

The **RPG** Office Condominium Report

First Half 2019



First Half of 2019 Office Condominium Sales

At a Glance

- **Prices are off from the peak:** The average price per square foot in the first half of 2019 was \$829, down from the record high of \$934 in the first half of 2018. The slightly lower average price per square foot was a result of several large lower-priced sales that occurred in the first half of 2019.
- **Availability up by 1.6%:** There is a 9.7% availability rate in the first half of 2019, compared to an 8.1% availability rate in the second half of 2018. There is an additional 177,000 square feet of available Manhattan office condominiums, which represents a 20% increase in availability.
- **Virtually no money down:** Rudder Property Group sat down with Beth Goldberg, Director of the New York office of the Small Business Administration (SBA), to learn more about its little-known 504 Loan Program, which allows businesses the opportunity to purchase an office condominium or office cooperative with as little as 10% down.
- **Herald Square sees addition of new office condominiums:** Rudder Property Group and Hidrock Properties announced the conversion of 35 West 36th Street to office condominiums. The 81,000 square foot building will offer the opportunity to purchase units from 3,300 square feet to full floors of 6,600 square feet, as well as larger contiguous blocks of space.

Market Overview

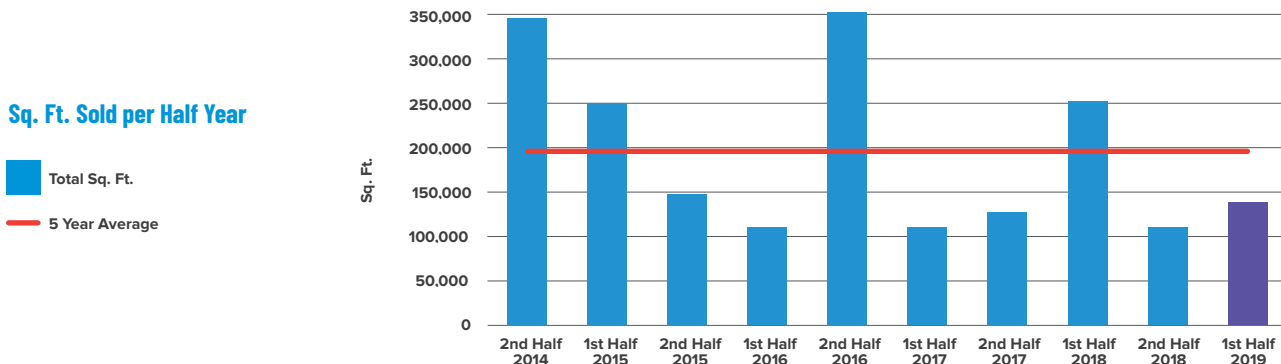
The Manhattan office condominium market is made up of 99 buildings comprising a total of 10.9 million square feet. The Midtown submarket comprises 6 million square feet; Midtown South comprises 2.8 million square feet; Downtown comprises 2.1 million square feet, respectively. There are 3.4 million square 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 2019 Office Condominium Sales:

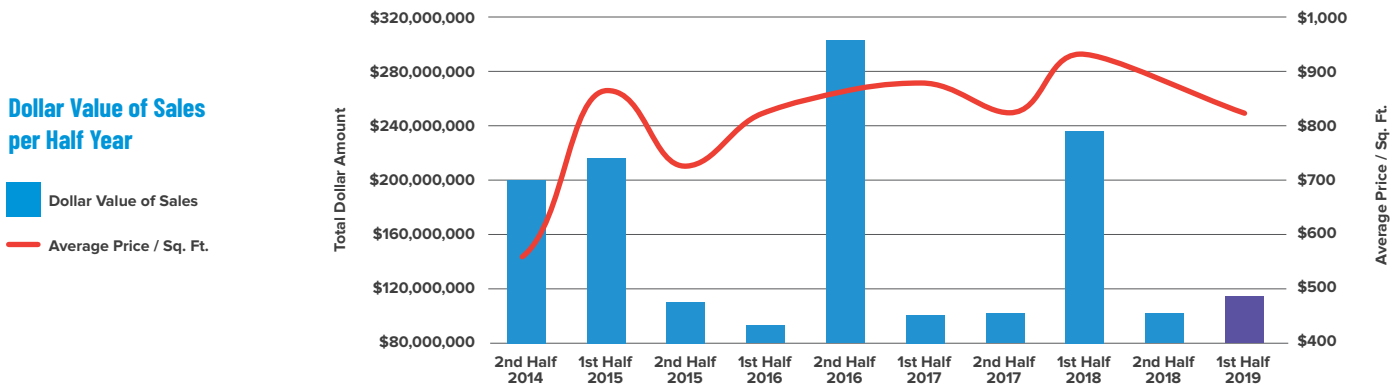
In the first half of 2019, there were 136,137 square feet of office condominium sales in Manhattan, totaling \$112,885,955. The combined sales averaged \$829 per square foot. There were a total of 20 office condominium units sold in 17 different buildings, averaging 6,807 square feet per sale.

