

# MANHATTAN

## Market Overview

3Q 10

A Quarterly Survey of Manhattan Co-op and Condo Sales



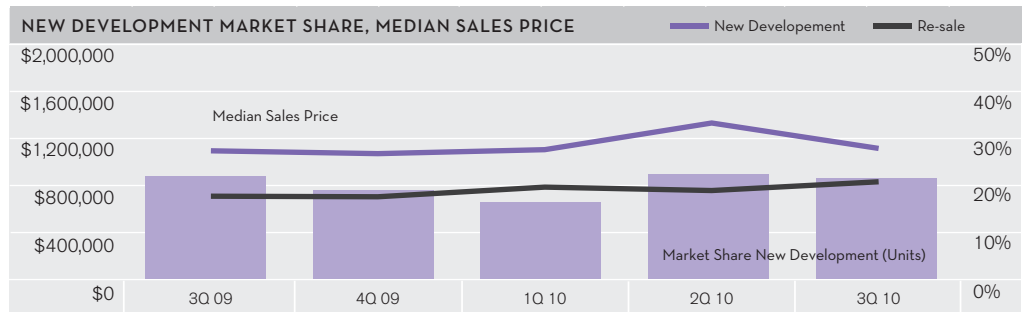
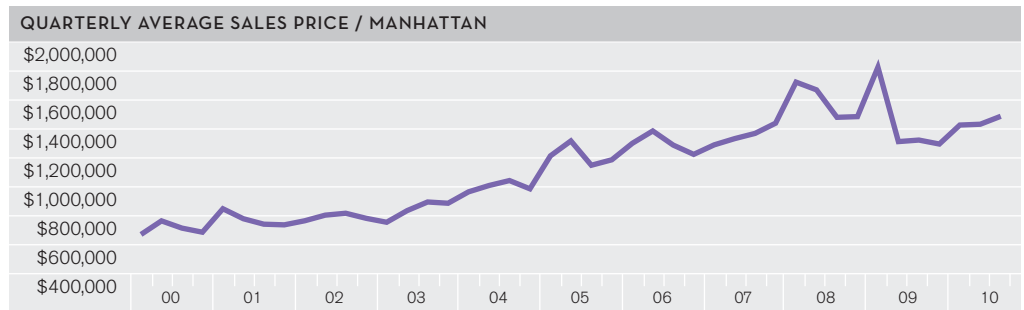
Prepared by Miller Samuel Inc.  
Appraisal and consulting services covering  
the New York City metropolitan area

### Price indicators rise, partly due to shift toward larger sales

**Number of sales exceed same period last year as inventory slips** After three consecutive quarters of double digit declines in year over year inventory levels, the pace of the declines appears to be easing. There were 8,123 listings at the end of the third quarter, 3.2% less than 8,389 listings in the prior year quarter and essentially unchanged from the 8,157 listings in the prior quarter. There were 2,661 sales in the third quarter, 19.3% above 2,230 sales in the prior year quarter, but 3.4% less than 2,756 sales in the prior quarter. The same period a year ago had represented a sharp increase in activity after the post-Lehman lull in the first half of 2009 buoyed by a surging stock market. With the increase in the number of sales came a shift in the mix of apartment sizes that sold during the period. There was a sharp decline in studio sales to 9% market share from 17% in the same period last year, more consistent with the 5-year average of 16%. However, 1-bedroom and 2-bedroom apartments more than made up for the decline, rising 10% in total market share. Given the shift to 2-bedroom apartments and drop in studio sales, the overall price indicators were skewed higher. As a result, individual housing prices would be best characterized as stable. New development sales comprised a 21.6% market share of total unit sales, down from 22.2% in the same period last year and down from 22.6% in the prior quarter. After falling from a peak of 57.6% in the second quarter of 2006, new development market share has generally stabilized over the past year.

