

# The **RPG** Office Condominium Report

First Half 2018



## First Half of 2018 Office Condominium Sales

### At a Glance

- **A Strong First Half:** The first half of 2018 was a near record year in terms of total square footage sold and the total dollar value of sales. There were 250,000 square feet of office condominiums sold in the first half of the year, totaling \$237 million in sales.
- **Record Pricing:** In the first half of 2018, the average price per square foot was a record high of \$934. The average price per square foot was 23% higher than the five-year average of \$758.
- **Rise of the Owner-Occupier:** Office condominiums have historically been known to attract non-profits, small businesses and doctors. Recently, there have been a wave of major corporate users who have purchased their office space, including Google's \$2.4 billion purchase of Chelsea Market, WeWork's \$850 million purchase of the Lord & Taylor building, and Time Warner's, Wells Fargo's and KKR's purchase of office condominiums at 30 Hudson Yards.

## Market Overview

The Manhattan office condominium market is made up of 99 buildings, occupying a total of 10.9 million square feet. The Midtown submarket is comprised of 6 million square feet; Midtown South is comprised of 2.8 million square feet; Downtown is comprised of 2.1 million square feet.

There are 3.4 million square feet of class A office condominiums, 5.4 million square feet of class B, and 2.1 million square feet of class C.

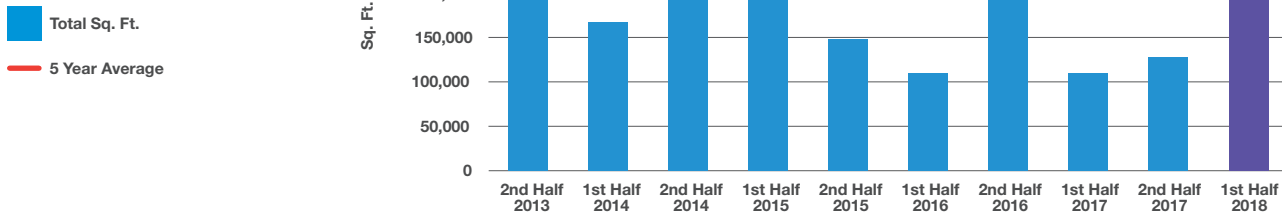
### *First Half of 2018 Office Condominium Sales:*

In the first half of 2018, there were a total of 253,174 square feet of office condominium sales in Manhattan, totaling \$236,501,223. The sales averaged \$934 per square foot. There were a total of 34 office condominium units sold in 20 different buildings, averaging 7,446 square feet per sale.

## Market Overview (continued)

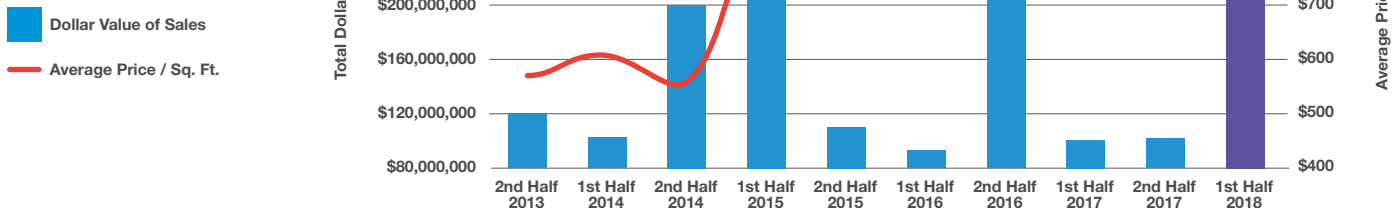
**Square Footage of Sales:** The total square footage of sales nearly doubled in the first half of 2018, compared to the second half of 2017, with 253,174 square feet sold in the first half of 2018 and 128,001 square feet in the second half of 2017. The total square footage of sales in the first half of 2018 is also notably higher than the five-year average of 209,514 square feet per half year.

### Sq. Ft. Sold per Half Year



**Dollar Value of Sales:** In the first half of 2018, there was a total of \$236,501,223, which is more than double the dollar of sales in the second half of 2017. The dollar value of sales is 50% greater than the five-year average of \$158,724,237.

### Dollar Value of Sales per Half Year



**Average Price Per Square Foot:** In the first half of 2018, the average price per square foot was a record high of \$934. Pricing was significantly higher than the previous record of \$875 per square foot recorded in the second half of 2016. Pricing was also significantly higher than the five-year average price per square foot of \$758.

**Number of Sales:** There were 34 sales in the first half of 2018, compared to 22 sales in the second half of 2017. The number of office condominiums sold in the first half of 2018 was higher than the five-year average by 4 sales.