Market Overview (continued)

Square Footage of Sales: The total square footage of sales was slightly higher in the first half of 2019 compared to the second half of 2018, with 136,137 square feet sold in the first half of 2019 and 116,750 square feet in the second half of 2018. The total square footage of sales in the first half of 2019 is also considerably lower than the five-year average of 197,143 square feet per half-year.



Dollar Value of Sales: In the first half of 2019, there was a total of \$112,885,955 in office condominium sales, which is slightly higher than the \$105,155,720 in sales in the second half of 2018. The dollar value of sales is 29% less than the five-year average of \$158,505,524.



Average Price Per Square Foot: In the first half of 2019, the average price per square foot was \$829. Pricing was lower than the second half of 2018, but still higher than the five-year average of \$804 per square foot.

Number of Sales: There were 20 sales in the first half of 2019 compared to 19 sales in the second half of 2018. The number of office condominiums sold in the first half of 2019 was also lower than the five-year average by 7 sales.

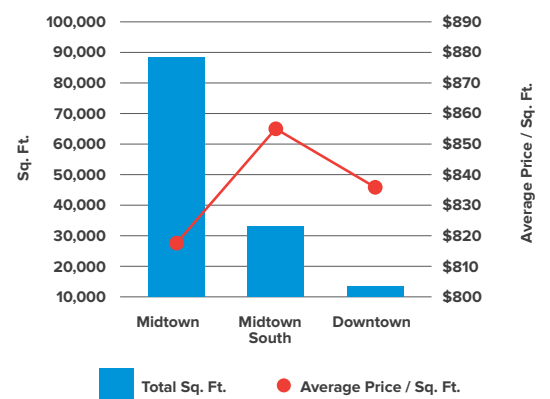
Submarket Statistics

The Midtown submarket is Manhattan’s largest office condominium submarket, comprising approximately 6 million square feet. In the first half of 2019, there were 11 sales totaling 88,763 square feet. The dollar value of these sales totaled \$72,590,190, averaging \$818 per square foot.

The Midtown South submarket comprises approximately 2.8 million square feet of office condominiums. In the first half of 2019, there were 6 sales totaling 33,425 square feet. The dollar value of these sales totaled \$28,625,000, averaging \$856 per square foot.

The Downtown submarket comprises approximately 2.1 million square feet of office condominiums. In the first half of 2019, there were 3 sales totaling 13,949 square feet. The dollar value of these sales totaled \$11,670,765, averaging \$837 per square foot.

1H 2019 Sales by Submarket



Current Availability

There is 1,063,755 square feet of available Manhattan office condominiums, which equates to a 9.7% availability rate. A total of 108 units are for sale in 50 buildings, with an average asking price of \$944 per square foot. In the Midtown submarket, there is 806,123 square feet for sale with an average asking price of \$957 per square foot. In the Midtown South submarket, there is 107,964 square feet for sale with an average asking price of \$1,064 per square foot. In the Downtown submarket, there is 149,668 square feet for sale with an average asking price of \$789 per square foot. The availability rate has increased by 1.6% from the second half of 2018.



Q&A: How SBA's Loans Help Businesses Buy Office Space With As Little As 10% Down

Rudder Property Group sat down with Beth Goldberg, Director of the New York District Office of the U.S. Small Business Administration (SBA), to learn more about SBA's little-known 504 Loan Program, which allows businesses the opportunity to purchase an office condominium or cooperative for as little as 10 percent down—and that's just the beginning of the benefits small business owners can take advantage of.

Fact: The SBA defines a small business as a company with less than \$100 million in sales and less than 500 employees.



Please tell us a little bit about SBA and the status of its small business loan programs here in the New York District.

Of SBA's 68 District Offices across the country, the New York District is the largest. About 14 million people live in and around the New York SBA District. More than 1.6 million small businesses are located in the New York District, an area comprised of 14 counties of downstate New York.

SBA has two basic loan guarantee programs – 7a and 504. In New York, we guarantee about \$1 billion/year between these two programs. Across the country, SBA guarantees about \$30 billion in annual loan guarantees.