### Price indicators show gains over prior year

MANHATTAN MARKET MATRIX	Current Qtr	% Chg	Prior Qtr	% Chg	Prior Year Qtr
Average Sales Price	\$1,487,472	3.8%	\$1,432,712	12.4%	\$1,323,462
Average Price per Square Foot	\$1,095	4.3%	\$1,051	10%	\$996
Median Sales Price	\$914,000	1.7%	\$899,000	7.5%	\$850,000
New Development	\$1,170,988	-16.1%	\$1,395,000	1.8%	\$1,150,000
Re-Sale	\$877,200	9.7%	\$800,000	17%	\$750,000
Number of Sales	2,661	-3.4%	2,756	19.3%	2,230
Days on Market (from Last List Date)	125	18.8%	105	-25.5%	167
Listing Discount (from Last List Price)	5.8%		9.1%		7.6%
Listing Inventory	8,123	-0.4%	8,157	-3.2%	8,389



**and prior quarters** The median sales price of a Manhattan apartment was \$914,000, 7.5% higher than \$850,000 in the prior year quarter and 1.7% above \$899,000 in the prior quarter.

The other price indicators followed a similar pattern. Average sales price was \$1,487,472 for the third quarter, 12.4% higher than \$1,323,462 in the same period a year ago and 3.8% higher

than \$1,432,712 in the prior quarter reaching its second highest level in two years. Price per square foot was \$1,095 in the third quarter, the fourth consecutive quarter above the \$1,000 per square foot threshold since falling to \$996 per square foot in the prior year quarter. Price per square foot was 4.3% higher than \$1,051 in the prior quarter. When parsing out the market by number of bedrooms, median sales price increased in the 3-bedroom and 4-bedroom markets and fell in the three smaller size categories reflecting not only a skew towards larger apartments, but the performance of those market segments by price.

**Days on market and listing discount lower than last year's result** The number of days it takes to sell a property from the last time the list price was changed, if ever, was 125 days or 42 days faster than the same period a year ago when days on market was 167. Days on market was nearly three weeks longer than the 105 days in the prior quarter which was a recent low watermark. The contraction of marketing time was reflective of the increase in sales activity and decline in listing inventory over the past year. Listing discount—the percentage difference between the list price at time of contract to the contract date—fell to 5.8% from 7.6% in the prior year quarter and down from 9.1% in the prior quarter. The decline in both indicators over the past year correlated with the increase in the number of sales suggests that sellers who price properties closer to market value are more likely to sell.

**Seasonality returns** After a two-year period of economic turmoil, the housing market is beginning to show signs that seasonality is returning. The third quarter was an extension of the second quarter “spring” market characterized by sales and price stabilization. In 2009, the “spring” market was delayed by three months as the economic challenges unfolded and the comparison against last year’s delayed “spring market” still show gains. Low mortgage rates, favorable exchange rates for international purchasers and prices well below peak levels are driving demand, while high unemployment, shadow inventory and tight credit continue to temper improvement.

# CO-OP *market*

## Number of sales jumped as inventory rose

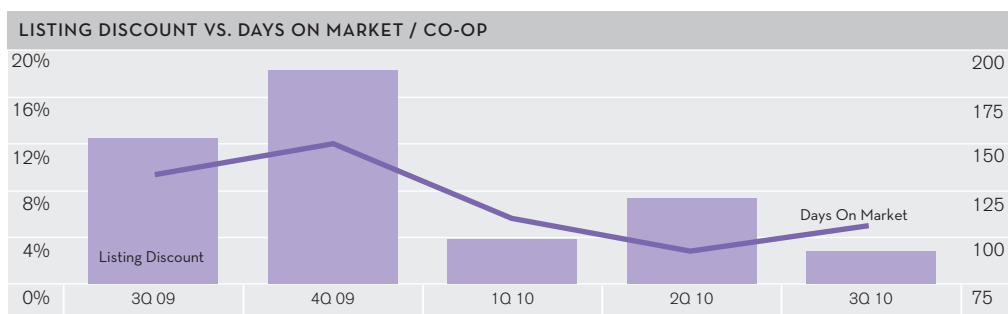
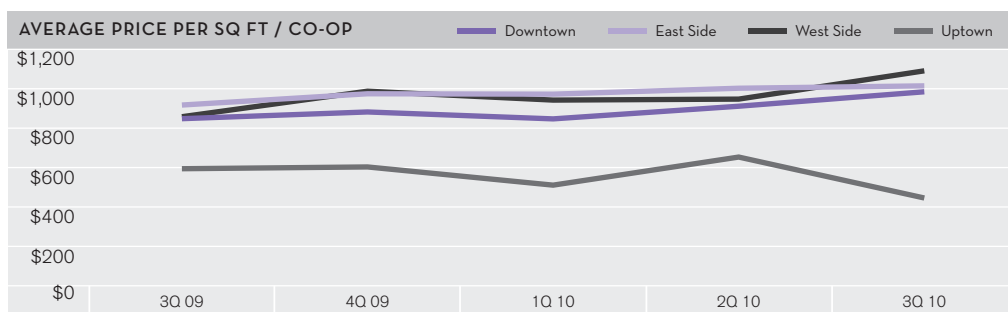
### Listing inventory edged higher as sales surged

