MANHATTAN

Market Overview

A Quarterly Survey of Manhattan Co-op and Condo Sales

4Q 10



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

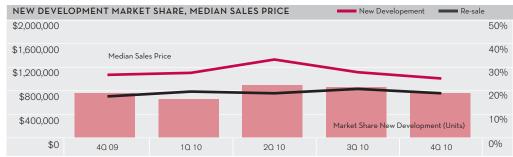
Seasonality returned to the housing market

Number of sales below last year's end of year surge There were 2,295 sales in the fourth quarter, 7.2% below 2,473 sales in the same period last year and 13.8% below the 2,661 sales of the prior quarter. However, the comparison to the same period last year is a comparison to a quarter that represented the largest fourth quarter market share of sales activity in more than 20 years. When comparing the 13.8% decline in sales from the third to fourth guarter, the change exceeded the 20-year 7.5% average decline. Fourth quarter listing inventory increased 5.6% to 7,232 from 6,851 in the prior year quarter—the same quarter that had the record surge in sales that worked off excess inventory during that period. The fourth quarter inventory total was 11% below 8,123 in the prior quarter. The decline was greater than the 3.4% average decline over the past decade, suggesting the new year will begin with a modest level of inventory entering into one of the seasonally highest sales periods of the year.

Price indicators above prior year quarter due to shift toward larger units The median sales price of a Manhattan apartment was \$845,000, up 4.3% from \$810,000 in the same period last year, but down 7.5% from \$914,000 in the prior quarter. Median sales price edged higher due to the shift in the mix from last year's higher concentration of smaller, entry-level sales. Market share of studio and 1-bedroom apartments lost 11% market share while 2-bedroom apartments—the largest segment of the

| MANHATTAN MARKET MATRIX | Current Qtr | % Chg | Prior Otr | % Chg | Prior Year Otr |
|-----------------------------------------|-------------|--------|-------------|--------|----------------|
| Average Sales Price | \$1,482,650 | -0.3% | \$1,487,472 | 14.4% | \$1,296,156 |
| Average Price per Square Foot | \$1,058 | -3.4% | \$1,095 | 0.7% | \$1,051 |
| Median Sales Price | \$845,000 | -7.5% | \$914,000 | 4.3% | \$810,000 |
| New Development | \$1,060,738 | -9.4% | \$1,170,988 | -5.7% | \$1,125,000 |
| Re-Sale | \$800,000 | -8.8% | \$877,200 | 7.4% | \$745,000 |
| Number of Sales | 2,295 | -13.8% | 2,661 | -7.2% | 2,473 |
| Days on Market (from Last List Date) | 125 | 0.1% | 125 | -38.8% | 204 |
| Listing Discount (from Last List Price) | 8% | | 5.8% | | 12.8% |
| Listing Inventory | 7,232 | -11% | 8,123 | 5.6% | 6,851 |





market-gained 12% causing the year over year price indicators to rise. Median sales price tends to decline from the third to the fourth quarter, the weakest quarter of the year in terms of prices and

sales activity. The average decline over the past two decades between these two periods was 2.5%. The direction this quarter was consistent, but lower than the current quarter over quarter decline of 7.5%.

The other price indicators followed a similar pattern. Average sales price jumped 14.4% to \$1,482,650 from \$1,296,156 in the prior year quarter, but slipped 0.3% from \$1,487,472 in the prior quarter. Price per square foot edged 0.7% higher to \$1,058 per square foot from \$1,051 in the prior year quarter, but fell 3.4% from \$1,095 in the prior quarter.

Days on market and listing discount fell sharply from prior year The number of days between the change in the list price, if any, and contract date-known as days on market-fell sharply to 125 days from a record 204 days in the same period last year. The current level was unchanged from the prior quarter and consistent with the 126 days on market average of the past 15 years. Similarly, the percentage difference between the listing price at time of contract and the contract price-the listing discount-fell sharply to 8% from its 15 year high of 12.8% in the prior year quarter, but increased 2.2% from 5.8% in the prior quarter. For the past fifteen years the increase in listing discount between the third and fourth quarters has averaged 1.3% so the current increase appears consistent with seasonal trends.

