

THE GOTHAM COMMERCIAL REAL ESTATE MONITOR

MARKS PANETH LLP

Are New York City Commercial Property Values Plateauing? Yes, and Perhaps Reaching the Top of the Roller Coaster, Say New York Real Estate Execs

- Most New York commercial real estate executives (54%) say property values have ended their climb. In fact, nearly a quarter (22%) say commercial property values in the city will begin to decline. Only 37% believe values will continue to rise.
- A quarter (26%) of executives say Manhattan commercial real estate is “highly overvalued” (and 48% say “moderately overvalued”). In January 2013, only 8% of executives said Manhattan commercial property was highly overvalued. Just 17% of executives currently say Manhattan commercial property is “fairly valued,” down from 21% just a few months ago.

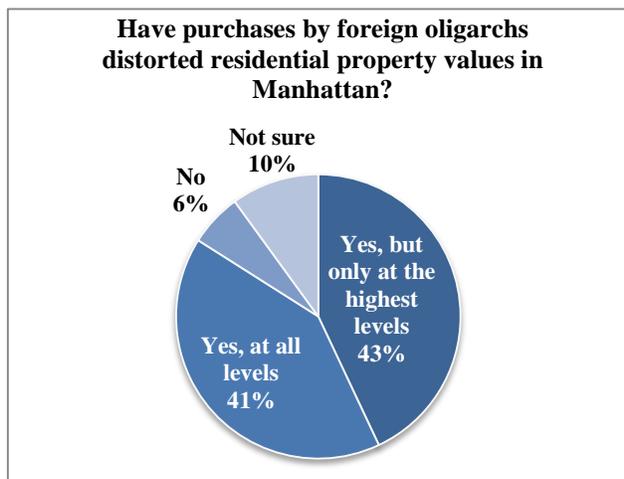


How to Respond to the Near-Peak? Consider Selling Some Holdings, Especially in Manhattan, Execs Say

- Most commercial property executives (61%) say now is a good time for commercial property owners, looking to maximize profits, to sell all or some of their holdings in Manhattan.
- The view is the opposite for the other boroughs, however. Most say values could keep going up, particularly in Queens (56%) and the Bronx (55%).

Another Likely Scenario as Commercial Real Estate Plateaus – Diversification into Residential

- Sixty-nine percent of executives foresee New York commercial property owners diversifying their holdings into multi-family and condominium developments. (In fact, 44% say this will happen at a relatively fast pace.)



Foreign Oligarchs Buying Manhattan Condos Distort Property Values, Execs Say; But Global Crises, Overall, Benefit New York Commercial Real Estate

- The vast majority of executives (84%) say the proliferation of investments in Manhattan residential property by foreign oligarchs distorts the borough’s residential market. (While 41% say the distortion in values occurs at all levels of the market, 43% believe it’s only at the highest levels.)

- Yet most executives (57%) agreed that current international crises benefit the New York commercial property market. The reason: Money is flowing out of foreign economies into New York real estate. (Only 8% say international crises are hurting the New York property market.)

Where Will the City’s Tech Industry Burgeon Going Forward – Mainly in “718 Land,” Execs Say

- Four of the five neighborhoods that executives say will lead in the leasing of space to technology businesses are outside Manhattan. In order, the five are:
 - Long Island City, Queens (22%)
 - Midtown West/Hudson Yards, Manhattan (13%)
 - Brooklyn Navy Yard (12%)
 - Downtown Brooklyn (10%)
 - DUMBO, Brooklyn (10%)



The Three Events that Could Have the Most Negative Impact on New York Commercial Property Values

- Nearly three-quarters (74%) of executives say an increase in interest rates would have a negative effect on New York commercial property values; 57% said the slowing of the Chinese economy would have a negative impact, and 62% said a major weather event, like a repeat of Superstorm Sandy, would have a negative impact.

Methodology

This summary presents the key findings of the Spring 2015 Gotham Commercial Real Estate Monitor survey of commercial real estate professionals in the New York City market. The 107 professionals participating in the research include owners and managers of commercial property, commercial real estate brokers and agents, attorneys, accountants and other professionals specializing in the sector.

The research employed self-administered questionnaires completed online and on paper by respondents. The list of professionals surveyed was compiled by Marks Paneth LLP, the research sponsor, and by Michaels Opinion Research. Interviews were completed during the period of February 25th to March 31st, 2015.