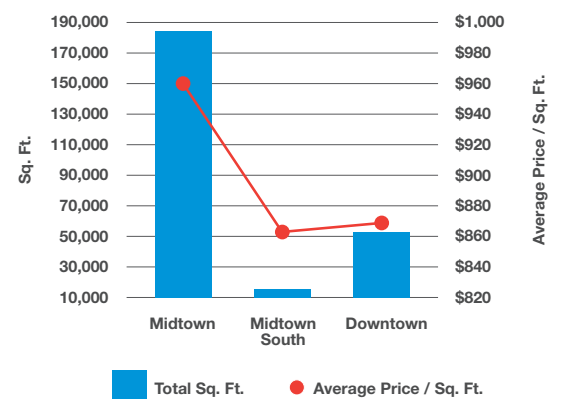
## Submarket Statistics

**The Midtown submarket** is Manhattan's largest office condominium submarket, comprising of approximately 6 million square feet. In the first half of 2018, there were 24 sales totaling 182,823 square feet. The dollar value of these sales totaled \$175,481,775, averaging \$960 per square foot.

**The Midtown South submarket** comprises of approximately 2.8 million square feet of office condominiums. In the first half of 2018, there were 3 sales totaling 14,759 square feet. The dollar value of these sales totaled \$12,735,560, averaging \$863 per square foot.

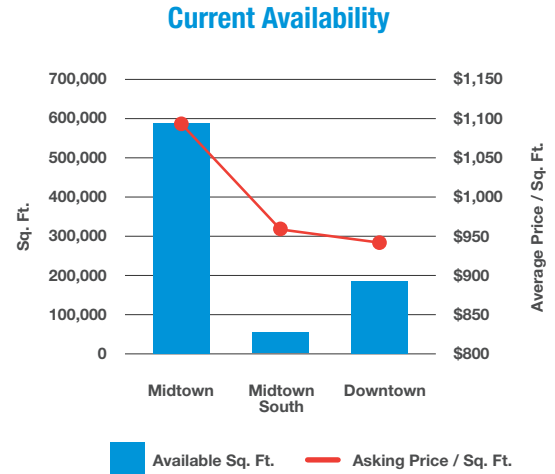
**The Downtown submarket** comprises of approximately 2.1 million square feet of office condominiums. In the first half of 2018, there were 7 sales totaling 55,592 square feet. The dollar value of these sales totaled \$48,283,888, averaging \$869 per square foot.

### 1H 2018 Sales by Submarket



## Current Availability

There is currently 813,668 square feet of available Manhattan office condominiums, which equates to a 7.4% availability rate. There are 74 units for sale in 36 buildings, with an average asking price of \$1,052 per square foot. In the Midtown submarket there is 587,357 square feet for sale with an average asking price of \$1,093 per square foot. In the Midtown South submarket there is 49,105 square feet for sale with an average asking price of \$962 per square foot. In the Downtown submarket there is 177,206 square feet for sale with an average asking price of \$943 per square foot. The availability rate has increased by 0.8% from the second half of 2017.



## Notable Office Condominium Sales



### 250 BOWERY

*between Prince and Houston Streets*

**Entire 2nd Floor:** 6,466 Sq. Ft.

**Price:** \$9,000,000 (\$1,392/Sq. Ft.)

**Sale Date:** 01/12/18

**Purchaser:** The Gerald J. & Dorothy R. Friedman Foundation, an affiliate of the East Village-based arts non-profit, Howl Arts, Inc.

**Seller:** VE Equities, the development firm owned by Zach Vella and Justin Ehrlich



### 420 FIFTH AVENUE

*between 37th and 38th Streets*

**Entire 18th Floor:** 17,550 Sq. Ft.

**Price:** \$19,700,000 (\$1,123/Sq. Ft.)

**Sale Date:** 03/23/18

**Purchaser:** Luxottica Group, the publicly traded eyewear company that also purchased the 16th and 17th floors in a separate transaction in June 2018

**Seller:** Techint, Inc. an Italian industrial company which has owned the floor since 1995



### 131 WEST 33RD STREET

*between Broadway and Seventh Avenue*

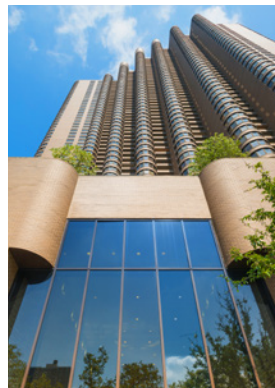
**Entire 7th Floor and a portion of the 8th Floor:** 19,105 Sq. Ft.

