

The **RPG** Office Condominium Report

First Half 2022



First Half of 2022 Office Condominium Sales

At a Glance

- **Sales Velocity Drops in Half:** The first half of 2022 saw sales velocity cut in half with a 53% decrease in total square footage sold since the second half of 2021. For the first time in over a decade, there were no office condominium sales in the Downtown submarket in the first half of 2022.
- **Pricing is Hanging On:** Office condominium pricing continues to increase, reaching an average of \$773 per square foot in the first half of 2022. This pricing is a 7% increase over the second half of 2021 but still 4% below the five-year average of \$807 per square foot.
- **Interest Rate Hike Impact:** The recent interest rate hikes have increased the annual office condominium ownership costs from \$55 per square foot to \$60 per square foot. Even with increased interest rates, office ownership costs considerably less than leasing over a 5-to-10-year period.

Market Overview

The Manhattan office condominium market is made up of 103 buildings, occupying a total of 11.2 million square feet. The Midtown submarket is comprised of 6.1 million square feet; Midtown South is comprised of 3 million square feet; and Downtown is comprised of 2.1 million square feet. There are 3.4 million square feet of Class A office condominiums, 5.5 million square feet of Class B, and 2.3 million square feet of Class C.

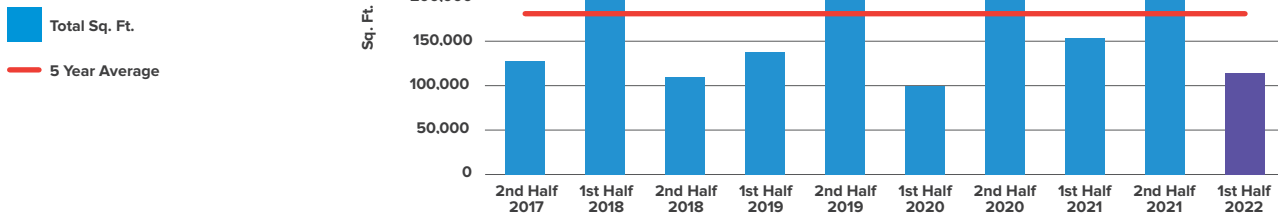
First Half of 2022 Office Condominium Sales:

In the first half of 2022, there were 116,591 square feet of office condominium sales in Manhattan totaling \$90,084,669. There were 18 office condominium sales, averaging 6,477 square feet per sale, at an average of \$773 per square foot.

Market Overview (continued)

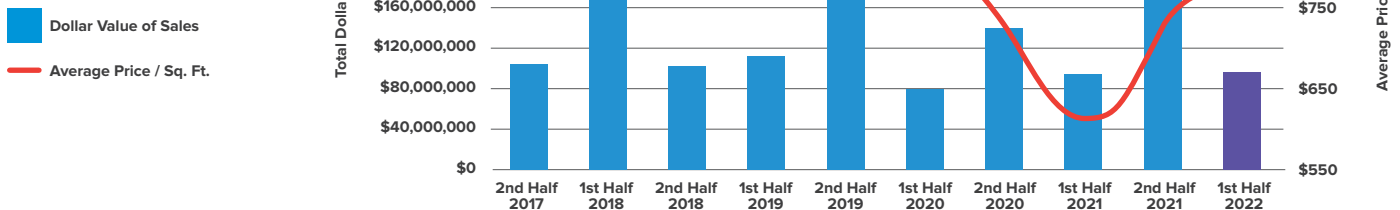
Square Footage of Sales: The 116,591 square feet sold in the first half is 53% less than the 247,964 square feet sold in the second half of 2021 and 33% lower than the five-year average of 173,825 square feet sold.

Sq. Ft. Sold per Half Year



Dollar Value of Sales: In the first half of 2022, office condominium sales totaled \$90,084,669, which is 50% less than the \$179,224,746 in sales for the second half of 2021. The dollar value of sales is 36% less than the five-year average of \$140,322,282.