There were 4,065 listings at the end of the third quarter, 5.9% more than 3,840 listings in the same period last year and 3% higher than 3,948 listings in the prior quarter. There were 1,320 sales in the third quarter, 32.7% more than 995 sales in the same period last year and 9.7% higher than 1,203 sales in the prior quarter. The surge in sales likely incentivized more sellers to bring their properties to the market to take advantage of improved conditions causing listing inventory to rise. Third quarter co-op listing inventory represented 50% of total apartment inventory, the first time in nearly four years that parity was reached excluding condo shadow inventory. Co-op sales comprised 49.6% of apartment sales in the quarter, the second highest amount in two years. Over the last twenty years, co-op sales averaged 57.6% of all apartment sales per quarter. The condo new development boom of

the past seven years had pressed co-op sales market share as low as 34.6%. There was an unprecedented shift in the mix of apartment sales by bedroom causing a spike in the overall price indicators in the third quarter.

### Price indicators rose as larger units gained market share

Studio apartment market share sales fell by half to 12% from 24% in the prior year quarter and from 16% in the prior quarter. The first time buyer tax credit in 2009 was a key driver in the elevated market share of smaller apartments last year. The entry-level market also tends to be the first segment to drop out of the market during economic weakness and the first segment to return. It has now been a year since sales activity began to return to levels post-Lehman that were more consistent with historic norms. The market share of 2-bedroom apartments, the second largest segment of the co-op market after 1-bedrooms, surged 11% to 37% market share from 26% in the prior year quarter and 7% from 30% in the prior quarter. This pronounced shift caused all co-op price indicators to show significant gains. The median



CO-OP MARKET MATRIX	Current Qtr	% Chg	Prior Qtr	% Chg	Prior Year Qtr
Average Sales Price	\$1,251,959	12.5%	\$1,113,173	24.5%	\$1,005,744
Average Price per Square Foot	\$990	5%	\$943	14.3%	\$866
Median Sales Price	\$777,500	11.5%	\$697,501	23.4%	\$630,000
Number of Sales	1,320	9.7%	1,203	32.7%	995
Days on Market (from Last List Date)	106	15.2%	92	-20.9%	134
Listing Discount (from Last List Price)	2.8%		7.3%		12.5%
Listing Inventory	4,065	3%	3,948	5.9%	3,840

CO-OP APARTMENT MIX	% of Total	Median Price
Studio	12%	\$363,308
1 bedroom	38%	\$577,655
2 bedroom	37%	\$1,324,502
3 bedroom	10%	\$2,950,263
4+ bedroom	3%	\$8,040,706

sales price of a Manhattan co-op jumped 23.4% to \$777,500 from \$630,000 in the prior year quarter and increased 11.5% from \$697,501 in the prior quarter. Average sales price followed the same pattern rising 24.5% to \$1,251,959 from the prior year quarter result of \$1,005,744 and increased 12.5% from \$1,113,173 in the prior quarter. Price per square foot also showed pronounced increases. The price per square foot of a Manhattan co-op was \$990 per square foot, up 14.3% from \$866 per square foot in the prior quarter and up 5% from \$943 in the prior quarter.

