



Midyear Real Estate Report for Upper Manhattan

2019



272 LENOX AVE., NEW YORK, NY 10027
HISTORIC SITE OF JAMES VAN DER ZEE'S 1934 STUDIO

tel: 212.280.8866

fax: 212.937.3351

Info@HarlemLofts.com

www.HarlemLofts.com

ABOUT HARLEM LOFTS

Harlem Lofts is a boutique real estate sales firm located in Harlem, NY, maintaining a sharp focus on seller representation while maintaining the largest proprietary database of buyers possible.

Our structure is unique to the industry. With a core group of industry professionals driving our employee-owned firm, we are divided into three separate interconnected divisions: Research, Sales, and Rentals. Value, efficiency, and asset expertise drive our business model. Our approach to real estate begins with research, which in turn drives our strategic sales model and marketing approach. We tailor each sales campaign to leverage our expertise and professional relationships to achieve the best results for the parties involved. We also strive to utilize the most efficient sales process possible for each asset being sold. This team-based approach allows us to provide a consistent and seamless execution for every transaction from evaluation through closing.

Harlem Lofts covers all major residential property types. We maintain a very sharp focus on seller representation in Upper Manhattan and specialize in townhouses and condominiums by leveraging our proprietary database of buyers.

From the initial consultation through closing, our salary-based professionals are dedicated to achieving optimal results for our clients. Combining the insights of veteran brokers with the latest real estate market intelligence, we find solutions that meet the specific needs of every one we work with.

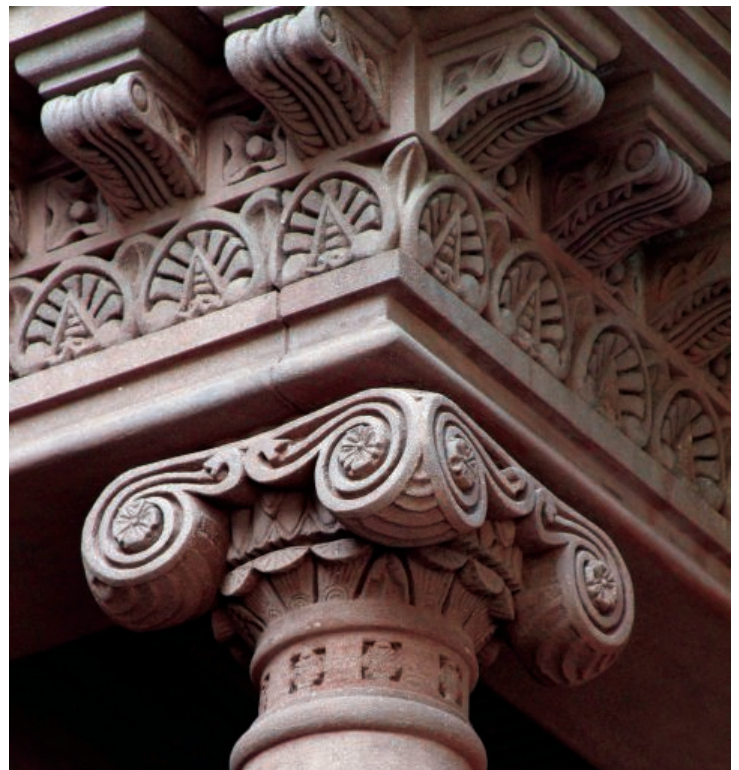
Cultivating long-lasting relationships within the real estate community is essential to the success of our firm and our clients. We are members of the Real Estate Board of New York and the Manhattan Association of Realtors which was absorbed by The Hudson Gateway Association, and we syndicate our offerings across all major marketing platforms, as well as via direct mail when appropriate.

Contact us today for a comparative market analysis, listing information, or our latest market reports.

~Robb

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FROM THE DESK OF ROBB PAIR



A. Introduction

Welcome to the Harlem Lofts 2019 Midyear Upper Manhattan Real Estate Report. It has been a very interesting six months since we published our Annual Report. Our readers may recall my making the point in that Report that property values in Upper Manhattan have become more manageable following a period of significant inflation in the first half of the decade. This trend has continued in Q1/2 2019 (January 1st through June 30th, 2019). This has been a good opportunity for buyers to enter the market or add to their real estate portfolio, while sellers have still seen good returns if they have priced their property appropriately. Interestingly, at the time of printing of this report this lull in the market appears to be receding, a trend that we will follow carefully in Q3/4 of this year.

Our Research and Sales teams have worked together to summarize trends in the Upper Manhattan real estate market for this Midyear Report. Our 2019 Midyear Townhouse Market Analysis (on pages 4-11) outlines changes in the townhouse market in Q1/2 2019 and compares them with trends in 2018, while our 2019 Midyear Condominium Report is on pages 16-19.

Several aspects of the real estate market have also caught my eye in the past six months, and we summarize these emerging topics either here or in additional articles in this report.

B. Market Trends

As discussed in our 2019 Midyear Townhouse Market Analysis on pages 4-11, Q1/2 2019 has seen a big change in the pattern of townhouse sales in Upper Manhattan compared with the corresponding period of 2018. There have been marked reductions in sales of both Single Room Occupancy (SRO) properties and of purely residential one-family homes. In contrast, sales of two- three- and four-family properties, which each include potential for rental income, have all remained stable.

C. Underlying Mechanisms

The reasons underlying the stability of rental investment townhouse transactions in Upper Manhattan are very interesting. New rental regulations recently instituted by New York City likely represent a key factor in this stability, and these are touched on below and will be the subject of a full article in our upcoming annual report. Investors moving away from SROs and into less risky free market rentals may represent another – these are outlined in detail on pages 14-15.

1. Changes in Rental Law – Impact on the Upper Manhattan Housing Market

On June 14, 2019, New York State enacted laws designed to give strong new protections to renters in New York City. Some of these laws impact all rental properties, but the most far-reaching selectively reduce the ability of landlords to reclaim or raise the rents of rent-controlled or rent-stabilized units. These stringent new laws are highly likely to decrease the popularity of large rental properties to investors and cause a shift in sales towards smaller free market properties including rental investment 2-4-family townhouses in Upper Manhattan. They likely underlie in part the stability of such properties in the Upper Manhattan market in Q1/2 2019.

2. Changes in Rules Governing Tenant Harassment

Also the subject of recent changes in the law is the process governing renovation of Single Room Occupancy (SRO) townhouses, and the impact of these changes on sales of these properties is discussed in detail on pages 14-15. These properties are subject to regulations governing their registration and renovation, and they therefore sell for lower prices than other townhouses. Historically they have been popular with well-informed investors and families, but our data show that in Q1/2 2019 the number of FMV transactions involving SRO properties was substantially decreased. This is likely due to stricter new legal measures introduced in 2018 that govern the steps required for the registration and renovation of these properties, which render them a riskier investment.

We hope you enjoy this report! Harlem Lofts Inc. is the acknowledged expert in townhouse and condominium sales and rentals in Upper Manhattan. Please feel free to reach out to us at info@harlemlofts.com with your real estate needs, or contact me directly at Robert.P@harlemlofts.com.

Robert 'Robb' Pair
Founder and President, Harlem Lofts Inc.

Q1/2 2019 MIDYEAR TOWNHOUSE MARKET ANALYSIS

A INTRODUCTION

- This article summarizes 1-8-family and Single Room Occupancy (SRO) townhouse transactions in Upper Manhattan between January 1 and June 30, 2019 (Q1/2 2019) and compares these data with Q1/2 2018.
- Upper Manhattan includes 12 ZIP codes extending from the northern tip of Manhattan south to East 96th St, Central Park North, and West 110th Street. See Figure 1.
- ZIP codes 10034 and 10039 were excluded because they saw no fair market transactions in the time periods analyzed.
- To reflect market value, this report excludes transactions in areas non-representative of their immediate neighborhoods, for example, bordering Central Park and the Hudson River, and west of Morningside Park.