Seasonality decided to stay a while Beginning in the third quarter, the distribution of sales by number of bedrooms has returned to a pattern more consistent with long-term trends. Emphasis in 2009 was on the first time buyer and entry level apartments as many consumers transitioned from renters to purchasers, enticed by newfound affordability caused by double digit price declines, a federal tax credit and historically low mortgage rates. At the end of 2009 and the beginning of 2010, the luxury market re-appeared in the real estate conversation as consumers took advantage of some of the largest price discounts from the market's peak. By the third quarter and continuing through the fourth quarter, the middle of the housing market stopped underperforming relative to its higher and lower counterparts. Looking forward, macro economic issues such as unemployment and tight credit need to ease in order to see meaningful improvement beyond the rebound experienced from 2009 to 2010.

CO-OP market

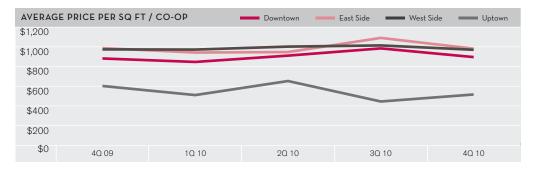
Listing inventory and number of sales returned to seasonal patterns

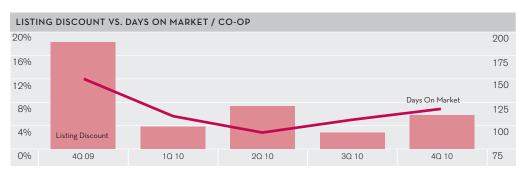
Number of sales slipped and inventory expanded from last years surge in sales

There were 1,186 sales in the fourth quarter, 6.2% below the 1,264 sales of the 2009 year end surge, which was caused by the release of pent-up demand from the lack of activity earlier in the year. The fourth quarter number of sales were 10.2% below the 1,320 sales seen in the prior quarter, trending in the same direction but greater than the 5.5% average third to fourth quarter change of the past decade. Listing inventory ended the quarter at 3,687, 20.1% higher than the 3,069 inventory level of the prior year quarter that represented the lowest level of inventory of the last 3 years and was caused by the surge in demand at the end of 2009. Listing inventory fell 9.3% from 4,065 in the third guarter to 3,687 in the fourth quarter, slightly below with the third to fourth quarter decade average of 10.2%.

Co-op sales accounted for 51.7% of all apartment sales in the guarter. The co-op absorption rate-the number of months to sell all existing inventory at the current pace of sales-is 9.3 months, faster than the 10-year average of 10.6 months.

Price indicators rose from the same period a year ago as entry-level sales lost market share The median sales price of a Manhattan coop apartment was \$685,000 in the fourth quarter, 8.7% higher than \$630,000 in the prior year guarter. The fourth guarter result was 11.9% below the \$777,500 spike in the prior quarter, caused by the drop out of the entry-level segment and surge in 2-bedroom market share. The other price indicators followed similar patterns. The average sales price was \$1,200,589, 23.1% higher than the \$975,049 average sales price of the prior year quarter and 4.1% below the \$1,251,959 average sales price of the prior quarter. Price per square foot edged 0.8% higher to \$928 from \$921 in the prior quarter, but fell 6.3% from \$990 in the prior quarter.