**Listing discount and days on market declined** Days on market in the third quarter averaged 106 days, nearly one month faster than 134 days in the prior year quarter, but 2 weeks slower than the prior quarter average of 92 days, the lowest average in five and half years. Listing discount fell to 2.8% from 12.5% in the same period last year and from 7.3% in the prior quarter. The surge in sales activity yet modest uptick in listing inventory was consistent with the year over year contraction in both quarterly indicators.

# CONDO *market*

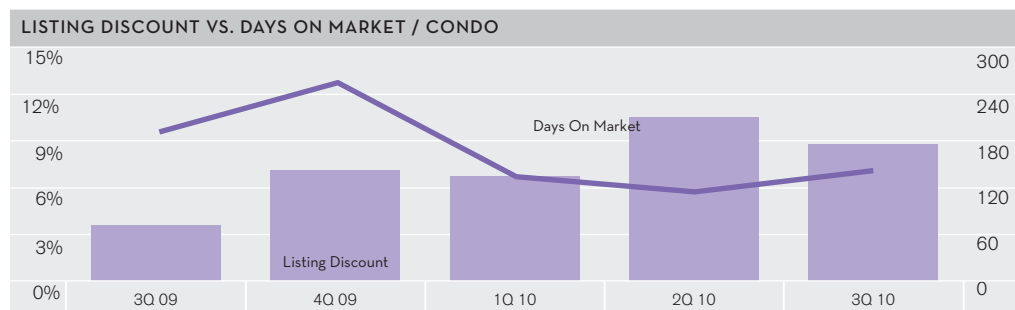
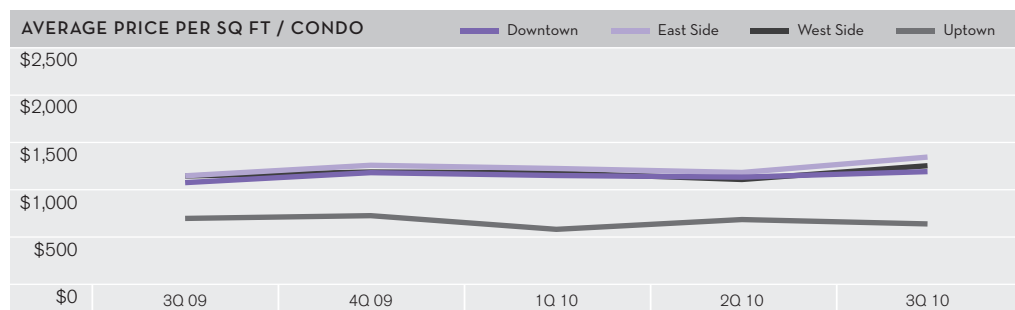
## Modest rise in sales, modest decline in inventory

**Price indicators rose as 2-bedrooms gained market share** Median sales price of a Manhattan condo was \$1,120,000, 10.3% higher than \$1,015,124 in the same period last year and 1.8% higher than \$1,100,000 in the prior quarter. A key factor in the overall increase in price indicators was the shift in mix towards larger unit sales after the high concentration of first time buyers and smaller unit sales in 2009. This significant shift is evident in the studio and 2-bedroom markets. Studio apartment sales comprised 6% in the third quarter from 12% in the same period last year. Over the last ten years, studio sales have represented an average of 11% of total unit sales. 2-bedroom apartments jumped to a 40% market share from 34% in the same period last year, but still falling short of their 45% market share average over the past decade. Average sales price was \$1,719,296 in the third quarter,

up 8.9% from \$1,579,438 in the same period last year and increased 2.3% from \$1,680,236 in the prior quarter. Price per square foot reached \$1,199 in the third quarter, an 8.9% increase from \$1,101 per square foot in the prior year quarter and rose 5.7% from \$1,134 in the prior quarter. The average square footage for a condo in the third quarter was 1,428 for a new development unit and 1,439 for a re-sale property, nearly the same result. Over the past five years, new development condos edged out re-sales for an average of 86 square feet.