Dollar Value of Sales per Half Year



Average Price Per Square Foot: In the first half of 2022, the average price per square foot was \$773. This is 7% higher than the second half of 2021 average of \$723 per square foot and 4% lower than the five-year average of \$807 per square foot.

Number of Sales: There were 18 sales in the first half of 2022 compared to 34 sales in the second half of 2021. The number of office condominiums sold in the first half of 2022 was lower than the five-year average by 3 sales.

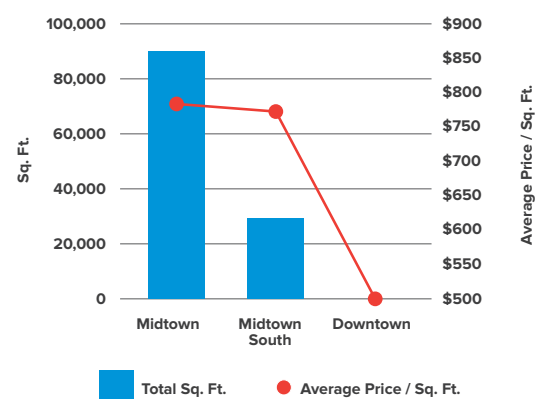
Submarket Statistics

The Midtown submarket is Manhattan's largest office condominium submarket, comprised of approximately 6.1 million square feet. In the first half of 2022, there were 13 sales totaling 88,815 square feet. The dollar value of these sales totaled \$68,812,881, averaging \$775 per square foot.

The Midtown South submarket is comprised of approximately 3 million square feet of office condominiums. In the first half of 2022, there were 5 sales totaling 27,776 square feet. The dollar value of these sales was \$21,279,788, averaging \$766 per square foot.

The Downtown submarket is comprised of approximately 2.1 million square feet of office condominiums. There were no sales in the first half of 2022 in the Downtown submarket.

1H 2022 Sales by Submarket



Availability

There are currently 1,152,009 square feet of office condominiums available in Manhattan (159 units are for sale across 73 buildings) with an average asking price of \$925 per square foot. This equates to a 10.3% availability rate which is a 1% increase from the second half of 2021. In the Midtown submarket, 730,600 square feet are for sale with an average asking price of \$920 per square foot. In the Midtown South submarket, 259,005 square feet are for sale with an average asking price of \$955 per square foot. In the Downtown submarket, 162,404 square feet are for sale with an average asking price of \$898 per square foot.



Notable Office Condominium Sales



515 WEST 38TH STREET

Between Tenth and Eleventh Avenues

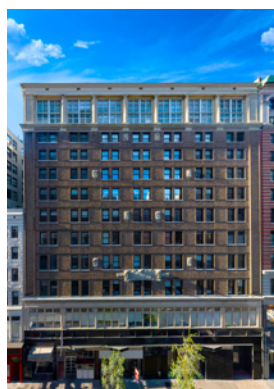
E. 3rd & 4th Floors: 24,226 Sq. Ft.

Price: \$17,095,847 (706/Sq. Ft.)

Sale Date: 02/23/22

Purchaser: Manhattan Neighborhood Network

Seller: Imperial Companies



20 WEST 33RD STREET

Between Fifth Avenue and Broadway

E. 11th Floor: 13,966 Sq. Ft.

Price: \$10,600,000 (\$759/Sq. Ft.)

Sale Date: 06/07/22

Purchaser: Empire State LLC

Seller: The Carlyle Group



35 WEST 36TH STREET

Between Fifth and Sixth Avenues

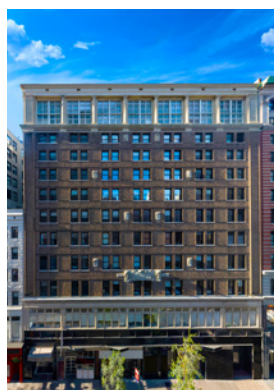
Unit 7W: 3,258 Sq. Ft.