B SALES VOLUME

Q1/2 2019

- 97 transactions involving 1-8-family and SRO townhouses in Q1/2 2019.
- 61 of these were value transactions either at or outside market value.
- 42 were FMV sales generating \$97,411,656.
- The other 19 value transactions were above or below this range (e.g., multi-property deals).
- 36 zero-dollar transactions (e.g., between business partners or family members).

COMPARISON WITH Q1/2 2018

- The number of FMV transactions in Q1/2 2019 (42) was **16%** lower than in Q1/2 2018 (50).
- Sales value in Q1/2 2019 (\$97,411,656) was **16%** lower than in Q1/2 2018 (\$115,870,415).

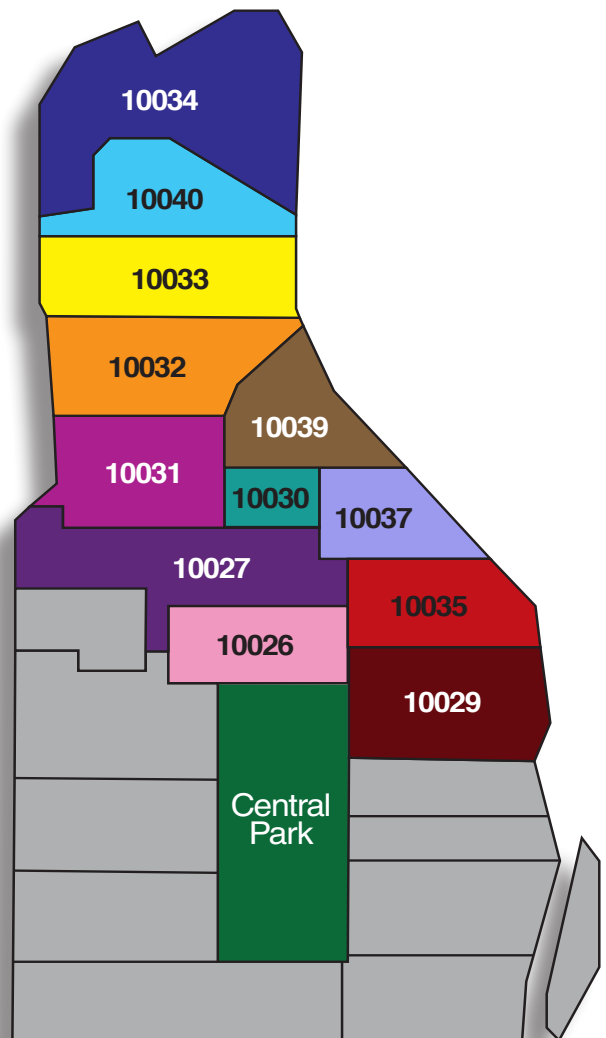


Figure 1 - Upper Manhattan ZIP Codes

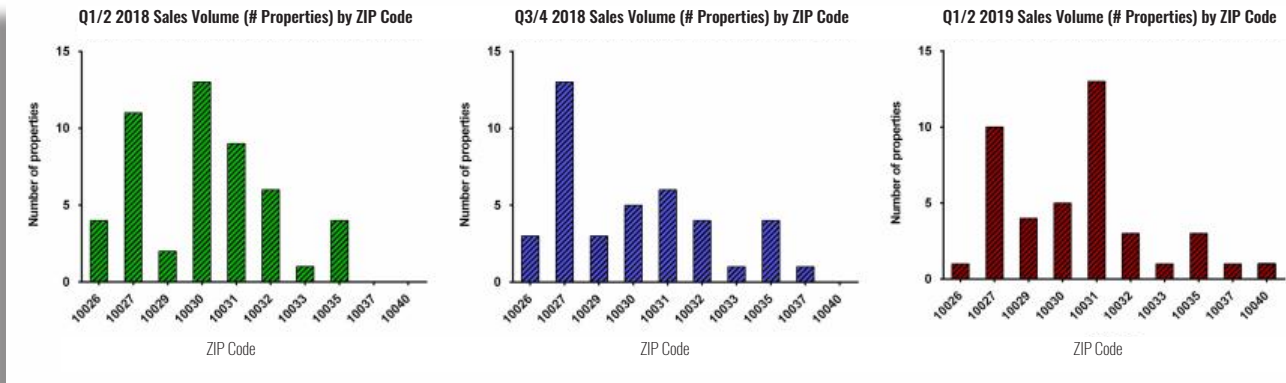
INTERPRETATION

It is well known that the market has softened progressively since 2016/2017.

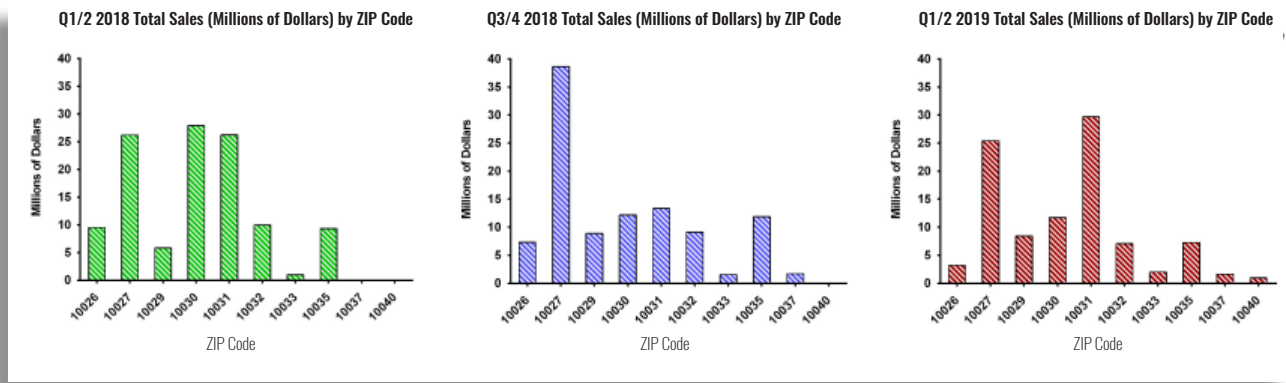
The market continued to soften in 2018 and early 2019.

G TRANSACTIONS BY ZIP CODE *(Graphs 1, 2)*

Graph 1 – Townhouse transaction number by ZIP code over time in 2018 (left and center panels) and 2019 (right).



Graph 2 – Townhouse transaction aggregate value by ZIP code over time.



Q1/2 2019

- In Q1/2 2019 (Graphs 1, 2, right panels), three ZIP codes accounted for 66% of transfers and 68.2% of sales value.
- 10031 (Hamilton Heights/Sugar Hill, see *Figure 1*) generated the highest sales (13 transfers, \$29.7 million).
- 10027 (Central Harlem, Mount Morris Park) was second in sales (10 transactions, \$25 million).
- 10030 (Upper Harlem, Striver’s Row) was third (5 transactions and \$11.7 million).

