

MOBILITY

An hourglass with a wooden frame is the central focus. The top bulb is filled with a clear liquid, and the bottom bulb is partially filled with a brown liquid. Inside the hourglass, there is a stylized American flag with stars and stripes. The background is dark and textured.

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Addressing Immigration Issues

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Regional Market Summary: Manhattan and New York City Metropolitan Areas

The New York City metro area includes the five boroughs—Manhattan, Brooklyn, Queens, the Bronx, and Staten Island—as well as Long Island, Westchester County, NY, Fairfield County, CT, and Northern New Jersey. Manhattan contains a large portion of the economic engine that drives the region, specifically the financial services sector, accounting for approximately 5 percent of the employment and 25 percent of wages.

The region was one of the last areas in the United States to experience a housing downturn, largely because of the financial services sector. Record or near-record bonus compensation, accounting for 40 to 50 percent of individual compensation, remained at or near record levels for the last decade. The housing market peaked in early 2008 and experienced a sharp correction in sales and prices immediately following the September 15, 2008, bankruptcy of Lehman Brothers, one of the five primary investment banks. Sales activity dropped 75 percent immediately as consumer and lenders pulled back and housing prices across the region fell 20 to 40 percent in the following months.

Layoffs were forecast to approach 250,000 for the region and more than 20,000 estimated condo units, or “shadow inventory,” were built during the housing boom stall. New York City Department of Buildings has counted more than 500 development projects that stalled during the following year. Many of these developments may end up repurposed to rentals during the next several years in response to the limited availability of financing for condo new construction units to individual buyers.

A disproportionate amount of housing in New York City that is purchased or refinanced relies on jumbo financing. Expansion of the conforming loan rate limit from \$417,000 to \$729,750 by Fannie Mae and Freddie Mac was helpful in providing mort-

STATISTICAL SNAPSHOT			
	TODAY	ONE YEAR AGO	CHANGE
Unemployment	7.9	8.4	-5.95%
Months' Supply	8.9	18.4	-51.63%
Annualized Sales Volume	6,128	11,024	44.41%
Annualized Avg. Sale Price	\$1,372,267	\$1,502,175	-8.65%
Average DOM	105	162	-35.19%

gage liquidity. However the average sales price in Manhattan is roughly double the new conforming mortgage limit reflecting the financing difficulties still facing the housing market in New York City.

However, the foreclosure phenomenon that has hit many other housing markets has not been comparable in size in the New York City metro areas. One of the largest forms of homeownership in the metro area are co-ops, and co-op boards were much better at vetting the financial qualifications of buyers than lending institutions were during the housing boom. Historically, co-ops have experienced much lower default rates than single-family and condominium properties. In Manhattan, co-ops represent 50 percent of the owned housing stock and there was limited investor speculation. Sales prices of Manhattan single-family residences averaged \$5,000,000 in 2009 and only 2 percent of the total transactions.

Regional unemployment has begun to decline and actual layoffs have been half the levels projected. New York City faces significant fiscal shortfalls and austerity has entered the mindset of participants in the housing market. The mortgage “net” cast to borrowers remains smaller than it had been in recent years serving to temper the pace of recovery of the regional housing market.

High unemployment levels, “shadow inventory” and tight credit are challenges that continue to face the market, but general market conditions are improved significantly over the same period a year ago. The num-

MARKET AT A GLANCE	
Economic Climate	Poor
New Construction	Low
REO Activity	High
Supply	High
Demand	Low
Market Direction	Down
Market Mood	Poor

ber of sales in the first half of 2010 are twice the levels seen in the same period a year prior and remain at levels consistent with average quarterly levels of the past decade. Housing prices have begun to stabilize in recent quarters as sales activity has returned to more “normal” levels. Listing inventory for re-sale housing stock is at normal levels relative to the prior decade average. “Shadow inventory” remains unsolved as lenders continue to practice “pretend and extend” by providing credit to developers to keep the distressed assets off their balance sheets to prevent weakening their capitalization positions and impairing their ability to lend. This housing stock may take five or more years to be absorbed.

Visit www.WorldwideERC.org/Resources/MOBILITYarticles/Pages/0810-RAC-Report.aspx to view a chart illustrating median sales price for the New York City metro area between 2005 and 2010. ■

Jonathan J. Miller is president and CEO of Miller Samuel Inc., New York, NY. He can be reached at +1 212 768 8100 ext. 101 or e-mail jonathanmiller@rac.net.