, Freedman achieved repeated membership in Corcoran's Multi-Million-Dollar Club.

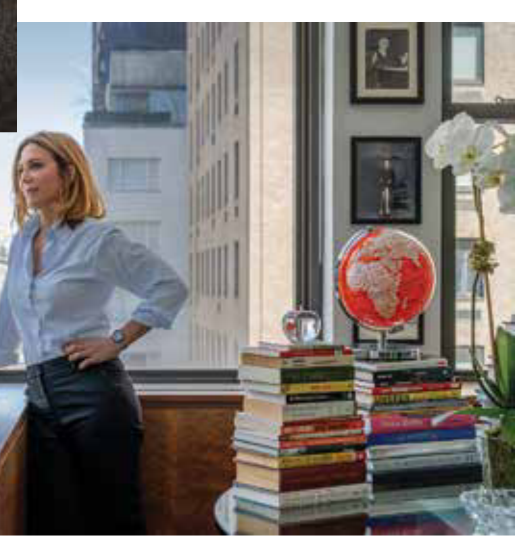
Before entering real estate, she practiced law as an Assistant State's Attorney in Montgomery County, MD, and also worked at Legal Aid as an attorney. Freedman is a member of the Florida, Washington, D.C. and Maryland Bar, and worked in New York pro hac vice. She speaks Spanish and has lived in various cities including Washington, D.C., Miami, and Seville, Spain. Originally from upstate New York, she earned an undergraduate degree from Ithaca College and a law degree from The University of the District of Columbia, David A. Clarke School of Law, in Washington, D.C.

The mother of two is an advocate for social change through her work with several organizations and earlier this year was the recipient of REBNY's Kenneth R. Gerrety Humanitarian Award for outstanding service to the community.

1

Real Estate In-Depth: Back in January on a virtual panel discussion hosted by the HGAR and OneKey MLS, you said that the vaccine's impact on the market will be critical in New York City's recovery. While you noted that the path would be difficult, you said, "New York City is going to do very well. It's still a buyer's market—an opportunity market—rates are low. But theaters are going to reopen, restaurants are going to reopen ... I'm doubling down on my prediction for New York City in 2021." How does that prediction hold up to current market conditions?

Freedman: I've given my predictions in interviews and now people are saying, "You were right." I did believe strongly that the vaccine would be helpful obviously, once people got vaccinated and things started to open. And, I have to say I thought it would be a really good New York comeback, but it has been great. It's even better than I expected it to be— the (sales) numbers, the response, things are opening and that's great, but I will say that with a caveat because I still remain concerned because we are not out of the woods yet regarding the pandemic. Getting vaccinated should not be about politics. We should listen to doctors and science and take care of each other. And I don't know how the hell we got to a place where this is like a political game where lifesaving vaccines become political. I still don't understand that. However, New York State is doing fairly well with vaccinations. We just issued a new guideline for Brown Harris Stevens for any agent, any employee or any visitor, if you want to come into offices, you have to be vaccinated. We have also brought the mask guideline back. We are being extra careful because I just want to be as vigilant as I can.



In terms of the mask guideline, if you are in any one of the Brown Harris Stevens offices, we ask that when you are walking around that you wear your mask. If you are sitting at your desk and there is nobody around, obviously we are okay with you pulling your mask down. But, when you are walking around and there are other people (nearby) we ask that you be respectful and keep your mask on, regardless of vaccination status. And we are asking that by Sept. 15 that everyone get vaccinated unless they have extenuating circumstances like they have some medical condition that prohibits them (from being vaccinated). In that case we obviously understand, you talk to HR, and we get it. But, if you don't have that situation, then we insist you get vaccinated if you want to come into our offices.

Freedman later said that once the company reverts back to all full-time status at the office, the company will want all its staff to be vaccinated. "So, if there is an employee who for whatever reason just refuses to get vaccinated (without a valid medical reason) they will not have a future at Brown Harris Stevens because I can't put (our workers) at risk. I have an elderly population, I have young Moms with kids here and I have to put health and safety above everything else. So, they will not have a future here if they are not going to get vaccinated," Freedman said.

2

Real Estate In-Depth: Do the rising number of cases due to the Delta COVID-19 variant concern you and could the market endure another shutdown?

Freedman: The Delta variant picking up very much concerns me and I am worried about us going back into a restrictive economy and people getting very sick. That concerns me greatly and it would hurt us. We are still in a recovering economy. You know what's going on with the eviction moratorium. There has been rental federal aid that was supposed to get to all these people that can't pay their rent and out of $45 billion, $3 billion has gotten to these people. People are struggling. Landlords need to pay bills. If we go back into lockdown, we are going to be in trouble and it will not be good for anybody, health-wise, economically, everything. So, that is why I am being so aggressive with the vaccinations and safety, because I don't want us to slip back to where we were, where we were locked down and could not show real estate for months. I have good friends that are in the restaurant industry and they closed their restaurants. New York is still in recovery, so if we went back into lockdown could we handle it? Of course, but it would not be good.