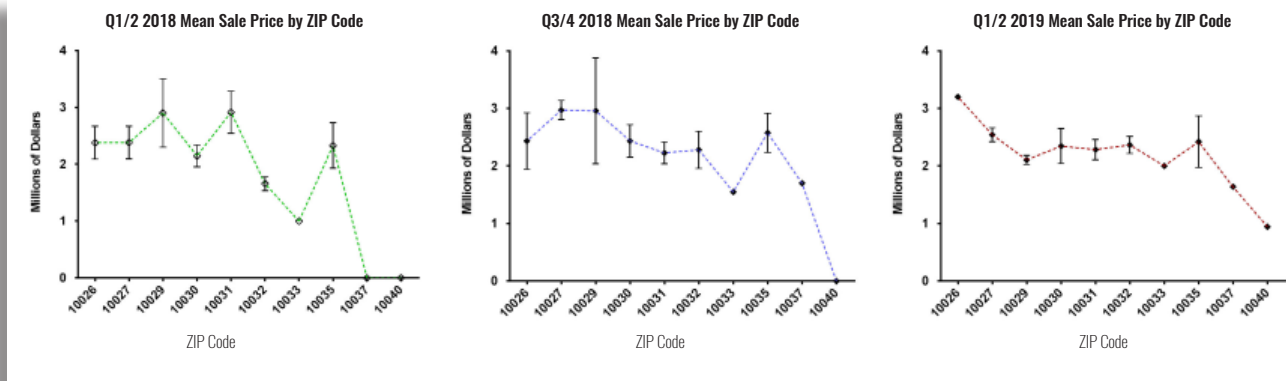
COMPARISON WITH Q1/2 2018

- ➔ In Q1/2 2018 (Graphs 1, 2, left panels), the same three ZIP codes accounted for 66% transfers and 69% of sales value.
- ▲ In 10031 in Q1/2 2019, the transaction number was **44%** higher than in Q1/2 2018, and sales value was **13%** higher.
- ▼ In 10027, transactions in Q1/2 2019 were slightly decreased by **9%** vs. Q1/2 2018, and sales were reduced by **5%**.
- ▼ In 10030, the transaction number in Q1/2 2019 was greatly reduced by **62%**, and sales value was decreased by **58%**.

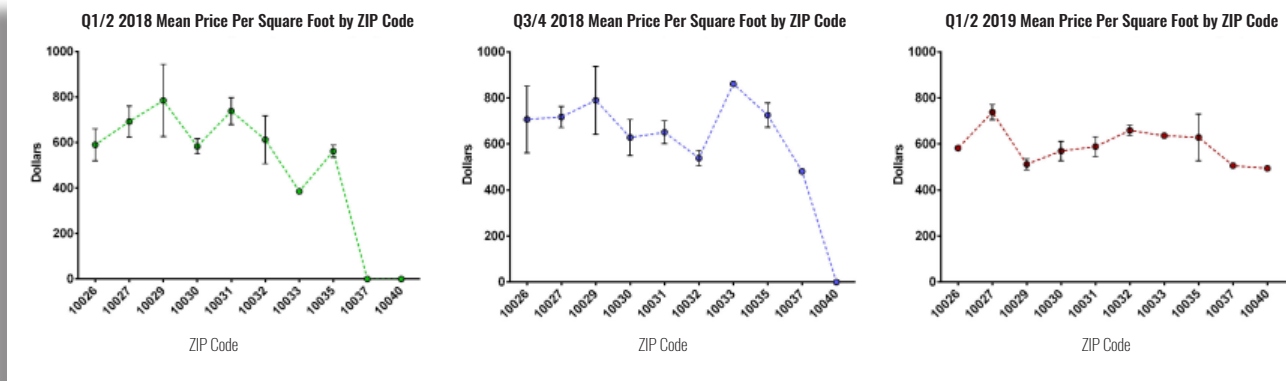
INTERPRETATION
 The same three ZIP codes accounted for two-thirds of transfers in Q1/2 2019 and Q1/2 2018, but their relative contributions were different in the two periods.

D MEAN PROPERTY VALUE AND PRICE PER SQUARE FOOT BY NEIGHBORHOOD *(Graphs 3, 4)*

Graph 3 – Upper Manhattan townhouse mean property sales value by ZIP code over time.



Graph 4 – Upper Manhattan townhouse mean price per square foot by ZIP code over time.



Q1/2 2019

- In Q1/2 2019, the mean townhouse sales value in Upper Manhattan was \$2.3 million. *See Graphs 3, 4.*
- The mean price per square foot (PPSF) in Q1/2 2019 was \$619/SF.
- The sales value and PPSF tend to be lowest in northern ZIP codes [e.g., 10033 (Washington Heights) and 10040 (Inwood)].

COMPARISON WITH Q1/2 2018

- In Q1/2 2019, the mean sales value was the same as in Q1/2 2018 (\$2.3 million).
- The mean price per square foot in Q1/2 2019 was just **3%** lower than in Q1/2 2018 (\$619/SF vs. \$641/SF).

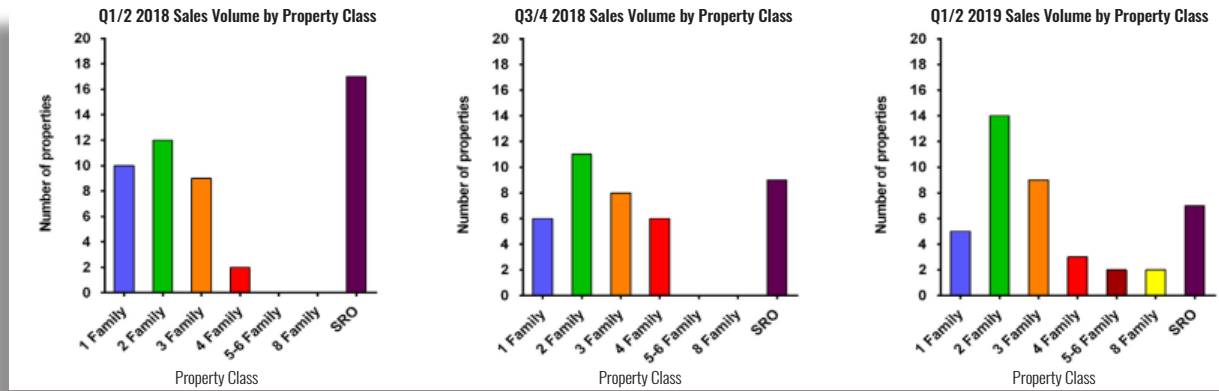
INTERPRETATION

These data suggest the decrease in sales in Q1/2 2019 were not driven solely by changes in high value transfers.

To better understand the causes of the reduction in sales in Q1/2 2019, we analyzed transfers by property class (*see Sections E-H*).

E TRANSACTIONS AND SALES VALUE BY PROPERTY CLASS *(Graphs 5, 6)*

Graph 5 – Townhouse sales in Upper Manhattan by property class over time.



Graph 6 – Upper Manhattan townhouse transaction aggregate value over time.



Q1/2 2019

- In Q1/2 2019, two-family residential/investment properties generated the highest sales (14 transfers, \$32.7 million).
- Three-family rental investment properties were second (9 transactions, \$21.9 million).
- SRO properties (investments for renovation, but subject to legal restrictions) were third (7 sales, \$15 million).
- One-family residential properties were fourth (5 transactions, \$11.6 million).
- Four-, five/six-, and eight-family rental investment properties comprised the remainder of sales.

COMPARISON WITH Q1/2 2018

- ▼ In Q1/2 2019, the number and total sales value of transactions involving SRO properties were greatly reduced by **59%** and **49%** respectively, compared to 17 transactions and \$29.7 million in Q1/2 2018.
- ▼ Residential one-family transaction numbers and sales value were also reduced in Q1/2 2019 by **50%** and **60%** respectively, from 10 transactions and \$29.3 million in Q1/2 2018.
- ▲ Sales of rental investment properties, such as two- and three-family townhouses, were **stable**.