**Number of sales rose and inventory slipped** There were 1,341 sales in the third quarter, 8.6% more than the 1,235 sales of the prior year quarter, but 13.7% less than the 1,553 sales of the prior quarter. The condo market saw a more modest gain in the number of sales over the past year than the co-op market did. Listing inventory, exclusive of shadow inventory, declined 10.8% to 4,058 units, from 4,549 in the same period a year ago and slipped 3.6% from 4,209 in the prior quarter. The monthly absorption rate is 9.1 months, below the 11.1 absorption rate during the prior year quarter and below the 9.4 average monthly absorption rate for the prior decade.

**Days on market fell as listing discount expanded** Despite the rise in the number of sales and the decline in listing inventory, the listing discount continues to expand contrary to expectations. The listing discount was 8.8% in the third quarter, higher than 3.6% in the same period last year, but less than 10.5% in the prior quarter. Days on market has seen significant volatility over the past year, falling to 143 days from 194 days in the prior year quarter and up from 115 days in the prior quarter. However this variation is due to the swings in market share between re-sale and new development sales over the past year. In the third quarter, days on market for new development sales was 165 days while days on market for re-sales was 118 days.



CONDO MARKET MATRIX	Current Qtr	% Chg	Prior Qtr	% Chg	Prior Year Qtr
Average Sales Price	\$1,719,296	2.3%	\$1,680,236	8.9%	\$1,579,438
Average Price per Square Foot	\$1,199	5.7%	\$1,134	8.9%	\$1,101
Median Sales Price	\$1,120,000	1.8%	\$1,100,000	10.3%	\$1,015,124
Number of Sales	1,341	-13.7%	1,553	8.6%	1,235
Days on Market (from Last List Date)	143	24.3%	115	-26.3%	194
Listing Discount (from Last List Price)	8.8%		10.5%		3.6%
Listing Inventory	4,058	-3.6%	4,209	-10.8%	4,549

CONDO APARTMENT MIX	% of Total	Median Price
Studio	6%	\$455,000
1 bedroom	33%	\$680,191
2 bedroom	40%	\$1,310,000
3 bedroom	16%	\$2,650,000
4+ bedroom	5%	\$6,000,000

# LUXURY market

Price indicators rose as high-end activity stabilized

**Market share of luxury properties consistent with historical average** Luxury apartments began at \$3,060,000 in the third quarter, accounting for 10% of the unit sales and 37.9% of the total dollar volume, consistent with the 36.9% ten year average. Listing inventory fell 31.2% to 1,112 units, and fell 14.7% from 1,304 units in the prior quarter. Listing inventory in the luxury market represented 13.7% of total apartment inventory, the smallest market share in over two years, reflective of the surge in activity over the prior several quarters. New development market share represented 21.4% of all luxury sales in the

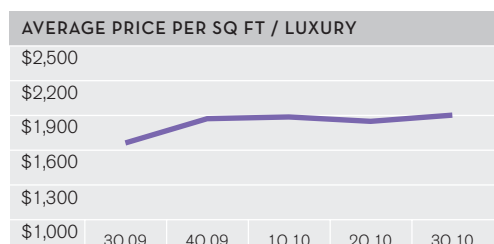
third quarter, the second lowest quarter since the Lehman tipping point at the end of 2008.

**All price indicators showed increases** Median sales price for a Manhattan luxury property was \$4,393,749 in the third quarter, 12.5% higher than \$3,905,000 in the same period last year and 7.3% higher than \$4,093,365 in the prior quarter. Average sales price was \$5,636,600, up 15.5% from \$4,881,561 in the same period last year and 9% higher than \$5,169,161 in the prior quarter. Price per square foot followed the same pattern rising 14.6% to \$1,897 from \$1,655 in the prior year quarter and up 2.9% from \$1,843 in the prior quarter.