3

Real Estate In-Depth: With a new administration to be determined on Election Day, what are the key issues facing the city that you believe will be critical to solve in order to foster a true recovery?

Freedman: I have been a big supporter of Eric (Adams, the Democratic nominee for Mayor). I liked a lot of the candidates, but I really got behind Eric and interviewed him and I think he really has the right idea for New York City because he is such an inclusive leader. He will work with the legislators, he will work with the businesses, he will work with unions, communities and teachers. That is what we need. We had a divisive environment in New York and we were sending the wrong message. We were demonizing the rich. The legislature was trying to tax them egregiously and we got a lot of people to move out of New York and that hurt us. So, I think the new leadership will bring people back to New York City, will work together to create an environment where everyone can prosper. You want businesses to prosper. You want wealthy people to live here. You want to build affordable housing. You have to do all of those things and I think for New York City Eric is going to be the right kind of leader for us.

Crime is definitely an issue and the reason why Eric won (the Democratic primary) is because he put safety as his number one talking point because no matter who you are or where you live in New York City, what people care about the most is safety. If you cannot walk the streets and feel comfortable, people are not going to buy here, invest here, live here and raise children here. The crime situation has already improved because there are more police on the MTA (trains and stations) and they are being more vigilant, but we still have a way to go. Historically, we are a very safe city if you look at 1990 or even 2000, the number of robberies and murders have gone down tremendously. Did crime pick up during the pandemic? Yes, but if you look at it in context we are still historically very low. We are doing well, we just need to keep moving in the right direction.

4

Real Estate In-Depth: Do you think the press reports of a mass exodus out of Manhattan were overblown and are you seeing any of those transplanted New Yorkers coming back to the city?

Freedman: Yeah, I do think some of that coverage was overblown. What stories sell are bad news, something that is divisive. I think there was a lot of spin with that. Did we have people move out of New York City? We did. Part of that is factual. During the pandemic we were an epicenter for COVID and people left. And because of the tax policy, a lot of people left before the pandemic even

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Boston Properties to Acquire 360 Park Ave. South for $300M

BOSTON—Boston Properties, Inc. reported on July 27 it had agreed to acquire 360 Park Ave. South, an existing 450,000 square foot, 20-story office property in the Midtown South submarket of Manhattan for $300 million.

The property is currently fully leased to a single tenant who will be vacating in late 2021 providing BXP with the opportunity to complete extensive upgrades and transform it into a premier modern building that will attract Class A clients. The company expects to close the acquisition in December 2021 for a purchase price of approximately $300 million.

Boston Properties expects to fund the acquisition through the assumption of approximately $202 million of first mortgage debt and the issuance of approximately $98 million in Operating Partnership Units (OPUs). The number of OPUs to be issued at closing will be based on the average closing price per share of BXP common stock for the five trading days immediately preceding the closing date, but in no event less than $111 per share.

BXP owns and operates approximately 8.8 million square feet of Class A office space in Manhattan, primarily in the Park Avenue and Plaza districts, which is approximately 94% leased to credit-strong tenants. The acquisition of 360 Park Ave. South expands BXP's footprint into the Midtown South submarket, which is a preferred location for companies and young professionals in the tech, advertising, media, and information (TAMI) sector, company officials stated.

"This acquisition is an ideal value-add opportunity for BXP as it allows us to use our proven real estate skills to reposition and upgrade an existing property in an attractive submarket to secure future lease up opportunities," said John Powers, executive vice president, New York Region, BXP. "Our long-standing experience in repositioning and transforming well-located properties into high-quality workspaces with attractive amenities will lead to the delivery of a world-class office property that caters to the growing cluster of technology companies in New York City."

Earlier in July, Boston Properties announced that Hilary Spann will succeed John Powers as head of the company's New York office effective January 1, 2022. Powers has decided to retire from the company in December 2021 after more than eight years of service. Spann will join BXP as an Executive Vice President in September 2021.

"We are grateful to John for his many contributions to BXP over the years, first as a long-term trusted advisor to our founders and then as the leader of our New York office. He will be greatly missed," stated Owen Thomas, CEO of BXP. "We are delighted to have Hilary join BXP's executive leadership team. Hilary's breadth of real estate experiences as an investor and an owner will be a tremendous asset to the company, and I look forward to working with her as she leads the future strategic growth of our New York Region."

"We are thrilled that Hilary will be joining BXP," added Doug Linde, president of BXP. "Hilary's investment and management experience are complementary to our operating model and I am confident she will bring her talents and passion for real estate to her leadership of our New York team."

