

# The **RPG** Office Condominium Report

Mid-Year 2013



## First Half 2013 Office Condominium Sales

### At a Glance

- **The International Gem Tower Boosts Sales:** The office condominium market soared in the first half of 2013 partly due to the first round of closings that occurred at Extell's newly constructed International Gem Tower (IGT) at 50 West 47th Street. In the first half of 2013 there were 82,076 square feet of recorded sales at the IGT which averaged \$859 per square foot.
- **Pricing Hits a Five-Year High:** In the first half of 2013, with the help of the IGT sales, there was a total of \$168,156,977 in sales, the highest amount in five years. The sales averaged \$631 per square foot, which is 29% higher than the sales in the second half of 2012.
- **Scarcity of Product:** The availability of office condominium units for sale has been reduced to approximately 790,000 square feet, an 8.7% availability rate. Over 60% of the available units are in just two buildings; IGT and 40 Rector Street.

## Market Overview

There are 72 office condominium buildings in Manhattan, totaling 9.09 million square feet. The Midtown submarket is comprised of 5.3 million square feet, Midtown South is comprised of 2.06 million square feet, and Downtown is comprised of 1.88 million square feet. There are 3.4 million square feet of class A office condominiums, 3.79 million of class B, and 1.88 million of class C.

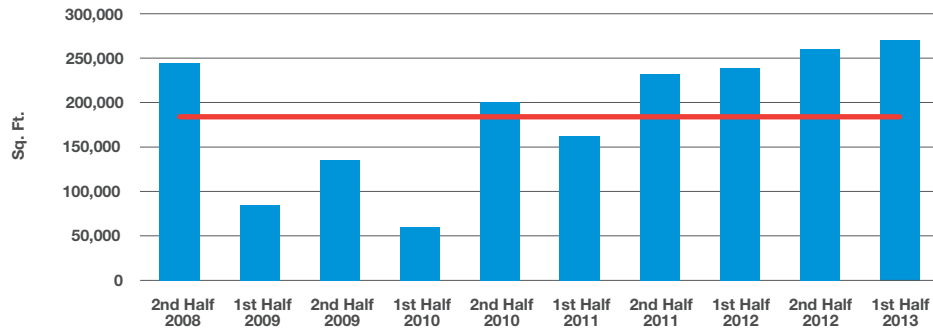
### ***First Half of 2013 Office Condominium Sales:***

In the first half of 2013 there was a total of 266,314 square feet of office condominium sales in Manhattan, totaling \$168,156,977. These sales averaged \$631 per square foot. A total of 74 office condominium units were sold in 21 different buildings, averaging 3,599 square feet per sale.

**Square Footage of Sales:** The total square footage of sales has increased slightly compared to the second half of 2012. In the first half of 2013, there were 266,314 square feet of sales, compared to 255,343 square feet in the second half of 2012. Both significantly exceeded the five year average of 188,115 square feet.

### Sq. Ft. Sold per Half Year

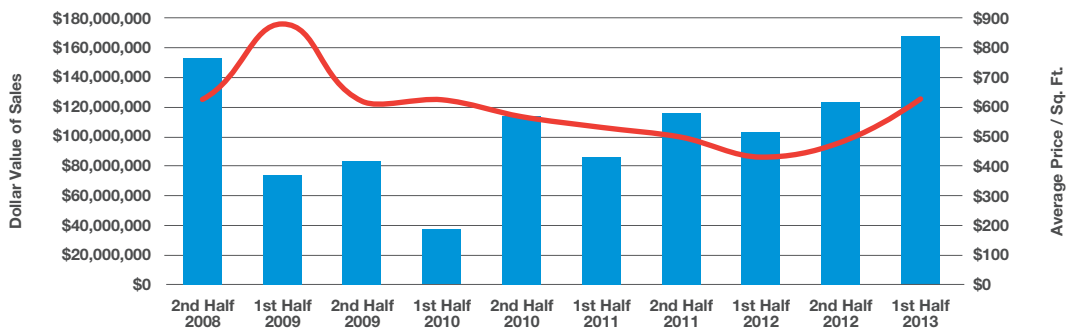
■ Total Sq. Ft.  
— 5 Year Average



**Dollar Value of Sales:** In the first half of 2013 there was a total of \$168,156,977 in sales, a 35% increase over the second half of 2012 sales, when sales totaled \$124,581,658. The average dollar value of sales over the past five years totaled \$106,023,246.

### Dollar Value of Sales per Half Year

■ Dollar Value of Sales  
— Average Price / Sq. Ft.



**Average Price Per Square Foot:** In the first half of 2013, the average price of sales per square foot was \$631, 29% higher than the \$488 average price per square foot in the second half of 2012. Pricing is 7% higher than the five year average of \$589 per square foot.

**Number of Sales:** 74 sales closed in the first half of 2013, nearly doubling the amount of sales in the second half of 2012. The number of office condominiums sold in the first half of 2013 exceeded the five year average by 34 sales.