INTERPRETATION

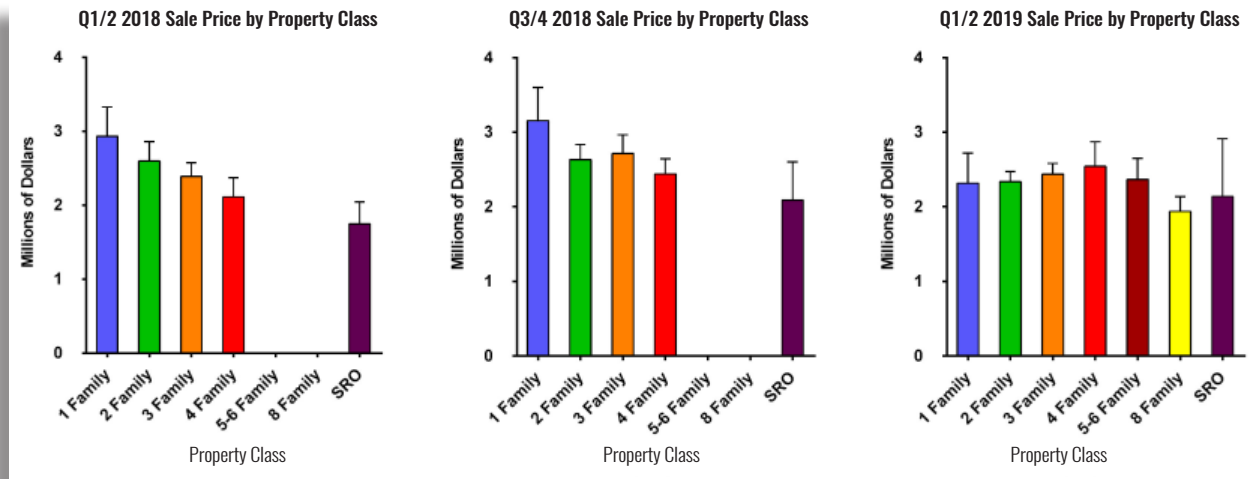
The decrease in townhouse sales from Q1/2 2018 through Q1/2 2019 was driven by a combination of reduced transactions involving SROs at the lower end of the market and a decline in transfers of purely residential, one-family properties at the market's higher end.

The reduction in SRO sales may be attributable to more stringent rules passed in September 2018, that render these properties a riskier investment.

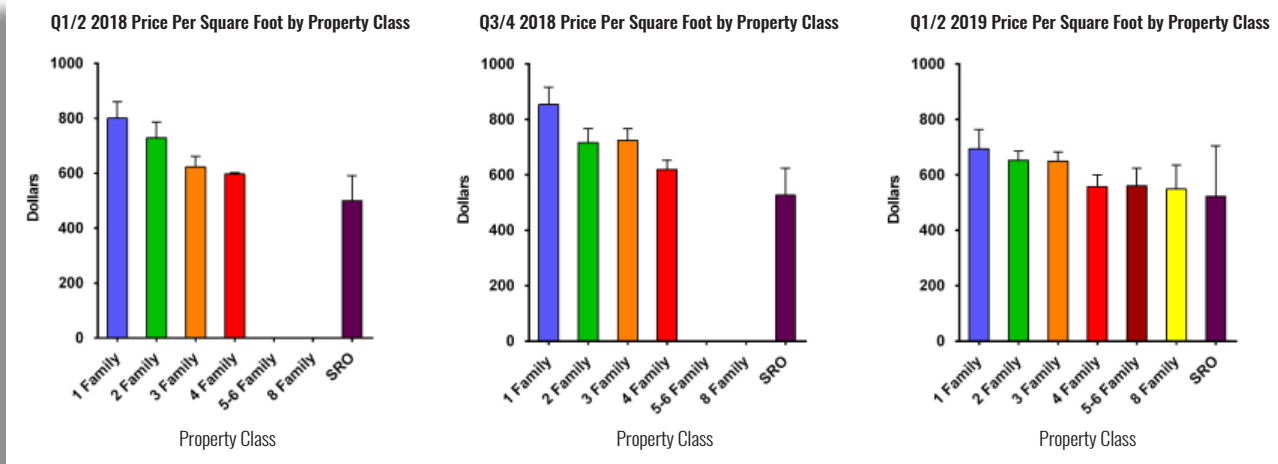
The stability of rental investment townhouses may be attributable to stringent new laws passed in June 2019, impacting rent-controlled and rent-stabilized apartments. This will be discussed in featured articles in the upcoming Harlem Lofts Third Quarter Report, and in our Yearly Upper Manhattan Real Estate Report.

F SALE PRICE AND PER SQUARE FOOT BY PROPERTY CLASS *(Graphs 7, 8)*

Graph 7 – Sale price by property class over time.



Graph 8 – Mean townhouse price per square foot by property class over time.



Q1/2 2019

- In Q1/2 2019, sale price was relatively even across property classes, and the differential in PPSF was small.

COMPARISON WITH Q1/2 2018

- ➔ In Q1/2 2018, unlike Q1/2 2019, one-family properties sold for the highest values and SROs the lowest.
- ➔ In Q1/2 2019, one-family price/PPSF (\$2.3 million/\$694/SF) were reduced by **21%** and **13%** respectively, compared with Q1/2 2018 (\$2.9 million/\$801/SF).
- ➔ Prices and PPSF of other property classes remained relatively **stable** in Q1/2 2019 vs. Q1/2 2018.

INTERPRETATION

The relatively even sales price across property classes in Q1/2 2019 is unusual. In prior years, one-family properties have sold for the highest values and SROs the lowest (similar to Q1/2 2018).

The fact that mean townhouse sale value and price per square foot were largely unaltered from Q1/2 2018 through Q1/2 2019 can be explained by the fact that the decrease in sales volume during this time was driven by a combination of reduced transactions involving SROs at the lower end of the market and a decline in transfers of purely residential one-family properties at the market's higher end. (see Graphs 5, 6)

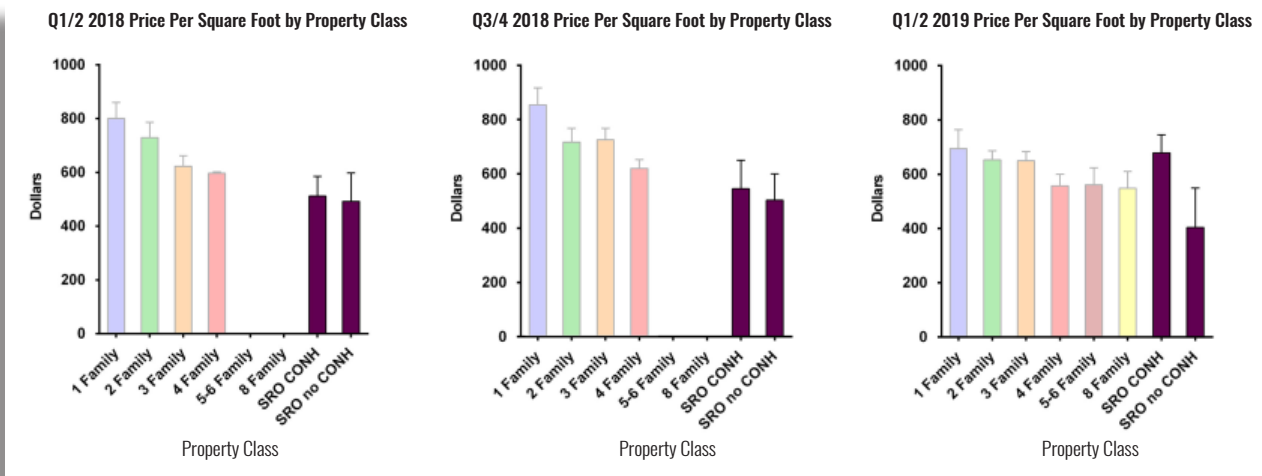
For more details, please see Section G.