360 Park Ave. South, New York City

Spann brings to BXP more than 20 years of real estate investment and development experience, most recently as Managing Director, Head of Americas, Real Estate at CPP Investments, a position she has held since 2017. During her tenure as Head of Americas for Real Estate, she was responsible for leading all aspects of the real estate business, including investment strategy, talent acquisition and management, and portfolio management. Prior to joining CPP Investments in 2016, Spann held several executive roles in acquisitions and asset management at the Global Real Assets Group at J.P. Morgan Asset Management, including as Managing Director, Head of Northeast Acquisitions. During her tenure at J.P. Morgan from 2005 through 2015, She was heavily focused on the office market in Manhattan, completing 27 transactions totaling $12 billion in gross asset value, with $3.5 billion of equity committed.

Boston Properties is the largest publicly traded developer, owner, and manager of Class A office properties in the United States, concentrated in five markets—Boston, Los Angeles, New York, San Francisco and Washington, DC. The company's portfolio totals 51.6 million square feet and 196 properties, including nine properties under construction/redevelopment.

Dottie Herman Steps Down as Douglas Elliman CEO

NEW YORK—Residential brokerage firm Douglas Elliman, announced Aug. 3 that Dottie Herman has stepped down as its Chief Executive Officer. The firm has promoted President and Chief Operating Officer Scott Durkin to Chief Executive Officer, effective immediately.

Herman, who purchased Douglas Elliman in 2003 in partnership with Douglas Elliman Chairman Howard M. Lorber, has been named vice chair of Douglas Elliman. Herman acquired Douglas Elliman 18 years ago after having started as a broker with Merrill Lynch's Long Island Division and then expanding Prudential Long Island Realty into a major brokerage on Long Island and the Hamptons.

"Douglas Elliman has proven to be my most rewarding professional experience to date," said Durkin. "I look forward to expanding upon the legacy of our brand built by my friend and mentor Dottie Herman as the market leader in luxury real estate. I also welcome the opportunity to further advance our technology-focused initiatives that allow our agents to work faster and more efficiently on behalf of their customers and clients."

Durkin joined Douglas Elliman in 2015 as executive vice president of acquisitions and growth. He was promoted to Chief Operating Officer in October 2016 and named President in 2017. With his new title, Durkin will continue to lead the brokerage, its operations, technology initiatives, and strategic growth efforts across the United States. During the 12 months ended June 30, 2021, Douglas Elliman closed nearly $43 billion in sales.

"As President and COO of Douglas Elliman, Scott has taken our firm to the next level with major initiatives to strengthen our brand, our culture, our technology and most importantly, the way our agents conduct their business," said Lorber. "Scott is a talented, solution-driven and results- oriented leader, as demonstrated by his truly incredible performance helming the brokerage during the extremely challenging COVID-19 pandemic. He has established himself as a highly valued and respected executive and I am very proud to make this announcement."

Douglas Elliman Vice-Chair Dottie Herman

Douglas Elliman CEO Scott Durkin

"It is a thrill to pass the CEO title to my friend Scott Durkin whose career I have watched since acquiring Elliman in 2003 when I joined the New York City brokerage community," said Herman. "I am impressed by his experience, tenacity and his appeal to agents, managers and staff alike. Elliman is in excellent and very capable hands."

Herman has been consistently ranked in *Crain's New York Business* 50 Most Powerful Women in New York and Inman News Top 100 Most Influential Real Estate Leaders. In 2015, she was inducted into the *Long Island Business News* Hall of Fame and listed in the Top 50 Women Entrepreneurs in America by *Inc. Magazine* among the Inc. 5000 list where Douglas Elliman was named as one of the fastest-growing private companies in America. In 2016, Herman was named on *Forbes* 2016 List of America's Self-Made Women as well as in 2017. She was also honored in 2017 at the United Nations Women's Entrepreneurship Day where she was awarded the prestigious, Business Pioneer Award. In addition, Herman received recognition as a Kenneth R. Gerrety Humanitarian Award at the annual Real Estate Board of New York (REBNY) and a BRAVA SmartCEO Award, recognizing exceptional female leaders for their contributions to business and philanthropy.

In her role as Vice-Chair, Herman will serve in an advisory capacity to Lorber and Durkin as well as continue to mentor Douglas Elliman executives and agents across the country.

"Dottie and I could not have imagined that the venture we embarked on in 2003 would grow into one of the largest and most important residential brokerage firms in the United States. Her vision for and dedication to Douglas Elliman has proven invaluable and I am grateful for her service," said Lorber.

Herman added, "I could not be more proud of the company that Howard and I created and am excited for its future."