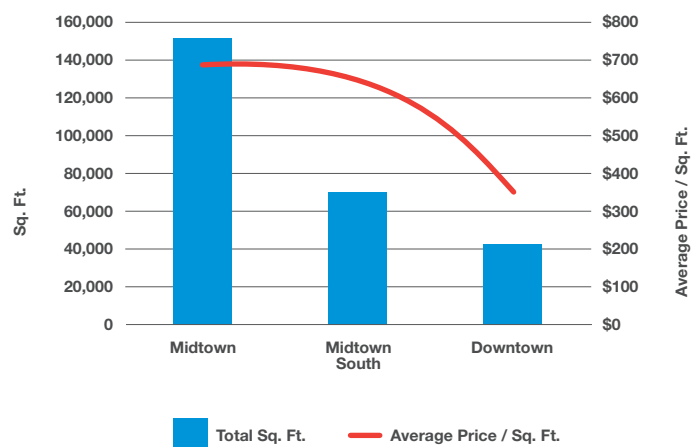
## Submarket Statistics

**The Midtown submarket** is Manhattan's largest office condominium submarket, comprised of 5.3 million square feet. In the first half of 2013, there were 42 sales totaling 154,200 square feet. The dollar value of these sales totaled \$106,808,339, averaging \$693 per square foot.

**The Midtown South submarket** is comprised of 2.1 million square feet. In the first half of 2013, there were 27 sales totaling 69,180 square feet. The dollar value of these sales totaled \$45,488,288, averaging \$658 per square foot.

**The Downtown submarket** is comprised of 1.7 million square feet. In the first half of 2013 there were 5 sales totaling 42,934 square feet. The dollar value of these sales totaled \$15,860,350, averaging \$369 per square foot.

### 2H Sales by Submarket





## Availability

788,024 square feet of office condominiums is available in Manhattan, an 8.7% availability rate. 59 units are for sale in 26 buildings, with an average asking price of \$628 per square foot. In the Midtown submarket, 304,372 square feet are for sale, with an average asking price of \$889 per square foot. In Midtown South, 51,737 square feet are for sale, with an average asking price of \$723 per square foot. In the Downtown submarket, 427,615 square feet are for sale, with an average asking price of \$430 per square foot.

When extracting IGT and 40 Rector Street, the citywide availability rate drops from 8.7% to a mere 3.2%, with an average price per square foot of \$770.



## The International Office Condominium Market

*Investors and businesses around the world have been reaping the benefits of office ownership*

While office condominiums have always been a small niche in Manhattan, comprising just 2% of the office market, they are a much larger sector of the office market internationally, especially in countries like Singapore, Melbourne, Hong Kong and Vancouver. In these markets office condos are referred to as “strata-titled office”. The ‘strata’ part of the term refers to the offices being on different levels as opposed to a single story building.

The international office condominium market is larger and in many respects more sophisticated than in New York. There are many aspects and trends that are commonplace abroad that can be incorporated into the New York office condominium market, including:

**Investor Units:** A significant portion of the international office condominium market is comprised of smaller investors who purchase an office condominium with the intention of renting it out rather than occupying it. This provides individual investors with the opportunity to partake in the cash flow and capital appreciation that has historically been generated through real estate ownership. In 2007, a developer in Melbourne, Australia constructed a 140,000 square foot office condominium building called Aquavista. The building is divided into over 200 units, and the developer initially sold some of the units to investors with a

## The International Office Condominium Market (continued)

12-month rental guaranty yielding a 6% to 7% rate of return. This guaranty provided investors the comfort of earning a good rate of return on their investment until they secured a tenant for their unit – a luxury not afforded to most real estate investors. In many foreign developments, office condominium investment units are generally observed to enjoy higher-than-market occupancy and lease rates, outperforming non-condo offices, according to a March 2012 report issued by Colliers International.

**New Construction:** Unlike New York where the office condominium market predominately consists of older office buildings that were converted into office condominiums, over the past decade there has been a wave of new construction office condominiums in foreign markets. For example, in Singapore's thriving office condominium market, 1.23 million square feet of new projects are expected to be delivered by 2016. These projects typically have hotel-like amenities, smaller units, rental guarantees, and award winning architecture.

**Land Leases:** In international markets, many office condominium projects are developed as land leases, also known as leaseholds or ground leases. In a land lease, the office condominium unit owners lease, rather than own, the land underneath the building. Land leases reduce the cost of developing an office condominium building because the land does not have to be purchased and the leasing costs are incorporated into the office condominium unit owner's annual common charges.

The international office condominium market has been a thriving asset class for over 50 years. Developers, investors and small businesses continue to channel funds into this growing sector. The mature and sophisticated international office condominium market may set an example for New York.



*Aquavista Office Condominium, Melbourne, Australia*

## Rudder Property Group

Rudder Property Group is a commercial real estate brokerage firm specializing in the sale of office condominiums. With over a decade of experience in this niche market, the principals of Rudder Property Group have sold over 600,000 square feet of office condominiums with a dollar value in excess of \$260 million. In the small, highly specialized field of commercial condominium sales, Rudder Property Group is the market leader.

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