

# MANHATTAN

## Market Overview

A Quarterly Survey of Manhattan Co-op and Condo Sales

### 4Q 03

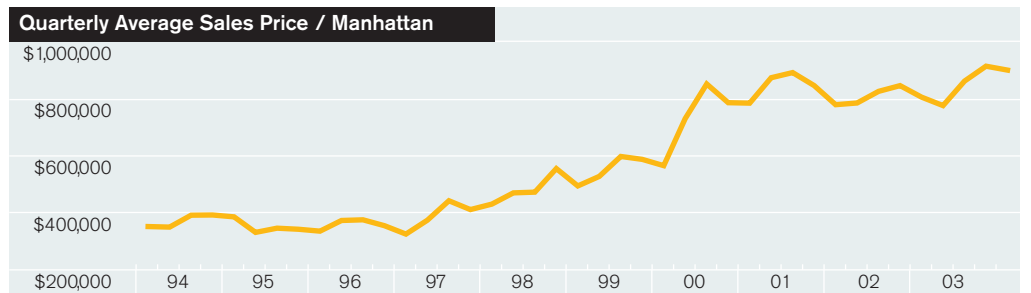
Prepared by Miller Samuel Inc.  
A Manhattan residential real estate appraisal company

*Gradual economic improvement, gains in the financial markets and low mortgage rates are continuing to drive the Manhattan real estate market despite limited job growth.*

**Two of three price indicators set records in the current quarter** The median sales price of \$580,000 was a record for this study and represents an increase of 0.9% over the prior quarter result of \$575,000 and a 10.5% increase over the prior year quarter result of \$525,000. The average price per square foot of \$706 was also a record for this study. This indicator rose 0.2% from \$704 per square foot in the prior quarter and 5.5% over the prior year quarter average price per square foot of \$669. The average sales price of a Manhattan apartment this quarter was \$903,259 which is a 1.5% decline over the prior quarter record of \$916,959 but an 11.7% increase over the prior year quarter average sales price of \$808,657. It is interesting to note that had the extensively publicized \$45 million dollar Time Warner condo sale not been included in the prior quarter statistics, the revised average sales price for the third quarter would have been \$901,771. This revised average would still have been a record last quarter but it is less than the current average sales price of \$903,259.

**Listing inventory has declined nearly every month for nine months** The number of apartments available for sale has continued to contract. Apartment inventory, the number of

Manhattan Market Matrix	Current Qtr	%Chg	Prior Qtr	%Chg	Prior Yr Qtr
Average Sales Price	\$903,259	-1.5%	\$916,959	11.7%	\$808,657
Average Price Per Sq Ft	\$706	0.2%	\$704	5.5%	\$669
Median Sales Price	\$580,000	0.9%	\$575,000	10.5%	\$525,000
Number of Sales	2,256	-2.9%	2,324	11.2%	2,028
Days On Market (From Last List Date)	133	-2.9%	137	-11.9%	151
Listing Discount (From Last List Price)	2.9%		3.8%		4.5%
Listing Inventory	4,843	-7.3%	5,224	-19.0%	5,977



apartments actively marketed for sale, was at 4,843 units for this quarter. This represents a 7.3% decline from the prior quarter total of 5,224 and a 19% drop from the prior year quarter total of 5,977. This is the first time apartment inventory has fallen below the 5,000 level since the second quarter of 2002. The lack of inventory is partially attributable to the lack of significant conversion activity and continued emphasis on the rental market in development. It would take 6.4 months to absorb the current listing inventory at the current rate of sales, which is down from the 6.8 months seen in the prior quarter and 8.8 months in the prior year quarter.

**The number of sales declined but**

**remained at a high level, square footage averages fell** The number of sales fell 2.9% to 2,256 from the prior quarter total of 2,324 but was 11.2% above the prior year quarter total of 2,028. This continued high level of sales suggests sustained demand despite generally mixed economic conditions. The average square footage of a Manhattan apartment was 1,280 square feet, down 1.7% from the prior quarter average of 1,302 but 5.9% above the 1,209 average seen in the prior year quarter.

**The market share for smaller apartments increased slightly** Market share of apartments that sold for less than \$1,000,000

increased by 1% to 76% of all transactions from 75% in the prior quarter but below the 78% seen in the prior year quarter. This 1% increase in market share came at the expense of the mid-market defined as \$1,000,000 to \$4,000,000 which declined to a 22% share from a 23% share. The market share of units that sold for more than \$4,000,000 was unchanged at a 2% share as compared to the prior quarter but up from 1% over the prior year quarter.