Durkin was the driving force behind Douglas Elliman's celebrated, next-generation platforms including public relations, technology and marketing. He was instrumental in launching the firm's new brand look and feel, a new Elliman.com and advertising campaign dubbed "The Next Move is Yours," all in the last two years. Durkin also brought about more open lines of communication for agents and consumers with The Douglas Elliman Podcast Channel, Elliman Cares initiatives and cutting- edge social media platforms such as TikTok.

He helped oversee expansion efforts in New York, Florida, California, Massachusetts and Texas as well as the successful re-structuring of operations in Westchester, Connecticut and the Hamptons. Durkin is also responsible for a more streamlined, efficient, creative and productive operations team that includes sales, recruitment, technology, marketing, legal, accounting, public relations, human resources and facilities.

Since beginning his career as a sales agent with the Corcoran Group in 1991, Durkin grew his reputation, becoming a protégé of Barbara Corcoran and working directly alongside her for many years. He was directly involved in many major milestones, including the sale of the company to NRT and the acquisition of brokerages in the Hamptons, Palm Beach and New York.

Durkin was recently appointed to the board of directors of God's Love We Deliver, for which Douglas Elliman agents and staff have been instrumental in helping to raise well over $1 million for clients of the organization too sick to shop or cook for themselves.

Established in 1911, Douglas Elliman Real Estate is owned by New Valley LLC, the real estate subsidiary of Vector Group Ltd. (NYSE: VGR). With approximately 7,000 agents, Douglas Elliman operates approximately 100 offices in New York City, Long Island, The Hamptons, Westchester, Connecticut, New Jersey, Florida, California, Colorado, Massachusetts and Texas. Moreover, Douglas Elliman has a strategic global alliance with London-based Knight Frank Residential for business in the worldwide luxury markets spanning 61 countries and six continents. The company also controls a portfolio of real estate services including Douglas Elliman Development Marketing, Douglas Elliman Property Management and Douglas Elliman Commercial.

The New Manhattan

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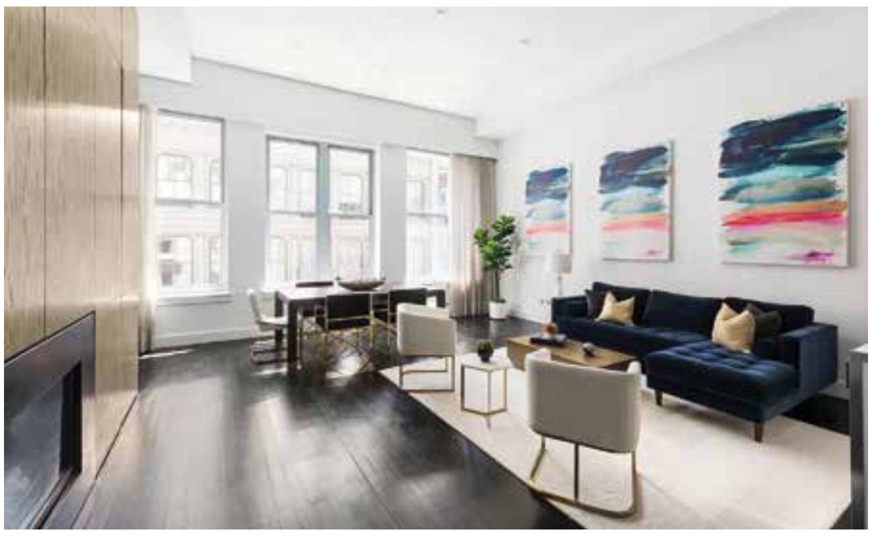


A three-bedroom, three-bath, 2,177-square-foot loft on Mercer Street in Soho listed for rental by Barnes New York for $14,500 a month.

Magdalena Ferenc of Corcoran on Manhattan's West Side has seen a huge jump in sales and rentals this summer. Handling rentals in 10 buildings in Morningside Heights, she credits returning Columbia University students with helping her business soar. "July has been the craziest month of my real estate career," she revealed. "I rented over 50 apartments and it felt like I was working day and night due to the time differences in other countries."

Many of her rental clients are returning college students from India and China, who often share larger apartments to keep the costs affordable. Ferenc expects to rent at least 200 apartments by the end of the year. "I'm basically playing catch up from 2020, when things were a lot slower," she added.

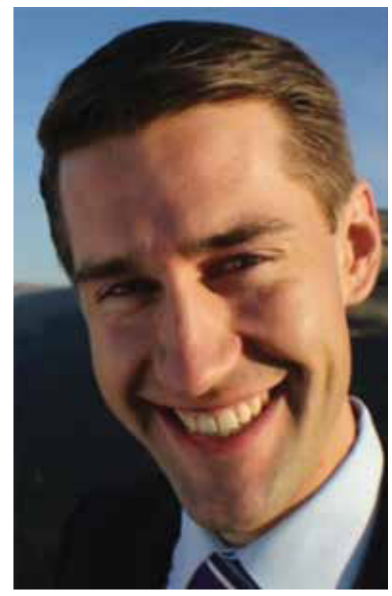
Like Phillips, Ferenc has also experienced the trend of landlords now cutting back on incentives. In the Morningside Heights area, two-bedroom rentals can typically start at $2,200, while three bedrooms can fetch $2,700 or more and four-bedrooms, $3,000 and up.