Price: \$2,500,000 (\$767/Sq. Ft.)

Sale Date: 02/16/22

Purchaser: ENO Brands

Seller: Hidrock



20 WEST 33RD STREET

Between Fifth Avenue and Broadway

E. 12th & 13th Floors: 20,014 Sq. Ft.

Price: \$14,400,000 (\$719/Sq. Ft.)

Sale Date: 05/23/22

Purchaser: JLA Home

Seller: The Carlyle Group



145 HUDSON STREET

Between Hubert and Beach Street

Unit 5B: 4,244 Sq. Ft.

Price: \$4,500,000 (\$1,060/Sq. Ft.)

Sale Date: 04/01/22

Purchaser: Occam Global

Seller: The Poses Family Foundation



121 VARICK STREET

Between Dominick and Broome Streets

E. 5th Floor: 12,623 Sq. Ft.

Price: \$9,000,000 (\$713/Sq. Ft.)

Sale Date: 02/03/22

Purchaser: Eleven Capital Management

Seller: Tony Chi Architects

How interest rate increases will impact the cost of owning an office condominium

Most purchasers of Manhattan office condominiums and office cooperatives are owner/occupiers that obtain a mortgage to fund their purchase. The loan amounts typically range from 70% of the purchase price for a conventional loan to nearly 100% for a small business administration loan (SBA).

The interest payment on an office condominium mortgage is typically based on 200 basis points over the 10-year Treasury note, and it amortizes over 25 years. On January 1, 2022, the interest rate was 3.63% and it since increased to 4.98% by June 30, 2022, a 37% increase.

If a company buys a 5,000 square-foot office condominium for \$3,865,000 (\$773 per square foot, the average price of an office condo in the first half of 2022) and obtains a 75% mortgage, the annual mortgage payment would have been \$177,000 per year (\$35 per square foot) in January and increased to \$202,000 (\$40 per square foot) per year by June 30th. The interest rate hike increased the cost of ownership by \$25,000, or \$5 per square foot per annum.

The annual cost of office condominium ownership consists of the payment of common charges (approximately \$10 per square foot per annum), real estate taxes (approximately \$10 per square foot per annum) and mortgage payments. The total annual ownership costs increased from approximately \$55 per square foot on January 1, 2022 to \$60 per square foot on June 30, 2022, a 9% increase.

Even with the interest rate hike, office condominium ownership is an excellent opportunity for stable companies and organizations. According to CoStar's July market report, the average annual rent for the Manhattan office market is \$57.45 per square foot. While office condominium ownership might be slightly higher than leasing in the first few years, the cost of ownership is considerably less than leasing over a five to 10-year period. Additionally, office condominium owners will benefit from the appreciation of the value of their property, control over their space and ultimately the opportunity to refinance their mortgage if interest rates decrease.

Rudder Property Group

Rudder Property Group is a commercial real estate services firm that specializes exclusively in the sale of office condominiums in the New York metropolitan area. With 20 years of experience in this niche market, Rudder Property Group has sold over two 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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The Conversion of the office portion of 65 West 55th Street

65 West 55th Street, a 13-story mixed-use building located in the heart of the Plaza District submarket, will convert its three existing office floors to office condominiums for sale.

The supply of office condominiums in the Plaza District has been historically low but has seen consistently high demand due to its incredible location, and the conversion represents a rare opportunity to own a full-floor or multi-floor office condo with outdoor space in a prime Plaza District location situated between Rockefeller Center and Central Park, making it a perfect fit for medical offices or professional services companies with clients in the area.

With sales anticipated to launch after Labor Day 2022, partial units measuring 700 to 7,000 square feet can be purchased individually with the opportunity to create a single office portion totaling up to 38,000 square feet. The existing office spaces—the majority of which feature large terraces—are home to a number of small-to medium-sized businesses, primarily medical and family offices as well as professional services companies.