**Listing discount and days on market declined** Days on market was 136 days, 45 days faster than 181 days during the same period last year. The 2009 housing market was characterized

by a high concentration of first time buyers whereas the high-end of the housing market saw pronounced improvement in the first quarter of 2010 and continued through the third quarter. Over the last decade, a luxury property took an average of 19 days longer than the overall market to sell. In the first quarter of 2010, the disparity was 70 days longer for luxury properties falling to 11 days in the third quarter as sales volume expanded. However, listing discount expanded over the same period to 7.3% from 4.1% in the same period last year and up from 6.4% in the prior quarter, inferring that sellers became more confident about setting list prices higher as demand improved.

Note: This sub-category is the analysis of the top ten percent of all co-op and condo sales. The data is also contained within the co-op and condo markets presented.



LUXURY MARKET MATRIX	Current Qtr	% Chg	Prior Qtr	% Chg	Prior Year Qtr
Average Sales Price	\$5,636,600	9%	\$5,169,161	15.5%	\$4,881,561
Average Price per Square Foot	\$1,897	2.9%	\$1,843	14.6%	\$1,655
Median Sales Price	\$4,393,749	7.3%	\$4,093,365	12.5%	\$3,905,000
Number of Sales	266	-3.6%	276	19.3%	223
Days on Market (from Last List Date)	136	-6.8%	146	-24.9%	181
Listing Discount (from Last List Price)	7.3%		6.4%		4.1%
Listing Inventory	1,112	-14.7%	1,304	-31.2%	1,616

# LOFT market

Number of sales jumped as inventory fell

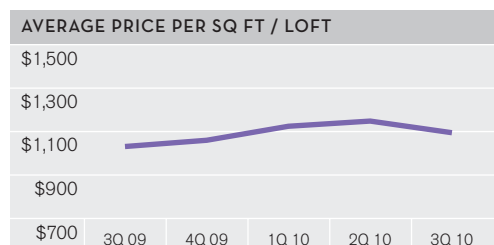
**Price indicators above prior year levels** The median sales price of a Manhattan loft was \$1,660,000, 10.7% higher than \$1,500,000 in the same period last year and 5.7% above \$1,570,000 in the prior quarter. Average sales price was \$1,981,389 in the third quarter, 11.4% higher than \$1,778,140 in the prior year quarter, but 3.7% below \$2,057,776 in the prior quarter, the highest average sales price since the first

quarter of 2009. Price per square foot was \$1,091 in the third quarter, up 6.2% from \$1,027 in the same period last year, but 4.7% below \$1,145 in the prior quarter.

**Inventory fell as number of sales surged** There were 190 loft sales in the third quarter, 53.2% higher than 124 sales in the same period last year, but 27.5% less than 262 sales in the prior quarter. The surge in loft sales last quarter appeared to be an anomaly given the 182 and 180 sale totals respectively in the preceding two quarters. With the surge in sales, listing inventory fell 16.4% to 521 units from 623 units in the same period last year and 4.9% from 548 units in the prior quarter.

**Listing discount and days on market fell** The listing discount or percent spread between the contract price at time of sale and the sales price was 5.6% down from 7.7% in the prior year quarter and nominally higher than 5.4% in the prior quarter. Days on market fell to 104 days in the third quarter, more than a month faster than the 137 day average during the same period last year, but 24 days longer than 80 days in the prior quarter. These patterns are consistent with the decline in listing inventory as buyers have fewer choices and sellers were priced closer to market levels.

Note: This sub-category is the analysis of all co-op and condo loft sales available. The data is also contained within the co-op and condo markets presented.



LOFT MARKET MATRIX	Current Qtr	% Chg	Prior Qtr	% Chg	Prior Year Qtr
Average Sales Price	\$1,981,389	-3.7%	\$2,057,776	11.4%	\$1,778,140
Average Price per Square Foot	\$1,091	-4.7%	\$1,145	6.2%	\$1,027
Median Sales Price	\$1,660,000	5.7%	\$1,570,000	10.7%	\$1,500,000
Number of Sales	190	-27.5%	262	53.2%	124
Days on Market (from Last List Date)	104	30%	80	-24.1%	137
Listing Discount (from Last List Price)	5.6%		5.4%		7.7%
Listing Inventory	521	-4.9%	548	-16.4%	623

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