On the sales side, she's also witnessing a sort of Renaissance in Inwood and the Bronx with Origin North, a collection of nine restored affordable co-op buildings. All of the renovated units have new kitchens, bathrooms, flooring, electrical work, and the buildings also offer new lobbies and outdoor landscaping.

"People are starting to discover upper Manhattan or Bronx neighborhoods like Bedford Park, Norwood and University Heights," she said. "They're getting priced out of other areas and are beginning to realize the value of home ownership in good areas with generous space and easy commutes to Midtown Manhattan. One-bedroom units at some Origin North locations start at just $265,000.

Ferenc said the response has been great and she has completed almost 20 deals already. "When I'd hold open houses in these areas before, it was only curious neighbors who often showed up," she said. "Now, it's very encouraging to see a lot of people who are interested."

Jann Rousseau, of Barnes New York



Brian Tormey, President, TitleVest

in Midtown Manhattan, found that higher end rentals were hit the hardest during COVID times. "Business did start to pick up at the beginning of 2021 and right now, we're starting to see rental prices that we haven't seen in a couple of years," he said.

For Rousseau's team, the Financial District and Midtown were the most affected for sales and rentals, while Soho, Greenwich Village and parts of Brooklyn remained strong. In 2020, some landlords were offering up to four months free, but now, he said, there are hardly any concessions.

In Midtown, and Manhattan's upper East and West Sides, studio rentals can range from $2,000 to $4,000 per month, while one-bedrooms can demand monthly rentals of $3,000 to $5,000, depending on the neighborhoods and age of the buildings. The average starting sales price of a one-bedroom in these areas is $500,000.

"I think the market for rentals will always be there because New York City can be transient," explained Rousseau. "People may come here for a while to work, then move to the suburbs when they're ready to start a family."

Many of his co-op and condo sales are to foreign investors who are looking for a home base when they travel to the U.S. Others are purchasing properties to rent out. Rousseau is also seeing an influx of young professionals as well as some empty nesters who want a secondary home in Manhattan. "New York will always be New York, so to say that the real estate market is finally coming back is a little overstated," he said.

Barnes New York is also opening its first Westchester office in Larchmont to deal with its European clients seeking a second residence in the suburbs. "The French American School in Mamaroneck is a big attraction, along with proximity to New York City, added Rousseau.

Barnes International Real Estate operates a third U.S. location in Miami and offers more than 100 locations in 20 countries worldwide, with more than 1,000 agents.

New York Region Tops Nation in Commercial, Multifamily Construction Starts in 2021

HAMILTON, NJ—The value of commercial and multifamily starts in the top 20 metropolitan areas of the U.S. gained 12% during the first six months of 2021 relative to the first half of 2020, according to a report released on July 27 by Dodge Data & Analytics.

Nationally, commercial and multifamily construction starts were 10% higher on a year-to-date basis through six months. In the top 10 metro areas, commercial and multifamily construction starts were up 12% through six months, with only three metro areas—Washington DC, Los Angeles CA, and Austin TX—posting declines. In the second-largest group of metro areas (those ranked 11 through 20), starts improved 11% on a year-to-date basis, with only Phoenix AZ, Houston TX and Chicago IL losing ground.

The early months of the pandemic led to construction moratoriums and project delays in many of the country's largest cities, resulting in very low levels of activity in April and May 2020. Additional insight on the health of these markets can be ascertained by comparing the first six months of 2021 to the same period in 2019 – before the pandemic. On that basis, commercial and multifamily starts were down 9% in the top 20 metro areas, the report stated. At the same time, nationally, they were 5% lower, indicating that the pandemic affected construction activity more dearly in larger cities. In the top 10 metro areas, commercial and multifamily starts were 20% lower than 2019 through six months, while in metro areas ranked 11 through 20, they were 13% lower.

The New York metropolitan area was the top market for commercial and multifamily starts through six months at $12.6 billion, an 8% increase from the first half of 2020. The Dallas, TX metropolitan area was in second place for commercial and multifamily starts, totaling $4.5 billion through six months, a 12% gain over 2020. The Washington DC metro area was ranked third through six months but lost 7% to $4.3 billion. The remaining top 10 metropolitan areas through the first half of 2021 were: Boston, MA up 34% ($4.0 billion); Miami, FL up 26% ($3.5 billion); Los Angeles, CA down 22% ($3.4 billion); Philadelphia, PA up 86% ($3.3 billion); Seattle, WA up 61% ($3.2 billion); Atlanta, GA up 2% ($2.5 billion and Austin, TX down less than one percentage point ($2.5 billion).