In spite of supporting more small businesses than any other SBA district in the nation, and in spite of the fact that we make more small business loan guarantees than the other districts in the country, the New York SBA Offices makes fewer 504 loans than markets a fraction of our size and population, such as Utah, Wisconsin, Sacramento and Columbus. We were number 18 on the list, just ahead of Fresno, CA.

SBA exists to support small businesses. I look at these numbers and think, 'New York is the business capital of the world. There's got to be something we can do to make more 504 loans.'

The money is there for small business owners to use and take advantage of—that's really the story that we want to tell.

In your opinion, why aren't more New Yorkers using SBA loans?

I think it may be a matter of awareness and education. People simply don't realize that they can purchase real property for as little as 10 percent down with the 504 loan. Perhaps small business owners think that they're too "big." We define small businesses as less than \$100 million in sales and less than 500 employees.

Over the years I have met countless business owners that can't believe the deal that they got when they used the 504 loan program. It's like they discover a great secret. Business owners who were renting their space find a way to finance it for less of a down payment than they ever thought possible. It's truly a transformative experience to own the space in which you work.

It could also be the way we think of real estate in NYC – everywhere you look there are big buildings. It's hard to imagine buying little chunks of those massive spaces. That's why we're keen on spreading the word – because the 504 loan can help business owners purchase office condos and co-ops, which in turns helps businesses' equity long term.

What is the typical structure of an SBA 504 loan?

The typical 504 loan structure is 50/40/10. A bank commits fifty percent of the loan and takes first position on the debt. Then, what we call a Community Development Corporation, or CDC, backed by the SBA, takes the guaranteed 40 percent or second position on the mortgage. Finally, the business owner or borrower comes in for as little as 10 percent on most projects, which we all know is significantly less than most down payments for real estate, which vary between 20 and 30 percent or higher depending on a variety of factors.

The SBA portion of a 504 is generally capped at \$5 million, which, at 40 percent of the project, allows for a \$12.5 million purchase. The bank can go as high as it wants on its portion of the loan, so 504 loans can support much bigger projects beyond \$12.5 million. At the same time, the \$5 million SBA portion is a general cap, so the product works with smaller projects as well.

Why should small NY businesses borrow from the SBA? What are the benefits?

One benefit with SBA's 504 loan is locking in a low, fixed interest rate for up to 25 years. Another is that borrowers save thousands of dollars by not having to pay New York State's and New York City's mortgage recording tax on the SBA portion of the loan. Lastly, many 504 loans only require 10 percent down. Add to this the lower interest rate and longer amortization and you have an unmatched opportunity to access financing.

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What famous companies borrowed from the SBA when they were small?

SBA's outstanding portfolio is over \$120 billion across the nation. Some of the household names to have accessed capital through these various programs are FedEx, Apple, Calloway Golf, Under Armour, Ben and Jerry's, Maui Brewing Company, Intel, IBM, Qualcomm, Adelphi Technology and more.

Can you give some case studies and examples of owner/occupied SBA loans?

A couple of years ago, a dentist in Brooklyn leveraged an SBA loan to purchase her own space and complete it with state-of-the-art dental equipment. For years she'd been renting space in a hard to access building with no visibility. Rent was a costly variable. She came to SBA to help control these costs. For only 10 percent down, she purchased and outfitted her office and owns the space next door as well. This small business owner is also thrilled because she has an asset to hand down to her daughter and space to expand if the opportunity arises in the future.

In May we recognized our 2019 Family-owned business of the year. De Ville Auto Collision leveraged a 504 loan to purchase a building it had occupied for 30 years. Now this company owns its space and builds equity each month rather than paying rent for its space.

Both of these companies were thrilled to use the 504 loan to purchase their space and are now enjoying the benefits and strength of added equity to their businesses.

How can potential borrowers navigate and get started on the SBA loan process?

A great place to start is on SBA's Lender Match (www.sba.gov/lendermatch). Through this on-line tool, borrowers can input their capital needs and be connected to a lender in two days. Small business owners can also contact 504 lenders directly: New York Business Development Corporation (NYBDC, www.nybdc.com) or Business Initiative Corporation of New York (BICNY, www.bicofny.org).

I would also encourage small business owners to visit SBA's network of local Resource Partners. These not-for-profit Small Business Development Centers, Women's Business Centers and SCORE chapters are a well of mostly free advice and counseling that can help a business put together whatever paperwork is needed. In many cases, these SBA Resource Partners have their own relationships with small business lenders and can help match entrepreneurs to a lending institution that can help them with their project.

