

Investment sales across NYC are down. But the Bronx is different

Dollar volume rose 3% to \$968M; cap rates hit record low

By [Eddie Small](#) | July 26, 2017 01:45PM



(Credit: [FromTheBronx.com](#))

Although investment [sales in Brooklyn](#) and [Queens fell](#) in the first half of 2017 compared to the six months prior, the Bronx saw a boost in the same period, making it the only submarket in the city to do so.

The Bronx saw \$968 million worth of property trades during the first half of 2017, a 3 percent increase compared to the second half of 2016, thanks to a series of large multifamily deals, according to a new report from [Ariel Property Advisors](#).

Number of transactions and property volume, however, were both down compared to the second half of 2016. The borough saw 139 transactions across 208 properties for the first six months of the year, compared to 157 transactions across 216 properties during the final six months of last year.

Compared to the first half of 2016, dollar volume was down 24 percent from \$1.27 billion, the report shows.

More than 54 percent of transactions and 50 percent of dollar volume occurred in the southwest Bronx, making it the most active part of the borough, according to the report. The northwest Bronx came in second, with 23 percent of transactions and 31 percent of dollar volume.

Most investors were interested in the borough's multifamily market, where dollar volume increased by 22 percent compared to the second half of 2016, mainly thanks to large portfolio deals.

The demand for multifamily properties outpaced supply, pushing the average price per square foot up 7 percent to \$197 and the average price per unit up 7 percent to \$174,693, according to the report. The average cap rate in the Bronx also hit a record low of 4.92 percent.

The largest multifamily deal during the first half of 2017 was MDG Design and Construction's and the Housing Partnership's [\\$78.1 million purchase](#) of Michelangelo Apartments, a 498-unit building at [225-255 East 149th Street](#). The building is part of the Mitchell-Lama program, which aims to bolster affordable housing for middle-class New Yorkers.

Dollar volume also increased by 163 percent for special-purpose products, a category that includes hospitals, schools and nursing homes. Medical facilities moved around particularly often to start off 2017, including the \$25 million sale of Beth Abraham Health Services at [612 Allerton Avenue](#).

The industrial and development market in the Bronx accounted for a third of the transactions, which included EJ Electric's purchase of [1541 Bronx River Avenue](#) and [901 Zerega Avenue](#) for \$17 million.

A total of 47 development sites sold in the borough for \$135 million during the first half of the year, a dollar volume drop of 9 percent compared to the second half of 2016 largely because the properties were smaller.

Average buildable square foot prices increased modestly to \$65, with sites such as 2050 Grand Concourse and [213 East Burnside Avenue](#) each selling for \$77 per buildable square foot, according to the report.

Ariel Property Advisors attributed the lower numbers in the Bronx to factors including higher interest rates and rent-regulation revisions.

"Caution permeated the market in the first half and investors took a more careful approach to their underwriting," Jason Gold, an investment-sales broker at the firm, said in a statement. "That cloud of uncertainty appears to have lifted and investors have re-engaged, with recent bidding activity indicating a pick-up in the second half."

In May, *The Real Deal* analyzed [Bronx investment sales](#), and found that the number of transactions that could be defined as "speculative" – i.e. deals in which prices grew at least three times faster than building income – hit 65 percent.

This shows that some investors could be in a tight spot in coming years.