| CO-OP MARKET MATRIX | Current Otr | % Chg | Prior Qtr | % Chg | Prior Year Qtr |
|-----------------------------------------|-------------|--------|-------------|--------|----------------|
| Average Sales Price | \$1,200,589 | -4.1% | \$1,251,959 | 23.1% | \$975,049 |
| Average Price per Square Foot | \$928 | -6.3% | \$990 | 0.8% | \$921 |
| Median Sales Price | \$685,000 | -11.9% | \$777,500 | 8.7% | \$630,000 |
| Number of Sales | 1,186 | -10.2% | 1,320 | -6.2% | 1,264 |
| Days on Market (from Last List Date) | 118 | 11.3% | 106 | -21.9% | 151 |
| Listing Discount (from Last List Price) | 5.8% | | 2.8% | | 18.3% |
| Listing Inventory | 3,687 | -9.3% | 4,065 | 20.1% | 3,069 |

| CO-OP APARTMENT MIX | % of Total | Median Price |
|---------------------|------------|--------------|
| Studio | 14% | \$345,000 |
| 1 bedroom | 40% | \$568,000 |
| 2 bedroom | 31% | \$1,150,000 |
| 3 bedroom | 10% | \$2,250,000 |
| 4+ bedroom | 3% | \$5,040,337 |
| | | |

Listing discount and days on market declined

The average days on market for a Manhattan coop was 118 days, 33 days faster than 151 days in the prior year quarter, but 12 days slower than 106 days in the prior quarter. This metric averaged 126 days over the past decade. However, from the point where the average property is originally listed, the average days on market was 197 days indicating that sellers were waiting an average of 79 days or more nearly three months before the property was priced close enough to market value to receive an offer. This indicator expanded over the past year from 183 days suggesting that seller optimism about the market expanded faster than market conditions actually reflected. The listing discount fell sharply to 5.8% from a decade high of 18.3% in the prior year quarter, but edged higher than the three year low of 2.8% in the prior quarter.

CONDO market

Price indicators edged higher as listing inventory slipped

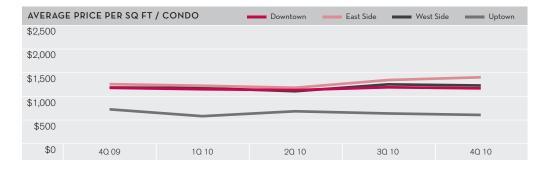
Number of sales declined from prior year quarter There were 1,109 sales in the fourth quarter, 8.3% below 1,209 sales in the prior year quarter and 17.3% below 1,341 sales in the prior quarter. Historically, the fourth quarter is the weakest in terms of sales activity averaging an 8.4% drop from the third quarter over the past decade. The 17.3% guarter over guarter decline exceeds the 10-year average, but is consistent with the direction of the seasonal pattern. Listing inventory fell 6.3% to 3,545 from 3,782 in the prior year quarter and fell 12.6% from 4,058 in the prior quarter. Listing inventory has averaged a 2.6% decline in the third to fourth quarter transition as some sellers opt to pull listings from the market that did not sell or delay their entry until the new year. The greater decline in 2010 than the decade long average, while consistent in direction, suggests

either more optimism by sellers for 2011 or heavy contract activity at the end of the fourth quarter or a combination of both. The combination of falling sales and falling listing inventory resulted in a 9.6 month absorption rate, consistent with the 9.4 month average absorption rate of the past decade. Condo sales comprised 48.3% of all sales in the fourth guarter, higher than the 42.7% average of the past 20 years as condos have been added to the housing stock through new development. To illustrate the trend, the fourth quarter of 1990 had a condo sales market share of 33.3%.

Price indicators edged above prior year quarter due to shift in sales mix The median sales price of a Manhattan condo in the fourth guarter was \$997,885, the first time this metric has fallen below the \$1,000,000 threshold in 2010, but still 0.3% higher than the \$995,000 median sales price in the prior year quarter. This metric is still 10.9% below \$1,120,000 in the prior guarter. There was a pronounced year over year shift in the quarterly mix of size categories. Sales of entrylevel apartments-studio and 1-bedrooms-lost 12% market share as compared to the prior year quarter. The drop was more than offset by the 15% increase in market share of 2-bedroom apartments sold. The larger units sold increased the aggregate results, thereby characterizing the condo market as rising when it is currently seeing relatively stable pricing on an individual unit basis. The other price indicators showed similar patterns. Price per square foot increased 0.9% to \$1,198 in the fourth quarter, from \$1,187 in the prior year quarter and essentially unchanged from \$1,199 in the prior guarter. Average sales price was \$1,784,296 in the fourth quarter, 9.3% higher than \$1,631,872 in the prior year quarter and 3.8% above \$1,719,296 in the prior quarter.