Featured Availability:

35 West 36th Street, New York, NY

between Fifth and Sixth Avenues

35 West 36th Street has recently been fully renovated and reimagined for the modern office worker. The 81,000 RSF property features high ceilings, exposed brick walls, attractive wood floors and oversized windows that create bright and airy office spaces within. 35 West 36th Street features 3,300 RSF half floor units, with the ability to create 6,600 RSF full floors. Elevators open into each unit, creating the impression of a boutique full floor presence. The property is located on the north side of West 36th Street between Fifth Avenue and Avenue of the Americas in the Herald Square submarket in close proximity to Penn Station, Grand Central Terminal, Port Authority and 18 subway lines. 35 West 36th Street is managed by Hidrock Properties, the Sponsor, who acquired the building in 2007 and implemented a renovation program that included a new lobby, windows, elevators, a state-of-the-art boiler system, and other mechanical system upgrades, including new building wide electrical.

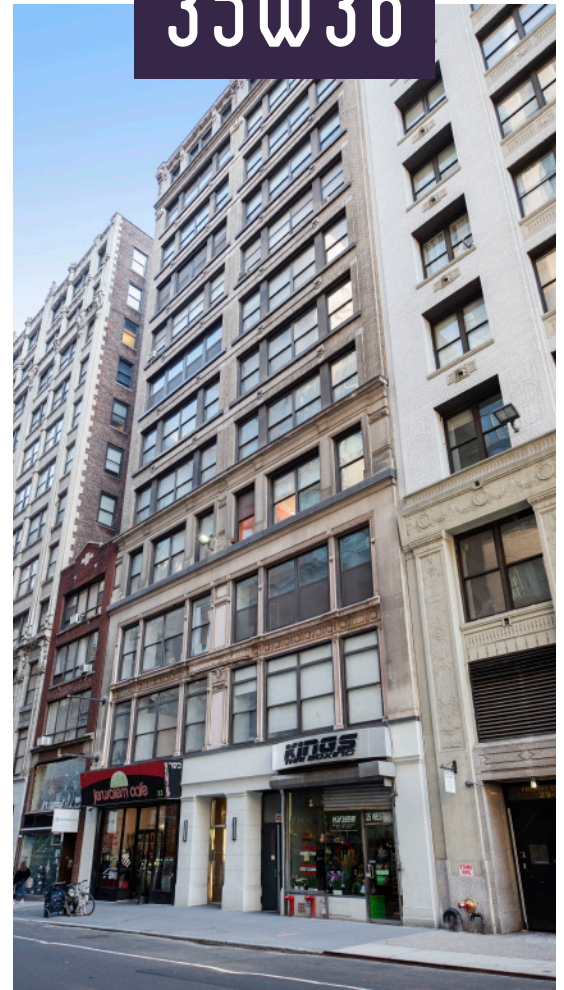
Building features include:

- High quality, recently modernized building
- Institutional quality management
- Prime Herald Square location, close to transportation

Unit features include:

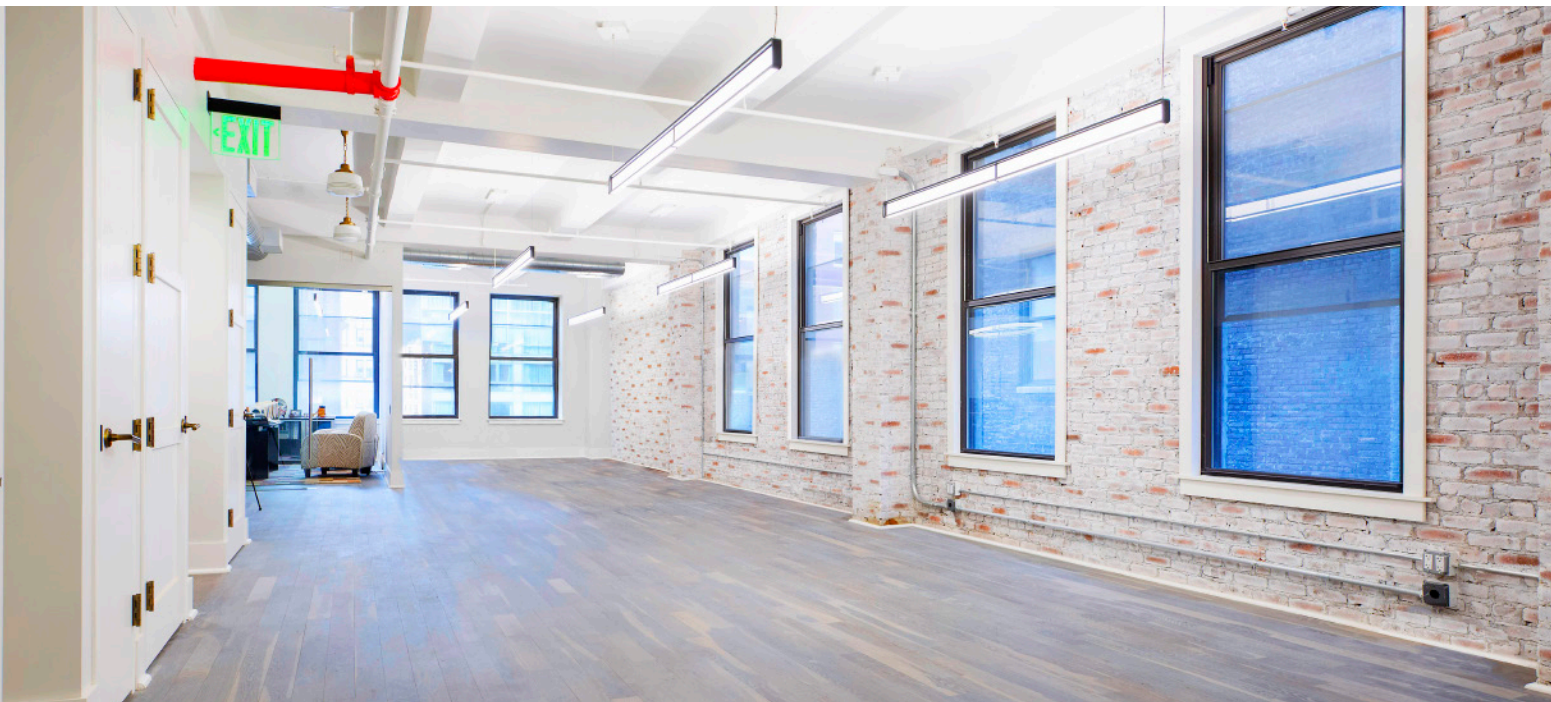
- Recently constructed open layout installation
- Two unit floors feature dedicated elevator entrances and a full floor experience
- Floors feature large operable windows many with three exposures providing great natural light
- Private restrooms and a large kitchen area provided in most units
- Exposed ceilings measuring 11' 4"
- Hardwood flooring and exposed original brick walls
- HVAC system in every unit controlled by the occupant

35W36



For more information visit:

WWW.35W36.COM



Notable Office Condominium Sales



420 FIFTH AVENUE

between 37th and 38th Streets

Entire 5th Floor: 33,058 Sq. Ft.

Price: \$27,272,850 (\$825/Sq. Ft.)

Sale Date: 5/22/19

Purchaser: Ziff Brothers Asset Management

Seller: The Witkoff Group



115 WEST 29TH STREET

between Sixth and Seventh Avenues

Entire 8th Floor: 7,616 Sq. Ft.

Price: \$6,200,000 (\$814/Sq. Ft.)

Sale Date: 6/29/19

Purchaser: FCSK Holdings LLC

Seller: Tecny Group, Inc.



70 WEST 36TH STREET

between Fifth and Sixth Avenues

Partial 5th Floor: 3,000 Sq. Ft.

Price: \$2,775,000 (\$925/Sq. Ft.)

Sale Date: 1/17/19

Purchaser: Dr. Nancy Lau, MD

Seller: Time Equities, Inc.



49 WEST 24TH STREET

between Sixth Avenue and Broadway

Entire 8th Floor: 4,850 Sq. Ft.

Price: \$4,300,000 (\$887/Sq. Ft.)

Sale Date: 2/16/19

Purchaser: Crush Music

Seller: Int'l Bullion & Metal Brokers Inc.



633 THIRD AVENUE

between 40th and 41st Streets

Partial 13th Floor: 3,866 Sq. Ft.

Price: \$3,500,000 (\$905/Sq. Ft.)

Sale Date: 07/12/18

Purchaser: Prasad Cosmetic Surgery

Seller: Comm5 Setai, LLC



597 BROADWAY

between Houston and Prince Streets

Partial 2nd Floor: 4,226 Sq. Ft.

Price: \$4,950,000 (\$1,171/Sq. Ft.)

Sale Date: 2/4/19

Purchaser: CC NY Realty Inc.

Seller: Jackson Real Estate Holdings Inc.

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 2 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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