G SALES OF SRO PROPERTIES SORTED BY CONH STATUS *(Graphs 9, 10)*

Graph 9 – Mean townhouse sales value by property class over time, SRO properties separated by CONH.



Graph 10 – Mean townhouse price per square foot by property class over time, SRO properties separated by CONH.



Q1/2 2019

- Stringent rules passed in September 2018, made it more difficult to obtain a Certificate of No Harassment (CONH) which is required to file for permits before renovating an SRO.
- In Q1/2 2019, SROs sold with a CONH had a mean price and PPSF of \$2.65 million and \$679/SF.
- Q1/2 2019 SRO transfers without a CONH had a lower mean sale price and PPSF of \$1.76 million and \$404/SF.

COMPARISON WITH Q1/2 2018

➔ In Q1/2 2018 before the new rules, SRO properties with vs. without a CONH sold for similar values and PPSF.

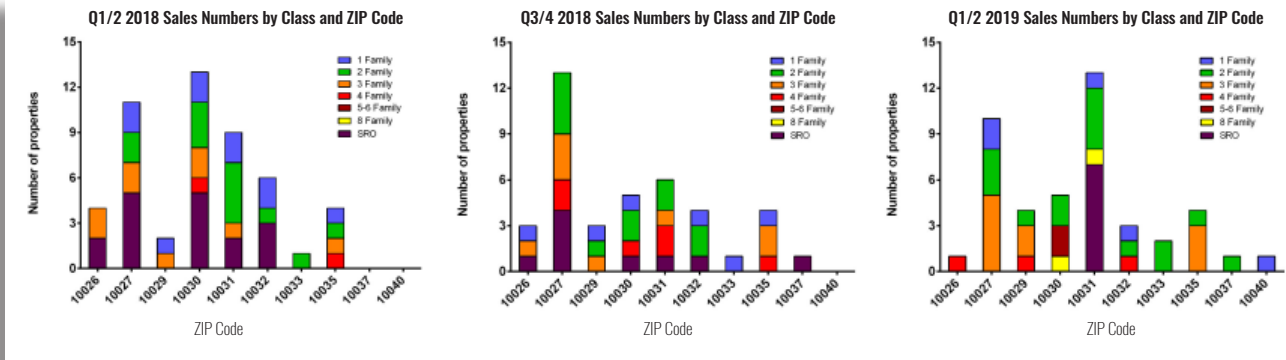
INTERPRETATION

The September 2018 rules making it more difficult to obtain a CONH render SRO properties a riskier investment.

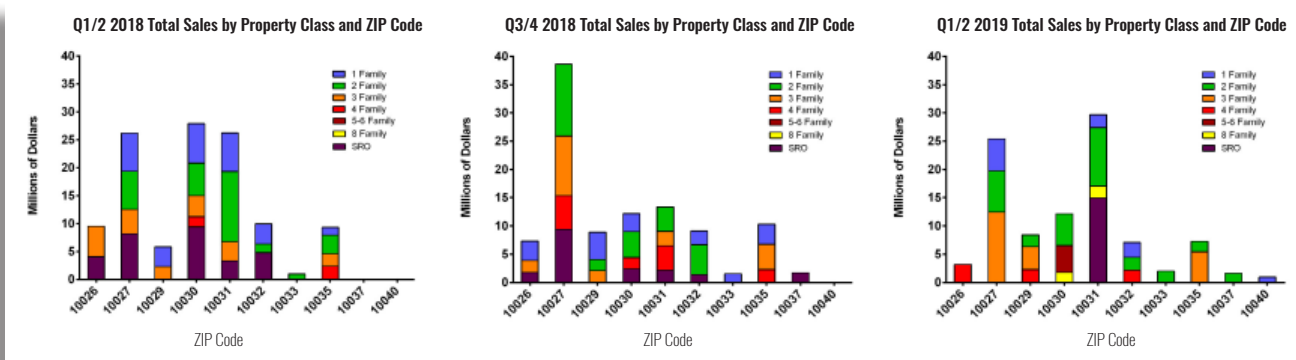
These data illustrate the impact of the new rules and the value of a CONH to a potential investor.

H SALES VOLUME AND TOTAL VALUE BY PROPERTY CLASS AND ZIP CODE (Graphs 9, 10)

Graph 11 – Townhouse transaction number by property class and ZIP code over time.



Graph 12 – Townhouse transaction aggregate value by property class and ZIP code over time in 2018 and 2019.



PATTERNS AND TRENDS

➤ Graphs 11 and 12 illustrate the shift in sales of different townhouse property classes in each Upper Manhattan ZIP code from Q1/2 2018 to Q1/2 2019.

➤ They illustrate the decline in FMV transactions involving SRO and one-family properties in Upper Manhattan (compare Q1/2 2019, right panel, with Q1/2 2018, left panel of each graph).









➤ They also allow analysis of shifts within individual ZIP codes, for example 10027, 10030, and 10031.

➤ In 10027 (Central Harlem), sales remained strong from Q1/2 2018 to Q1/2 2019, but the pattern of sales changed – SRO transfers **declined to zero** while rental investment in three-family transactions **increased**. Both changes match observed wider trends.

➤ The reduction in sales in 10030 from Q1/2 2018 to Q1/2 2019 was driven by the **loss** of all one-family and SRO transactions, which was not accompanied by a mitigating increase in investment property sales.

➤ The increase in sales in 10031 in the same period was caused by an **increase** in SRO townhouse transactions (from 2 to 7) – a pattern that goes against the wider trend. In fact, the only FMV SRO transactions seen in Upper Manhattan in Q1/2 2019 occurred in 10031.

CONCLUSIONS – 2019 MIDYEAR TOWNHOUSE MARKET ANALYSIS

-  The Upper Manhattan townhouse market continued to soften from Q1/2 2018 through Q1/2 2019. The number of FMV transactions in Q1/2 2019 (42) was **16%** lower than in Q1/2 2018 (50). Total sales value in Q1/2 2019 (\$97,411,656) was **16%** lower than in Q1/2 2018 (\$115,870,415).
-  The decrease in townhouse sales was driven by a combination of **reduced SRO transactions** at the lower end of the market and **reduced one-family** properties at the market's higher end.
 In contrast, sales of rental investment property classes remained relatively **stable**.
-  The reduction in SRO sales may be attributable to more stringent rules passed in September 2018, that make it more difficult to obtain a Certificate of No Harassment, thus rendering these properties a riskier investment.
-  The stability of rental investment townhouses may be attributable to stringent new laws passed in June 2019, impacting rent-controlled and rent-stabilized apartments, which are likely to cause a shift away from large rental properties towards smaller, free-market properties. This will be discussed in featured articles in our yearly Upper Manhattan Real Estate Report.
-  The same three ZIP codes (10027, 10030, and 10031) accounted for two-thirds of transfers in both Q1/2 2019 and Q1/2 2018, but their relative contributions were different in the two periods.
 The contribution of 10031 **increased** while that of 10030 **declined**. 10027 remained **stable**.
-  Analysis of sales using a combination of property class and ZIP code facilitates understanding of the mechanisms underlying changes in sales patterns in individual ZIP codes.

HARLEM LOFTS INC.

Harlem Lofts Inc., is the acknowledged expert in the Upper Manhattan townhouse market – please feel free to reach out to us at info@harlemlofts.com for valuation of your townhouse assets.