Days on market fell sharply The average days on market for a Manhattan condo was 132 days, almost half the 259 days in the last quarter of 2009 and 11 days faster than the 143 day average of the prior quarter. Listing discount increased to 10.4% from 7.1% in the prior year quarter and from 8.8% in the prior quarter.

| CONDO APARTMENT MIX | % of Total | Median Price |
|---------------------|------------|--------------|
| Studio | 11% | \$460,000 |
| 1 bedroom | 27% | \$693,600 |
| 2 bedroom | 43% | \$1,315,000 |
| 3 bedroom | 15% | \$2,900,000 |
| 4+ bedroom | 4% | \$6,275,000 |
| | | |





| CONDO MARKET MATRIX | Current Otr | % Chg | Prior Qtr | % Chg | Prior Year Qtr |
|-----------------------------------------|-------------|--------|-------------|--------|----------------|
| Average Sales Price | \$1,784,296 | 3.8% | \$1,719,296 | 9.3% | \$1,631,872 |
| Average Price per Square Foot | \$1,198 | -0.1% | \$1,199 | 0.9% | \$1,187 |
| Median Sales Price | \$997,885 | -10.9% | \$1,120,000 | 0.3% | \$995,000 |
| Number of Sales | 1,109 | -17.3% | 1,341 | -8.3% | 1,209 |
| Days on Market (from Last List Date) | 132 | -7.7% | 143 | -49.0% | 259 |
| Listing Discount (from Last List Price) | 10.4% | | 8.8% | | 7.1% |
| Listing Inventory | 3,545 | -12.6% | 4,058 | -6.3% | 3,782 |

LUXURY market

Price indicators rose as larger units sold

Price indicators rose above the prior year quarter Median sales price of a Manhattan luxury apartment was \$4,350,000, up 15.1% from \$3,780,000 in the prior year quarter, but slipped 1% from \$4,393,749 in the prior quarter. The year over year quarterly gain was a shift towards larger sales. The average square footage of a luxury apartment was 2,923 in the fourth quarter, 12.1% higher than 2,606 in the third quarter. This gain was also compounded due to the premium, as measured in price per square foot, for larger contiguous space. This is more evident in the average sales price metric that averaged \$6,141,426 in the fourth

quarter, 26.3% higher than \$4,863,673 in the prior year quarter and 9% above the \$5,636,600 average sales price of the prior quarter. The average sales price was at its the highest level since the first quarter of 2009 record of \$7,801,442 when the luxury re-sale market went dormant and new development closings, reflecting contracts signed 12 to 18 months earlier, comprised more than 68% of the closings for the period. Market share of new development closing was 19.1% in the fourth quarter, consistent with the 19% market share in the overall market. The luxury market began at \$3,050,000 in the fourth quarter.

Days on market fell sharply from same period last year The luxury market saw a significant decline in the time it took for a properly priced property to sell. The days on market average

in the fourth quarter was 142 days, nearly 100 days faster than the 240-day average in the prior year quarter but edged higher from 136 days in the prior quarter. Properties within the luxury market took 17 days longer to be sold than the overall market consistent with the 19-day average difference over the past decade. The listing discount moved in the opposite direction to 11% up from 4.3% in the prior year quarter and higher than 7.3% in the prior quarter. Monthly absorption rate declined to 12.8 from 16.8 in the prior year quarter suggesting that the increase in the listing discount was more attributable to over confidence in setting list prices by sellers than a sign of a slow down in the luxury market segment.

