

The **RPG** Newsletter

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



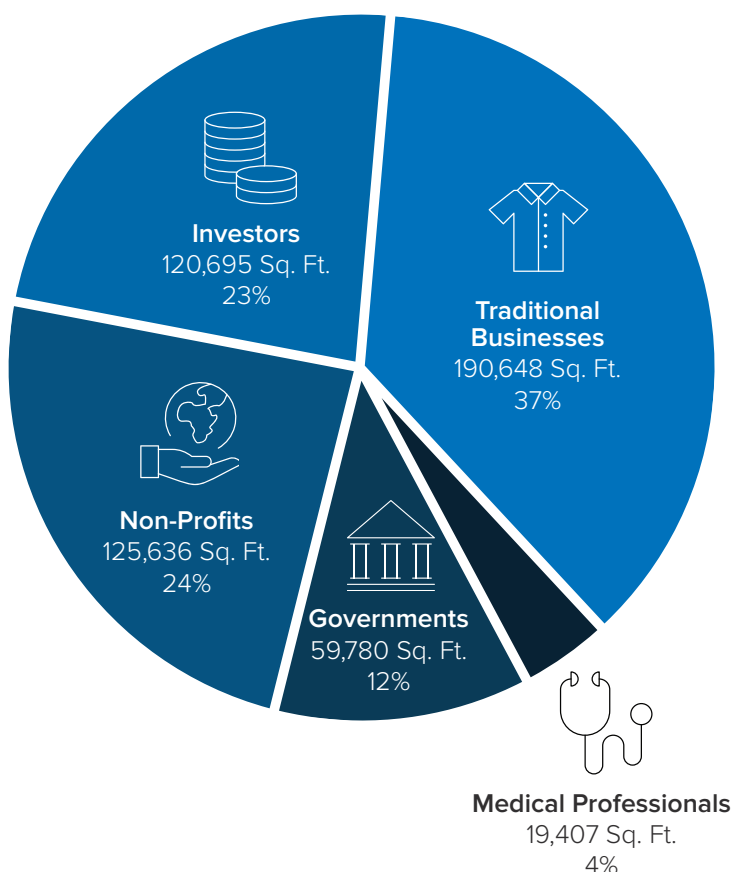
WHO ARE THE BUYERS?

A variety of different industries have been purchasing office condominiums.

Historically, office condominiums have been purchased by owner/occupiers, mostly non-profits, United Nations-related foreign government agencies and medical professionals. A variety of traditional businesses have also purchased office condominiums; they take advantage of high loan-to-value, low-interest rate owner/occupier financing, making it cheaper for them to own their space without requiring a large amount of equity.

Recently, a new trend has emerged - office condominiums are being purchased by investors (as opposed to end-users). Investors are purchasing units leased to tenants to earn high returns through (1) operating income that is tax efficient, and (2) resale profit.

In this newsletter, we answer the question "Who Are The Buyers?" that have purchased office condominiums over the past year, and we will provide more details on the burgeoning investor market.



WHO ARE THE BUYERS? (continued)

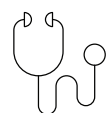
Over the past year there have been 516,166 square feet of office condominium sales in Manhattan, totaling \$437.2 million and averaging \$847 per square foot. There were a total of 69 office condominium units sold in 36 different buildings, averaging 7,481 square feet per sale.



Traditional businesses, including professional, technology, finance and service firms, as well as apparel and jewelry companies, purchased 190,648 square feet of office condominiums, 37% of the total square footage sold over the past year. The 29 sales totaled \$163.7 million, averaging \$859 per square foot and 6,574 square feet per sale.



Buyer: Barsan Global Logistics
Address: 36 West 44th Street, Unit 1212
Size: 2,300 Sq. Ft.
Price: \$2.3 million
Price / Sq. Ft.: \$1,105



Medical professionals purchased 19,407 square feet of office condominiums, 4% of the total square footage sold over the past year. The 9 sales totaled \$17.3 million, averaging \$889 per square foot and 3,881 square feet per sale.



Buyer: Drs. Jaffe, Verkhovsky and Strauss
Address: 115 East 61st Street, Unit 11S
Size: 1,550 Sq. Ft.
Price: \$1.4 million
Price / Sq. Ft.: \$874



Governments, including United Nations missions and consulates, purchased 59,780 square feet of office condominiums, 12% of the total square footage sold over the past year. The 6 sales totaled \$55.5 million, averaging \$928 per square foot and 9,963 square feet per sale.



Buyer: Permanent Mission of Djibouti
Address: 866 UN Plaza, Unit 4011
Size: 4,643 Sq. Ft.
Price: \$4.9 million
Price / Sq. Ft.: \$1,050



Non-profits purchased 125,636 square feet of office condominiums, 24% of the total square footage sold over the past year. The 13 sales totaled \$103.2 million, averaging \$821 per square foot and 9,664 square feet per sale.



Buyer: The Zionist Organization of America
Address: 633 Third Avenue, P. 31st Floor
Size: 10,105 Sq. Ft.
Price: \$9.3 million
Price / Sq. Ft.: \$925



Investors purchased 120,695 square feet of office condominiums, 23% of the total square footage sold over the past year. The 12 sales totaled \$97.5 million, averaging \$808 per square foot and 10,058 square feet per sale.



Buyer: Sergey Shimon
Address: 77 Bowery, 8th Floor
Size: 3,650 Sq. Ft.
Price: \$3.5 million
Price / Sq. Ft.: \$959



Investment Office Condominiums at the Corinthian at 345 East 37th Street

FOUR REASONS INVESTORS ARE ATTRACTED TO OFFICE CONDOMINIUMS

The rise in sales to investors is due to the fact that income-producing office condominium units offer attractive returns both through annual cash flow and value appreciation. Over time, investors who have owned income-producing condominiums have earned outsized returns, primarily driven by Manhattan's constant appreciation in real estate values.

Investors are attracted to office condominium investments because of the following features:



STABLE CASH FLOW

Units have a predictable monthly cash flow for an extended period of time.



INFLATION PROTECTED

Rents escalate annually. The rate of return increases in excess of inflation.



BITE-SIZED INVESTMENTS

Office condominiums offer a rare opportunity to buy smaller properties in Manhattan, where many individual investors cannot participate due to deal size.



HIGHLY FINANCEABLE

Competitive financing terms and high loan-to-value ratios on leased office condominiums. Interest rates are at very low levels.

RUDDER PROPERTY GROUP

Rudder Property Group specializes in the sale of office condominiums in the New York metropolitan area. With over a decade of experience in this niche market, our principals have sold over 1 million square feet of office condominiums valued in excess of \$500 million. In the small, highly specialized field of office condo sales, Rudder Property Group is the market leader.

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