In summary, the top 10 metropolitan areas accounted for 40% of all commercial and multifamily starts in the United States—the same share as in the first six months of 2020.

The second largest metro group included: Phoenix, AZ down 10% ($2.5 billion); San Diego, CA up 171% ($2.2 billion); Houston, TX down 30% ($2.2 billion); Denver, CO up 64% ($2.1 billion); Nashville, TN up 53% ($2.0 billion); San Francisco, CA up 114% ($1.9 billion); Chicago, IL down 54% ($1.9 billion); Minneapolis, MN up 71% ($1.7 billion); Kansas City, MO up 60% ($1.6 billion) and Orlando, FL up 11% ($1.5 billion).

This group of metro areas accounted for 18% of all commercial and multifamily starts in the United States through six months, the same share as in the previous year.

The commercial and multifamily total is comprised of office buildings, stores, hotels, warehouses, commercial garages, and multifamily housing. Not included in this ranking are institutional projects (e.g., educational facilities, hospitals, convention centers, casinos, transportation terminals), manufacturing buildings, single family housing, public works and electric utilities/gas plants.

Through the first six months of 2021, total U.S. commercial and multifamily building starts rose 10% to $108.5 billion from the same period of 2020. Nationally, commercial starts were up 3% to $56.1 billion, while multifamily starts were 19% higher at $52.4 billion on a year-to-date basis.

Within the top 10 metro areas, commercial building starts were 1% higher to $20.6 billion through six months, while multifamily building starts were up 23% to $23.3 billion. Within the second largest group of metropolitan areas, commercial building starts were 3% lower to $9.8 billion through six months, while multifamily starts totaled $9.9 billion and were 30% higher.

"The recovery from the COVID-19 pandemic has begun but is very uneven," stated Richard Branch, chief economist for Dodge Data & Analytics. "Commercial construction has been buoyed by strength in the warehouse sector as large e-commerce companies build out their logistics infrastructure while office, retail, and hotel activity is subdued. Multifamily starts, meanwhile, have rebounded solidly following a weak 2020. The dollar value of commercial and multifamily starts should continue to improve over the coming six months; however, growth will remain muted due to high material prices and a shortage of skilled labor in the construction sector."

In the New York metropolitan area, commercial and multifamily starts were 8% higher through six months to $12.6 billion but remained 18% below the first six months of 2019. Multifamily starts were up 11% through six months. The largest multifamily projects to begin through the first half of 2021 were the $500-million 625 Fulton St mixed-use projects, the $349-million first phase of the Bronx Point mixed-use project, and the $242-million National Urban League mixed-use building. On a year-to-date basis, commercial starts were 4% higher, led by gains in warehouse and parking structures, while office and hotel starts were lower than the first six months of 2020. The largest commercial projects to get underway through six months were the $1.2-billion Terminal Warehouse conversion, a $316-million Amazon warehouse and Two Penn Plaza's $160-million renovation.

Manhattan Office Leasing Activity Showed Improvement In Second Quarter

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• Rents were down 12.6% year-over-year and were at their lowest level since 2016.

"The operative term for the quarter, and moving into the third quarter, appears to be 'cautious optimism,'" said Corrie Slewett, research manager at Transwestern. "Leasing activity is ticking up, availability is still on the increase but leveling off and rent levels continued to decrease but at a slower rate. There's definitely reason for optimism, though comparisons with historical figures certainly remind one to have caution. The impact of the pandemic and its shutdown are going to have a long tail and, while it's still too early to say how long it will be, it appears that we are heading in the right direction."

In its Market Outlook section of the report, Transwestern states that it took about six quarters for total availability to peak following the collapse of Lehman in late 2008, and as the city approaches that benchmark in terms of COVID, "we are already seeing a slowdown in space additions from their recent frenzy. While overall availability did increase this quarter, the ratio of sublet to direct space has tightened, partially reversing the quarterly increases that had prevailed since mid-2020."

The firm added that concessions are still on the table, "but the tide is turning as tenants realize they need to act quickly to take advantage of these conditions."

Transwestern concluded its report by stating, "With live sports and concerts already underway, many at full capacity, and Broadway set to re-open in September, New York City is once again seeing tourism increase, benefitting restaurants, hotels, and retail. This pent-up demand will come into play further in the second half of the year as the city opens up more fully, and both tenants and landlords realize Manhattan is still the place to be."

Editor's Note: This report was released prior to the city instituting mandated vaccinations for indoor dining, entertainment and fitness businesses starting on Aug. 17. Enforcement of the COVID-19 vaccination program will begin on Sept. 13.