**Economic conditions improved despite limited job creation** The regional economy has experienced modest growth in the second half of this year. However, a key component of long-term growth, especially in the real estate market, has been the creation of jobs. Unemployment has been falling during this period but payroll growth has remained flat. Business productivity has outpaced economic growth, which has reduced the impetus for additional hiring. However, the financial markets have rebounded sharply this quarter, creating the likelihood of additional hiring by Wall Street firms in the near term. The Wall Street financial sector is closely tied with the Manhattan real estate market and is one of the more significant influences on the local economy. The Federal Reserve has sustained a low interest rate environment to improve economic conditions and has remained committed to this policy for the foreseeable future. Despite renewed optimism for economic improvement, mortgage rates, which tend to rise in an improving economy, generally trended downward over the quarter, thereby providing a positive influence in the real estate market. Mortgage rates continue to play an important role and have been trending downward since August. Real estate analysts project a modest uptick in mortgage rates over the year as the economy improves. This may be fueling the high level of demand seen this quarter as consumers worry they will miss out on low mortgage rates.

Methodology: The market-wide co-op and condo data used in this report was collected during the normal course of business for Miller Samuel Inc. and Douglas Elliman and is based on all property sales available within each defined market area.

## CO-OP Market

*Average sales price and average price per square foot remained at near record level. Median sales price exceeded \$500,000 for the first time.*

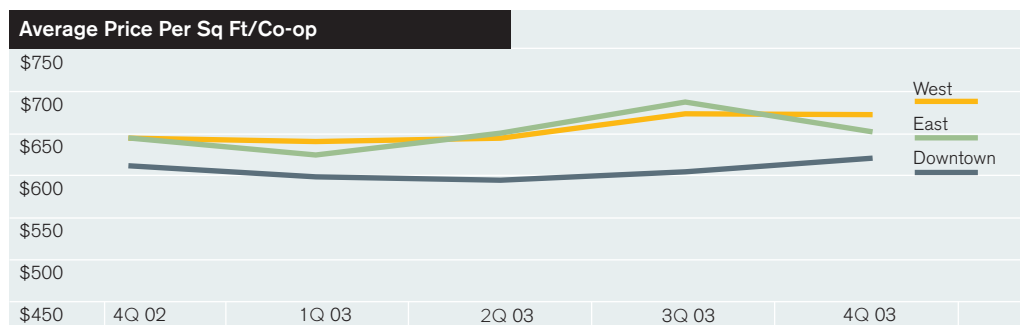
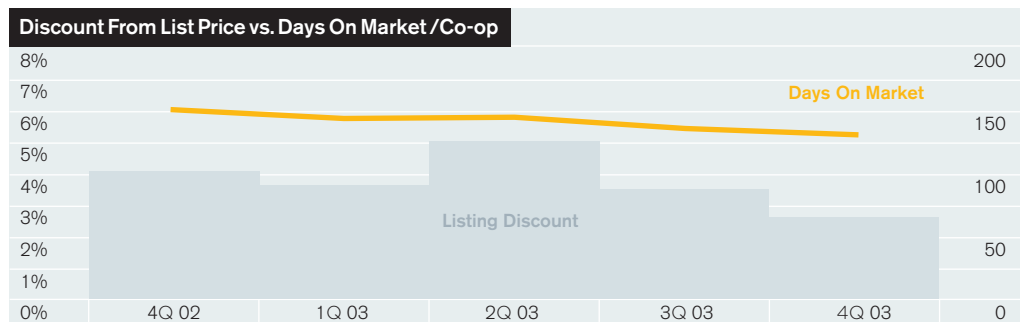
### Prices remained at near record levels

The average sales price and average price per square foot saw significant increases over the prior quarter but slipped modestly against the records set in the prior year quarter. The average sales price of a co-op unit fell 2.5% to \$776,514 from the record price level of \$796,174 set in the prior quarter but was 12.7% higher than the \$689,002 average in the prior year quarter. This is the fourth consecutive quarter of average sales prices over \$700,000. Similarly, the average price per square foot was \$648 in the current quarter, a 1.8% decline from the \$660 average price per square foot in the prior quarter and 4.3% above the \$621 average price per square foot in the prior year quarter.