**Price:** \$18,059,050 (\$945/Sq. Ft.)

**Sale Date:** 03/14/18

**Purchaser:** Local 79, the construction and general building laborers union

**Seller:** Progressive Credit Union, which still owns the remainder of the 8th floor totaling 5,031 Sq. Ft.



### 345 EAST 37TH STREET

*between First and Second Avenues*

**Units 203 and 204:** 19,200 Sq. Ft.

**Price:** \$14,100,000 (\$734/Sq. Ft.)

**Sale Date:** 06/07/18

**Purchaser:** Turtle Bay Music School, the non-profit which recently sold its building at 244 East 52nd Street

**Seller:** Carlyle Group and 60 Guilders, the sponsor of the office condominium conversion



### 421 WEST 54TH STREET

*between Ninth and Tenth Avenues*

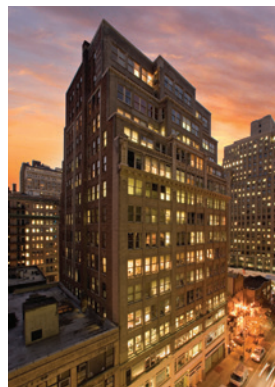
**Entire 2nd Floor:** 14,514 Sq. Ft.

**Price:** \$15,840,000 (\$1,091/Sq. Ft.)

**Sale Date:** 04/18/18

**Purchaser:** American Musical and Dramatic Academy, a performing arts school

**Seller:** Music Theatre International, a theatrical licensing agency



### 70 WEST 36TH STREET

*between Fifth and Sixth Avenues*

**Unit 5A:** 5,428 Sq. Ft.

**Price:** \$5,020,900 (\$925/Sq. Ft.)

**Sale Date:** 06/04/18

**Purchaser:** Color Fast, a printing company that recently sold an office cooperative at 121 Varick Street

**Seller:** Amikam Paras, a diamond company that purchased the space in 2010 for \$2,500,000



# The Rise of the Owner-Occupier

In the first half of 2018, 93% of buyers who purchased New York office condominiums were owner-occupiers, as opposed to investors.

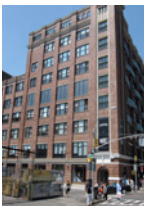
The difference: owner-occupiers purchase office condominiums to use for their operating space, while investors purchase them to lease out to tenants and earn a rate of return on their investment.

The cost-saving benefits of condominium ownership are significant. Owner-occupiers will find it often costs less than leasing, especially as New York City rental rates remain at record highs. A variety of financing options make office ownership affordable for businesses, while many non-profit and government organizations are exempt from paying real estate taxes when they own and occupy their office space. Businesses can justify higher build-out costs to increase their competitive edge and value of their real estate while insulating themselves from the escalating and unpredictable costs of leasing. No longer are they subject to the whims of landlords or fluctuations of the market.

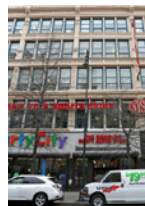
While the majority of office condominium owner-occupiers tend to have smaller footprints, larger corporations are beginning to realize these benefits and are purchasing their space for the same reasons: control over their space, long-term capital appreciation, and they are no longer willing to throw money away in rent.

## Recent Headline-Grabbing Purchases

The major corporate users who look to reap the benefits of office ownership have been actively purchasing both office condominiums and entire buildings over the past few years. Among them:



Google's \$2.4 billion purchase of the 1.2 million-square-foot **Chelsea Market** from Jamestown. The internet giant had already occupied a significant portion of the building, and the purchase follows its \$1.7 billion buy of 111 Eighth Avenue from Taconic Investment Partners in 2010.



The New School's \$135 million purchase of the 180,000 square-foot **34-42 West 14th Street** from Samson Associates. It plans to turn the property into an academic building once the leases of the building's commercial tenants expire.



JPMorgan Chase's purchase of air rights from Grand Central Terminal and St. Bartholomew's Church has allowed them to pursue a new 2.5 million-square-foot headquarters building at **270 Park Avenue**. The purchase will save the company money by consolidating a variety of locations into one fully LEED-certified, energy efficient office tower.



Major corporate users have been purchasing large office condominiums, including Time Warner's purchase of 1.6 million square feet, Wells Fargo's purchase of 500,000 square feet, and KKR & Co.'s purchase of 343,000 square feet at Related Companies and Oxford Properties Group's **30 Hudson Yards**.



WeWork's \$850 million purchase of Lord & Taylor's flagship store at **424 Fifth Avenue**. After the 2018 holiday season, the co-working company will convert the building into its headquarters.

## Rudder Property Group

Rudder Property Group is a commercial real estate services firm that solely specializes in the sale of office condominiums in the New York Metropolitan area. With over a decade of experience in this niche market, the principals of Rudder Property Group have sold over 1.3 million square feet of office condominiums with a dollar value in excess of \$750 million. In the small, highly specialized field of office condominium sales, Rudder Property Group is the market leader.

### Michael Rudder

Office: (212) 966-3611  
Mobile: (646) 483-2203  
mrudder@rudderpg.com

### Michael Heller

Office: (212) 966-3622  
Mobile: (917) 439-2198  
mheller@rudderpg.com

### Sarah Sakura

Office: (212) 966-5638  
Mobile: (314) 807-4425  
ssakura@rudderpg.com

### Rudder Property Group

36 West 44th Street, Suite 1411  
New York, NY 10036  
www.rudderpg.com