CPC Deploys Nearly $940 Million to Support More Than 260 Affordable Housing Projects

Rafael E. Cestero, president and CEO of Community Preservation Corp.

NEW YORK—The Community Preservation Corporation (CPC) announced on Aug. 2 that it had deployed approximately $937 million in capital to support impactful housing and community development projects during a record-breaking 2021 fiscal year that ran from July 1, 2020 through June 30, 2021.

CPC's work across its construction, permanent, and agency lending and investing platforms financed 8,400 units, nearly 80% of which were affordable to households earning at or below 80% Area Median Income (AMI).

In addition to its work to finance the creation and preservation of multifamily housing in underserved areas, CPC also launched its ACCESS initiative to invest in BIPOC (Black Indigenous People of Color) development entrepreneurs, partnered with New York State to administer COVID relief funding to small rental building owners and through its sustainability practice the company continued to move the industry towards sustainable construction and de-carbonization of the built environment.

"I am incredibly proud that we were able to leverage our mission-driven work and the capital we provide to create new economic opportunity at a time when communities were struggling to recover from the enormous toll of COVID-19," said Rafael E. Cestero, president and CEO of CPC. "Each loan and investment tells a story of the outcomes of the housing that gets built, the small BIPOC developer that's able to grow their business, and the tenants who have safe affordable housing. They reflect CPC's deep commitment to our mission and the transformative impact that we're able to have within communities and on peoples' lives."

CPC's construction lending platform provided more than $464 million in loan funding to developers of both affordable and workforce housing across every region of New York State. In 26 counties, CPC provided flexible capital to advance housing projects to revitalize historic downtowns, to create and preserve affordable and supportive housing for our most vulnerable populations, and to invest in the small multifamily rental stock.

Roughly 2,400 units, or approximately 80% of the total units financed through CPC's construction lending are affordable to households earning at or below 80% AMI. This included 1,450 affordable units in New York City and 650 units in neighborhoods throughout upstate. Additionally, more than half of the total projects financed through CPC's construction lending were sustainable, energy efficient construction or retrofits, helping to reduce the carbon footprint of communities and leading to better outcomes for tenants and cost savings for owners.

The company's sustainability practice continued to drive the real estate industry and built environment towards carbon neutrality and sustainability, financing 1,600 sustainable, high-performance units across its FY21 lending portfolio, and hosted a three-day virtual Sustainability Summit with the New York State Energy Research and Development Authority to provide attendees from across the real estate industry with the tools to better understand the challenges and opportunities of sustainable development and portfolio management.

As an equity investor, CPC's goal is to be a responsible, long-term steward of affordable and workforce housing that serves moderate- and low-income tenants. In November 2020, as an equity partner in a larger development team, CPC and its partners closed on the financing for the NYCHA Manhattan portfolio, beginning a roughly three-year process that will see 38 buildings and more than 1,710 apartments across 16 separate public housing properties go through a massive rehabilitation and revitalization plan. This mission-aligned project will preserve a critical piece of New York City's affordable housing stock, and bring long-term stability to the nearly 3,000 people who call these developments home, CPC officials stated.

In response to the social justice movement and the disparate impact of COVID on communities of color, CPC created and launched its ACCESS initiative. ACCESS is a $20-million program providing financial resources, capacity building opportunities, and technical assistance to BIPOC entrepreneurs who have historically faced barriers to entry in the real estate development market, with the goal of promoting and enabling greater racial diversity within the industry. In under a year, the initiative has deployed nearly $4 million in flexible capital and technical assistance to black and brown developers in New York City, Rochester, Poughkeepsie and Syracuse.

CPC through its ACCESS initiative, also partnered with New York State to launch the Legacy Cities program that will transfer portfolios of blighted, land bank-owned single-family properties to local developers with a preference for M/WBEs. Following rehabilitation, sales will prioritize purchasers of color and low-income household, helping to tackle the issue of generational wealth building through homeownership. CPC, again partnering with the state, responded to the COVID-19 crisis by successfully implementing the NY Forward program, deploying $5.7 million across 123 loans to help small building owners make ends meet through pandemic-related rental income loss.

CPC's national agency lending subsidiary, CPC Mortgage Company, originated more than $425 million through its portfolio of Freddie Mac, Fannie Mae, and HUD/FHA mortgage products to multifamily building owners in 17 states across the country. Through its focus on the unique financial needs of affordable housing and small buildings, CPC Mortgage Company was able to bring flexible, affordable Agency capital to new borrowers and communities in need, with more than 70% of the mortgages supporting housing that is affordable to tenants at or below 80% of area median income.