MARKET VALUE TOWNHOUSES SOLD IN 2019 ARRANGED BY ZIP CODE

ZIP 10026 \$3,200,000  110 W 116 ST	ZIP 10027 \$3,450,000  345 W 121 ST	ZIP 10027 \$2,230,000  123 W 132 ST	ZIP 10027 \$2,525,000  261 W 132 ST	ZIP 10027 \$2,400,000  263 W 132 ST	ZIP 10027 \$2,380,000  213 W 131 ST	
ZIP 10027 \$2,900,000  80 W 120 ST	ZIP 10027 \$2,640,000  244 W 121 ST	ZIP 10027 \$2,400,000  209 W 121 ST	ZIP 10027 \$2,300,000  116 W 130 ST	ZIP 10027 \$2,200,000  259 W 132 ST	ZIP 10029 \$2,100,000  352 E 116 ST	
ZIP 10029 \$2,150,000  415 E 116 ST	ZIP 10029 \$1,900,000  217 E 111 ST	ZIP 10029 \$2,275,000  166 E 105 ST	ZIP 10030 \$3,400,000  218 W 139 ST	ZIP 10030 \$1,800,000  319 W 139 ST	ZIP 10030 \$2,650,000  2368 Adam C Powell Blvd	
ZIP 10030 \$2,080,000  215 W 134 ST	ZIP 10030 \$1,800,000  115 W 136 ST	ZIP 10031 \$2,300,000  533 W 141 ST	ZIP 10031 \$3,188,250  463 W 143 ST	ZIP 10031 \$2,725,000  620 W 148 ST	ZIP 10031 \$2,425,000  475 W 146 ST	
ZIP 10031 \$2,000,000  3686 Broadway	ZIP 10031 \$2,075,000  542 W 142 ST	ZIP 10031 \$3,100,000  43 Hamilton Ter	ZIP 10031 \$2,600,000  455 W 141 ST	ZIP 10031 \$2,450,000  532 W 148 ST	ZIP 10031 \$2,400,000  634 W 147 ST	
1-FAMILY	2-FAMILY	3-FAMILY	4-FAMILY	5-6-FAMILY	7-9-FAMILY	SRO

MARKET VALUE TOWNHOUSES SOLD IN 2019 ARRANGED BY ZIP CODE, CONT'D...

ZIP 10031 \$2,275,000	ZIP 10031 \$1,100,000	ZIP 10031 \$1,050,000	ZIP 10032 \$2,647,000	ZIP 10032 \$2,300,000	ZIP 10032 \$2,150,000	
						
460 W 141 ST	544 W 148 ST	468 W 145 ST	427 W 162 ST	630 W 158 ST	562 W 161 ST	
ZIP 10033 \$2,000,000	ZIP 10035 \$1,825,000	ZIP 10035 \$3,300,000	ZIP 10035 \$2,137,500	ZIP 10037 \$1,638,906	ZIP 10040 \$945,000	
						
16 Chittenden Ave	412 E 120 ST	1937 Madison Ave	511 E 118 ST	16 W 131 ST	286 Wadsworth Ave	
1-FAMILY	2-FAMILY	3-FAMILY	4-FAMILY	5-6-FAMILY	7-9-FAMILY	SRO

ABOUT THIS REPORT

Our Upper Manhattan Real Estate Report is published twice yearly and summarizes Upper Manhattan townhouse and condominium real estate sales activity for the prior year. We define Upper Manhattan as extending as far south as East 96th Street, Central Park North and West 110th Street. Our 2019 Midyear 2019 Report is based on Q1-2 2019 and Q1-4 2018 data from multiple independent sources, including our exclusive sales database, NYC public records, the Manhattan MLS, REBNY, ACRIS and the NYC Department of Buildings, NYC Department of Finance, the NYC Department of Housing Preservation and Development, PropertyShark.com, StreetEasy.com, WebCivil.com and PACER. In order to reflect actual market value, we exclude properties bordering Central Park and the Hudson River, properties west of Morningside Park, extremely high/low sales, package or multiple property deals, off-market sales, and income-restricted units. To receive an individual comparable market analysis on your property, or more detailed information on any topic relating to Upper Manhattan real estate, please contact us at info@harlemlofts.com.

OUR VISION STATEMENT

To represent and advise property owners on how to maximize the value of their real estate assets in conjunction with their financial objectives.

SINGLE ROOM OCCUPANCY (SRO) Q1/2 2019 MARKET ANALYSIS

by Harlem Lofts Research Team

INTRODUCTION

In Q1/2 2018, SRO properties represented the highest volume of fair market value (FMV) townhouse sales by property classification in Upper Manhattan, generating 17 transactions and \$29.7 million dollars. There were good reasons for the popularity of SRO properties, most notably their low price which rendered them attractive to investment buyers who legally reclassified and renovated them, then sold them for profit. However, these properties come with restrictions that control their occupancy and registration, and the process for their reclassification and renovation has recently become more difficult, affecting their popularity. This article summarizes trends in sales of SRO properties in Upper Manhattan from Q1/2 2018 through Q1/2 2019, and the changes in the regulations that control their occupancy and registration, which underlie these trends.

WHAT IS AN SRO PROPERTY?

- In the early and mid-20th Century, thousands of townhouses in Upper Manhattan were converted from their original occupancy status into Single Room Occupancy (SRO) rooming houses, to provide affordable housing.
- An SRO is defined as “the occupancy by one or two persons of a single room, or of two or more rooms which are joined together, separated from all other rooms within an apartment in a multiple dwelling.”
- SRO buildings are usually adjudged as rent stabilized (RS) if constructed before July 1969 and containing at least six units, charging no more than \$350/month as of the end of May 1968, and occupied by a permanent resident.
- As such, in addition to struggling with reduced occupancy rates as housing trends have changed, current SRO owners are also faced with below market rental income.
- At one point, SROs comprised hundreds of thousands of properties, but today the number of SRO units is estimated at 15,000 to 35,000.



Figure 2 - Vintage Harlem SRO, by Cleverdon and Putzel, 1890

SINGLE ROOM OCCUPANCY (SRO) Q1/2 2019 MARKET ANALYSIS, CONT'D...

Conversion of an SRO – Certificate of No Harassment (CONH)

- In 1983, New York City passed a law requiring owners to obtain a Certificate of No Harassment (CONH) from the Department of Housing Preservation and Development (HPD) prior to applying for permits to reconfigure an SRO.
- To obtain a CONH (and thus authorization to reconfigure and renovate an SRO), property owners must show definitively that no tenant harassment has occurred in a given look-back period prior to the application.
- The CONH application must be submitted to NYC Dept of Housing Preservation and Development (HPD), which checks whether tenant harassment has occurred within that period with intent to cause waiver of occupancy right.
- The program was made stricter in 2017, and now includes buildings with physical distress, ownership changes, vacate orders, participation in the Alternative Enforcement Program, and with findings of tenant harassment.
- Under the new rules, the look-back period has been increased for some properties, from three to five years.
- Under the new regulations, penalties for denial of a CONH have also been increased. For five years, owners denied a CONH are disallowed from altering their properties “unless they provide permanently affordable housing.”

Effect of the new CONH regulations on the SRO market

- The new regulations have rendered SRO properties more of a risk to investors and have decreased their popularity as an investment vehicle.
- Due to the recent changes, in Q1/2 2019 SRO properties generated only 7 sales and \$15 million, a reduction of 59% and 49% respectively from the corresponding period in 2018.
- In addition, the presence or absence of a CONH now more significantly impacts the value of an SRO, as shown in Graphs 9 and 10 of the Townhouse Market Analysis (see page 9).
- In Q1/2 2019, SROs sold with a CONH had a mean price and price per square foot (PPSF) of \$2.65 million and \$679/SF. In contrast, those without a CONH sold for a mean price and PPSF of \$1.76 million and \$404/SF.