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.

| AVERAG | SE PRICE | PER SQ I | T / LUXU | IRY | |
|--------|----------|----------|----------|-------|-------|
| \$2500 | | | | | |
| \$2200 | | | | | |
| \$1900 | | | | | |
| \$1600 | | | | | |
| \$1300 | | | | | |
| \$1000 | 40 09 | 1Q 10 | 20 10 | 3Q 10 | 4Q 10 |

| LUXURY MARKET MATRIX | Current Qtr | % Chg | Prior Qtr | % Chg | Prior Year Qtr |
|-----------------------------------------|-------------|--------|-------------|--------|----------------|
| Average Sales Price | \$6,141,426 | 9% | \$5,636,600 | 26.3% | \$4,863,673 |
| Average Price per Square Foot | \$2,101 | 10.8% | \$1,897 | 12.6% | \$1,866 |
| Median Sales Price | \$4,350,000 | -1% | \$4,393,749 | 15.1% | \$3,780,000 |
| Number of Sales | 230 | -13.5% | 266 | -6.9% | 247 |
| Days on Market (from Last List Date) | 142 | 4.4% | 136 | -40.8% | 240 |
| Listing Discount (from Last List Price) | 11% | | 7.3% | | 4.3% |
| Listing Inventory | 979 | -12% | 1,112 | -29.3% | 1,384 |

LOFT market

Days on market fell sharply as listing inventory declined

Price indicators above prior year quarter as average size jumped The average square footage of a Manhattan loft sale was 1,948 in the fourth quarter, 17.8% larger than 1,654 square feet in the prior year quarter and 7.3% larger than 1,816 square feet in the prior quarter. This rise in average size caused the price indicators to see year over year quarterly increases. The median sales price of a loft apartment was \$1,563,013 in the fourth

quarter, 11.6% above \$1,400,000 in the prior year quarter and 5.8% below \$1,660,000 in the prior quarter.

Both sales and listing inventory declined

There were 169 loft sales in the fourth quarter, 7.1% below the 182 sales in the same perid last year and 11.1% below the 190 sales in the prior quarter. Loft market share of total sales was 7.4%, the same as the prior year quarter and consistent with the 8% ten year average. Despite the decline in the number of sales, listing inventory declined over the same periods. There were 467 listings in the fourth quarter, down 3.9% from the prior year total of 486 and 10.4% below 521 listings in the

prior quarter. As a result, the monthly absorption rate was 8.3 months, up nominally from 8 months in the prior year quarter and from 8.2 months in the prior quarter.

Listing discount and days on market fell sharply from prior year quarter Days on market was 131 days, nearly two months faster than 190 days in the prior year quarter, but up 27 days from the prior quarter, the latter being a seasonal pattern. The listing discount was 5.8%, down sharply from the 12.8% spike and ten year high in the prior year quarter and up nominally from 5.6% in the prior quarter. 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.

| 44.500 |
|-------------------------------------|
| \$1,500 |
| \$1,300 |
| \$1,100 |
| \$900 |
| \$700 40.09 10.10 20.10 30.10 40.10 |

| LOFT MARKET MATRIX | Current Qtr | % Chg | Prior Qtr | % Chg | Prior Year Qtr |
|-----------------------------------------|-------------|--------|-------------|--------|----------------|
| Average Sales Price | \$2,086,120 | 5.3% | \$1,981,389 | 19.5% | \$1,746,274 |
| Average Price per Square Foot | \$1,071 | -1.8% | \$1,091 | 1.4% | \$1,056 |
| Median Sales Price | \$1,563,013 | -5.8% | \$1,660,000 | 11.6% | \$1,400,000 |
| Number of Sales | 169 | -11.1% | 190 | -7.1% | 182 |
| Days on Market (from Last List Date) | 131 | 26% | 104 | -31.1% | 190 |
| Listing Discount (from Last List Price) | 5.8% | | 5.6% | | 12.8% |
| Listing Inventory | 467 | -10.4% | 521 | -3.9% | 486 |
| | | | | | |

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