Harbor Group to Acquire CBS Building In Midtown Manhattan for $760 Million

NEW YORK—Harbor Group International, LLC, a privately owned international real estate investment and management firm headquartered in Norfolk, VA, has entered into an agreement to acquire 51 W. 52nd St. in Midtown Manhattan for $760 million. Known as the “CBS Building” or “Black Rock,” this purchase marks the first sale since it opened in 1964.

The CBS Building in New York City at 51 W. 52nd St.

The seller—ViacomCBS—will lease back its space on a short-term basis. The transaction is expected to close before the end of the year. Earlier this year, Harbor Group acquired a multifamily property in Rockland and two office buildings in Yonkers.

“The agreement to acquire the CBS Building is further proof of HGI's ability to identify and successfully transact for unique investment opportunities in an increasingly competitive market,” said Richard Litton, president, HGI. “With its prime location, Class A features, and strong roster of tenants, HGI is positioned to acquire one of New York City's few iconic assets. We look forward to activating our strategic business plan for this asset at a transformational time for New York City's office market.”

HGI plans to implement a significant capital program to reposition the property in support of a long-term leasing plan. Updates will include significant upgrades to the lobby and other tenant amenities.

“This agreement follows the previously announced strategic review of non-core assets that we completed shortly after our merger,” said Naveen Chopra, EVP and chief financial officer, ViacomCBS. “The use of proceeds from this transaction will remain consistent with our previously discussed capital allocation strategy, allowing us further financial flexibility to invest in our strategic growth priorities, including streaming.”

Located between 52nd and 53rd streets in the Avenue of the Americas corridor, the property is within walking distance of multiple train stations and is adjacent to Rockefeller Center, which houses many retail amenities and dining options.

Built to serve as CBS' New York headquarters, the tower features views of Central Park, the Museum of Modern Art (MoMA) and the Midtown skyline. The historic property is the only skyscraper designed by renowned architect Eero Saarinen, whose work includes Lincoln Center Theater and the Gateway Arch in St. Louis.

The acquisition will add to HGI's Manhattan office portfolio. The firm owns 24 West 40th St. in Midtown on Bryant Park and also owns 55 Broadway in the Financial District.

Darcy Stacom and Bill Shanahan of CBRE are acting as exclusive agents for ViacomCBS in the transaction.

In July of this year, Harbor Group International, LLC, acquired The Henry, a 169-home luxury apartment community in Pomona, for $54 million. In April, Harbor Group reported that affiliates of the firm, in a joint venture with Benedict Realty Group acquired a single-tenant office property in Yonkers for $37 million from an entity of Robert Martin Co.

The property includes two office buildings totaling 130,607 square feet and is located at 3 Executive Blvd. and 3 Odell Plaza. Both assets are leased on a long-term basis to Montefiore Medical Center, a wholly owned subsidiary of Montefiore Health System, one of the largest health care systems in the greater New York City area.

Harbor Group International and its affiliates control an investment portfolio of $14.5 billion including 4.4 million square feet of commercial space throughout the United States and the United Kingdom and 53,000 apartment units in the United States. In addition to its corporate headquarters in Norfolk, HGI maintains offices in New York, Baltimore, Los Angeles and Tel Aviv.

5 Questions

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hit because they did not want to pay these egregious taxes. So, we did have people leaving New York City, that is indeed true. But, was it a mass exodus? No, I think that is not a proper account. People did leave, but people have come back. We are seeing people come back in record numbers. The rental market is incredibly busy. People are coming back for schools and jobs. First-time homebuyers are here. The market is very good and we are seeing signs of people coming back from Connecticut, from Florida and from the Hamptons and putting their flag back up in New York City.

So, it wasn’t as crazy as it was described, but there was some truth to it. There were people leaving and now there are people who are coming back and we want that to continue moving in that direction. Hopefully with a safe city, a prosperous city, a city that has responsible tax policies, we will keep moving in that direction. We need all of those things to happen to keep the momentum.

5

Real Estate In-Depth: In 2020, Halstead merged with Brown Harris Stevens. How has that merger worked out? Also, recently you hired Chris Halstead, as executive sales director of brokerage operations for Fairfield County. In that announcement, your firm hinted on possible growth of those operations. Is your firm planning to grow in both Fairfield and Westchester and if so, how?

Freedman: The merger has gone incredibly well, even though we did it during the pandemic, but it has been a lot of moving pieces. We have an incredibly talented group of agents and leadership. So that has been going well. But, there have been bumps, of course, it’s never perfect. Chris Halstead, who is helping us in Connecticut, is a manager that is working with all the other managers. We think he is going to be a great leader for the company. And, we are always open to more growth in places that make sense for the company. We want to grow in quality, we are not just looking to grow. Growth is not the goal. We are interested in the quality versus quantity. When it makes sense, we will definitely expand. We were talking about an expansion idea this morning, so that is always open for us.

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