CONCLUSIONS – Q1/2 2019 MIDYEAR SRO MARKET ANALYSIS

SRO properties represented the highest volume of Upper Manhattan FMV townhouse sales by property classification in Q1/2/ 2018, but stringent new regulations have made it more difficult to obtain authorization to reconfigure and renovate these properties, rendering them riskier as an investment vehicle. As a result, sales and total dollars spent on SRO properties in Q1/2 2019 were decreased by 59% and 49% respectively compared with the corresponding period in 2018.

Over the past 19 years, Harlem Lofts Inc., has assisted many homeowners in successfully obtaining a CONH for their SRO properties in the Upper Manhattan market, thereby increasing the value of the properties and facilitating their renovation. We are happy to discuss the process in more detail – please contact us at info@harlemlofts.com.

Disclaimer: As always, Harlem Lofts Inc., reminds investors to consult with their own accountant and attorney in any real estate or related transaction, including purchase/sale of an SRO property and/or CONH application.

Q1/2 2019 MIDYEAR CONDOMINIUM MARKET ANALYSIS

A INTRODUCTION

- This article analyzes the Upper Manhattan condominium market between January 1 and June 30, 2019.
- We define Upper Manhattan as the 12 ZIP codes extending south to East 96th St, Central Park North and West 110th Street (see Figure 1, illustrated on page 4).
- In order to reflect actual market value, we exclude transactions in areas non-representative of their immediate neighborhoods, for example bordering Central Park and the Hudson River, west of Morningside Park, extremely high or low sales, and off-market sales

B SALES VOLUME

Analysis

- Condominium sales represented a higher volume of fair market value (FMV) residential property transactions than townhouse sales in Upper Manhattan in Q1/2 2019.
- There were 279 condominium transfers of which 177 were market value transactions and 102 were zero-dollar or non-market value transfers. The latter notably included below-market transfers at the recently renovated 411-21 Manhattan Avenue in ZIP code 10026 (19 transfers) and 448 West 167th St in 10032 (21 transfers).
- Of the 177 market value transactions, 23 were removed from the analysis as occurring in areas non-representative of their immediate neighborhoods (see above) to give 154 representative FMV transfers.

INTERPRETATION

The 154 FMV condominium transfers in Q1/2 2019 generated \$141,483,729 at an average price per square foot of \$955/SF.

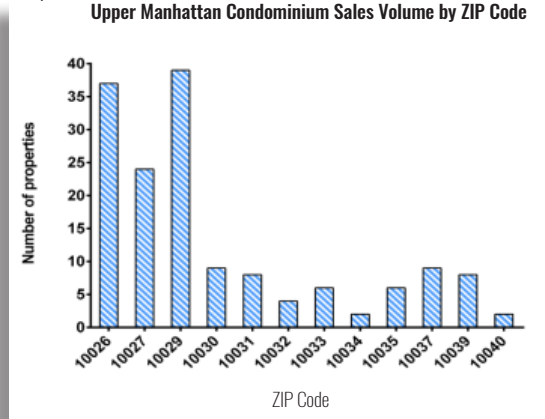
By contrast, the 42 FMV townhouse transactions in Upper Manhattan during the same time period produced \$97,411,656 at an average price per square foot of \$618/SF.

The average condominium sale price (\$918,726) was only 40% of the average townhouse price (\$2,319,325), but condominium transactions were 3.67 times more common than townhouse sales, thus they were responsible for \$44 million dollars more in dollar sales.

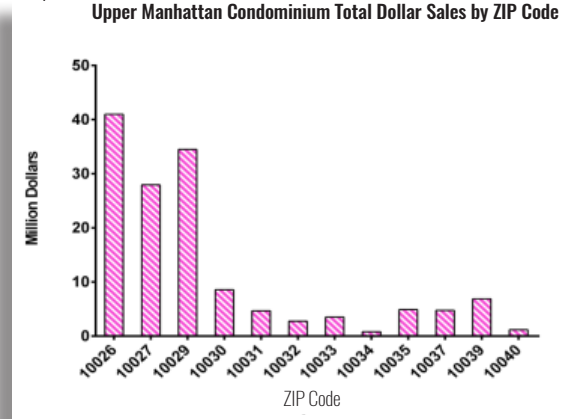
G TRANSACTIONS BY ZIP CODE

Graphs 1 and 2 – Q1/2 2019 condominium sales volume (Graph 1) and dollars spent (Graph 2) by ZIP code.

Graph 1

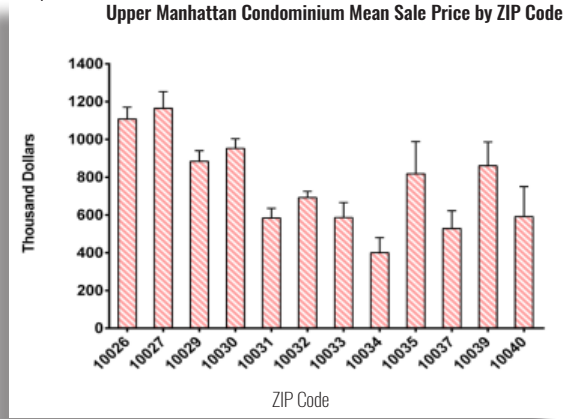


Graph 2

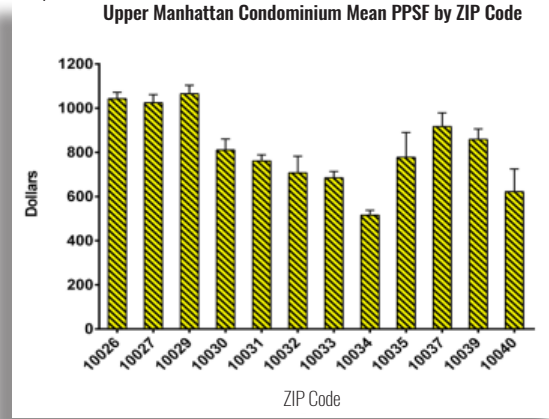


Graph 3 and 4 – 2018 Upper Manhattan condominium sale price (Graph 3) and price per square foot (Graph 4) by ZIP code.

Graph 3



Graph 4



Analysis

- (Graphs 1 and 2) 10029 (South-East Harlem bordering the Upper East Side) produced the highest number of condominium sales, with 39 transfers generating \$34.5 million.
- 10026 (South Central Harlem) generated 37 transfers and a higher total dollar amount of \$41 million.
- 10027 (Central Harlem, Mount Morris Park) was third in sales (24) and dollars spent (\$28 million).
- (Graphs 3 and 4) Prices per square foot were highest in the same three ZIP codes, at \$1,065/SF (10029), \$1,043/SF (10026) and \$1,025/SF (10027).
- Sales in 10029 were boosted by launches of 1399 Park Ave ('1399 Park') and 1790 3rd Ave ('La Cereza'), which generated 16 and 9 transactions at an average sale price of \$1,152,298 and \$700,270 respectively.

INTERPRETATION

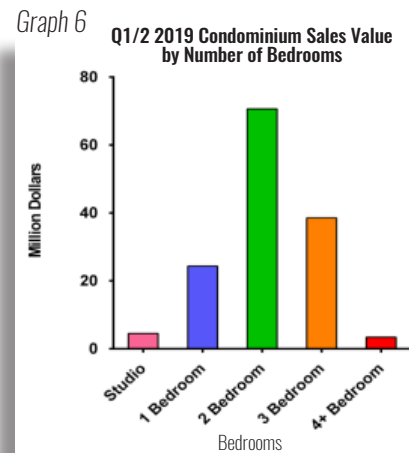
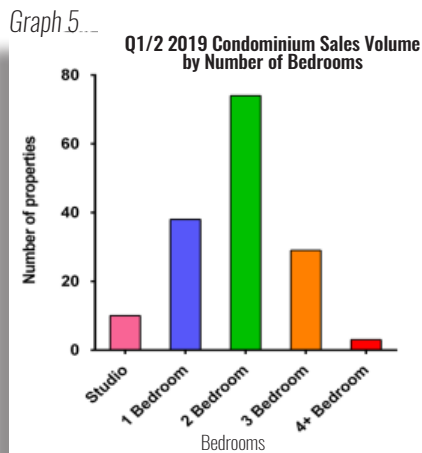
In Q1/2 2019 (Graphs 1 and 2), condominium sales in Upper Manhattan were concentrated in three southerly ZIP codes (10029, 10026, and 10027) accounted for 65% FMV transactions and 73% of dollar sales.

These overlapped only slightly with the three ZIP codes that drove townhouse sales in the same period (10031, 10027, 10030). The factors dictating the townhouse and condominium markets appear distinct.

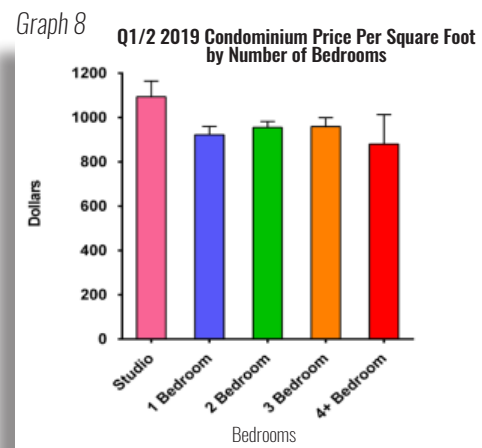
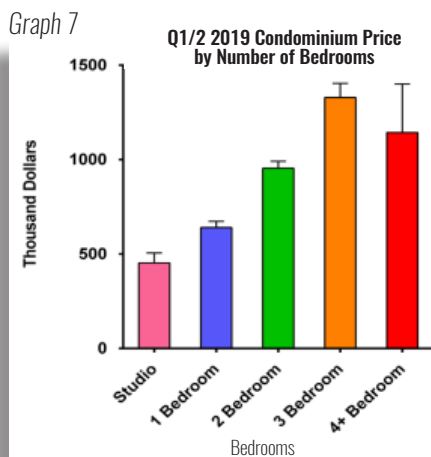
Sales in 10029 were boosted by launches of two developments at 1399 Park Ave ('1399 Park', 16 sales) and 1790 3rd Ave ('La Cereza', 9 sales).

D TRANSACTIONS BY APARTMENT CONFIGURATION

Graphs 5 and 6 – Q1/2 2019 condominium sales volume (Graph 5) and dollars spent (Graph 6) by number of bedrooms.



Graph 7 and 8 – Q1/2 2019 condominium sale price (Graph 7) and price per square foot (Graph 8) by number of bedrooms.



Analysis

- (Graphs 5 and 6) Two-bedroom apartments dominated the Upper Manhattan condominium market, generating 74 FMV transfers and \$70.6 million, i.e., 48% of total transfers and 50% of total dollars spent.
- One-bedroom apartments generated 38 transfers but only \$24.3 million in sales.
- Three-bedroom apartments were third in terms of transaction number (29) but this generated \$38.5 million.
- (Graphs 7 and 8) Underlying these trends, sale price generally increased with number of bedrooms, from approximately \$450,000 for a studio to \$1,330,000 for a three-bedroom apartment.
- In contrast, price per square foot decreased with number of bedrooms, from approximately \$1094/SF for a studio to \$880/SF for a four-bedroom apartment.
- The high price per square foot of studio apartments was driven in part by five FMV transactions in ZIP code 10029, at 1399 Park Ave ('1399 Park') and 1790 3rd Ave ('La Cereza') which together averaged \$1235/SF.

INTERPRETATION

Two-bedroom apartments dominated the Upper Manhattan condominium market in Q1/2 2019.

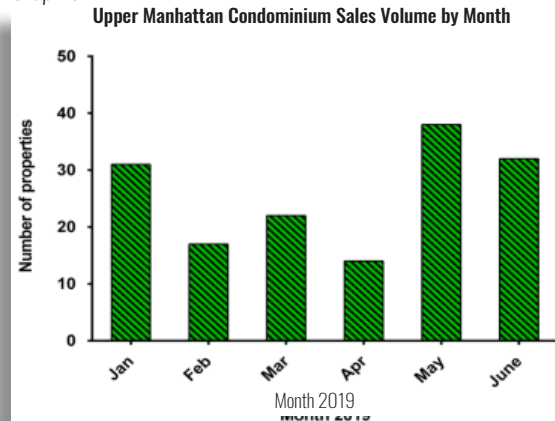
Sale price generally increased with number of bedrooms, whereas price per square foot decreased.

The high price per square foot of studio apartments was driven in part by transactions at two new developments in ZIP code 10029.

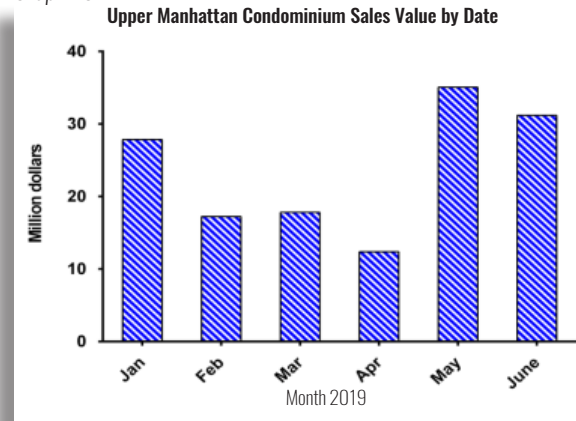
E MONTHLY SALES VOLUME AND PRICE

Graphs 9 and 10 – Q1/2 2019 Upper Manhattan condominium sales volume (Graph 9) and total sales (Graph 10) by month.

Graph 9



Graph 10



Analysis

- (Graphs 9 and 10) In Q1/2 2019, condominium sales were at their most brisk in May and June, generating 38 FMV and 32 transfers for \$35.1 million and \$31.2 million respectively.
- There were also 31 FMV transactions in January totaling \$27.8 million.
- Trade in late winter and early spring (February through April 2019) was more sluggish.
- The uptick in sales in May and June was driven in part by 16 FMV transactions at 1399 Park Ave ('1399 Park').

INTERPRETATION

In Q1/2 2019, condominium sales were at their highest in late spring and early summer.

The higher sales activity at these times was driven in part by 16 FMV transfers at one development in ZIP code 10029.

F CONCLUSIONS –2019 MIDYEAR CONDOMINIUM MARKET ANALYSIS

- In Q1/2 2019 (Graphs 1 and 2), three ZIP codes (10029, 10026, and 10027) accounted for 65% FMV condominium transfers and 73% of dollar sales in Upper Manhattan. Thus, sales were concentrated in southerly ZIP codes.
- Condominium sales were at their highest in late spring and early summer.
- Two-bedroom apartments dominated the Upper Manhattan condominium market in Q1/2 2019.
- Sale price generally increased with number of bedrooms, whereas price per square foot decreased.
- Sales in 10029 were boosted by launches of two developments at 1399 Park Ave ('1399 Park') and 1790 3rd Ave ('La Cereza'), which also boosted the overall price per square foot of studio apartments in Upper Manhattan and occurred predominantly in late spring and early summer.

Harlem Lofts Inc. is highly experienced in the sale and rental of condominium apartments and townhouses in the Upper Manhattan market. Please feel free to reach out to us at info@harlemlofts.com for valuation of your condominium and/or townhouse assets.

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