**Market share for 1-bedrooms surged; listing inventory dropped** The market share of studios and 1-bedrooms gained 4% over the

prior quarter to reach 54%, same as the prior year quarter. However, within this entry-level segment, there was significant disparity. The 1-bedroom market share rose 9% from 32% in the prior quarter to 41% in the current quarter, coming partially at the expense of the studio market, which lost a 5% market share from the prior quarter to 13%. The 2-bedroom market fell 4% from the prior quarter of 43% to 39% in the current quarter, partially attributable to the drop in listing inventory limiting the availability of apartments. The 3 and 4-bedrooms remain unchanged over the prior quarter share of 5% and 2% respectively. The number of co-op apartments listed for sale this quarter was 3,148, down 9.3% from the prior quarter of 3,470 and 20.5% below the prior year quarter of 3,961. The number of sales this quarter held steady at 1,510 units, down 0.9% from 1,524 the prior quarter.

**Studio, 1 and 2-bedroom prices increased; upper end still soft** Average studio sales prices increased 10.6% to \$267,627 over the prior quarter average of \$242,013 and 13.8% over the prior year quarter average of \$235,244, the largest gains this quarter and a record for this



Co-op Market Matrix	Current Qtr	%Chg	Prior Qtr	%Chg	Prior Yr Qtr
Average Sales Price	\$776,514	-2.5%	\$796,174	12.7%	\$689,002
Average Price Per Sq Ft	\$648	-1.8%	\$660	4.3%	\$621
Median Sales Price	\$500,000	1.6%	\$492,000	17.6%	\$425,000
Number of Sales	1,510	-0.9%	1,524	17.0%	1,291
Days On Market (From Last List Date)	132	-3.6%	137	-13.2%	152
Listing Discount (From Last List Price)	2.7%		3.6%		4.1%

Co-op Apartment Mix	% of Total	Avg. Price
Studio	13%	\$267,627
1-bedroom	41%	\$444,373
2-bedroom	39%	\$941,222
3-bedroom	5%	\$2,152,138
4+ bedroom	2%	\$5,031,481

study. 1-bedrooms followed suit, up 7.2% to \$444,373 from the prior quarter average of \$414,705 and 9.2% over the prior year quarter average of \$406,806. The average sales price of a 2-bedroom rose 4.1% to a new record of \$941,222 over the prior quarter of \$903,390 and 4.9% above the prior year quarter of \$897,501. Conversely, the average sales price of a 3-bedroom declined 4.3% to \$2,152,138 in the prior quarter and 9.5% from \$2,379,080 in the prior year quarter. The 4-bedroom units increased 1.7% in average sales price to \$5,031,481 from the \$4,948,645 in the prior quarter but declined 7.1% from the prior year quarter.

#### Days on market and negotiability decreased for the second straight quarter

The number of days to sell a co-op continued to fall throughout 2003. The average days on market fell 5 days to 132 from 137 days in the prior quarter and 20 days from the prior year quarter for a total of 152 days. Negotiability contracted further this quarter as the average listing discount dropped to 2.7%, its lowest level in over a year. The listing discount was 4.1% in the prior year quarter. Both indices suggest a near term upward price trend in the co-op market.

## CONDO Market

*Like the prior quarter, the average price per square foot and average sales price reached record levels this quarter as listing inventory fell to its lowest point in more than a year.*

**Average price per square foot exceeded \$800 for the first time** The average price per square foot rose 4.2% to \$822 per square foot from \$789 in the prior quarter and was up 9.3% from \$752 in the prior year quarter. This is the first time this indicator exceeded \$800. Similarly, the average sales price increased 1.1% to a record \$1,159,808 from \$1,147,055 over the prior quarter and 13.9% above the \$1,018,256 in the prior year quarter.

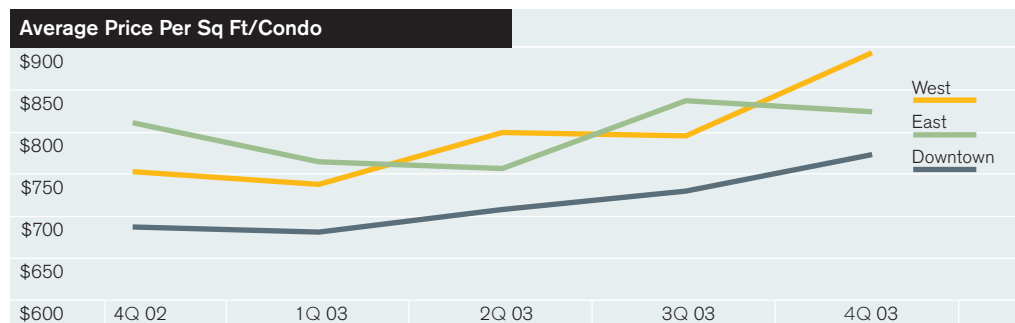
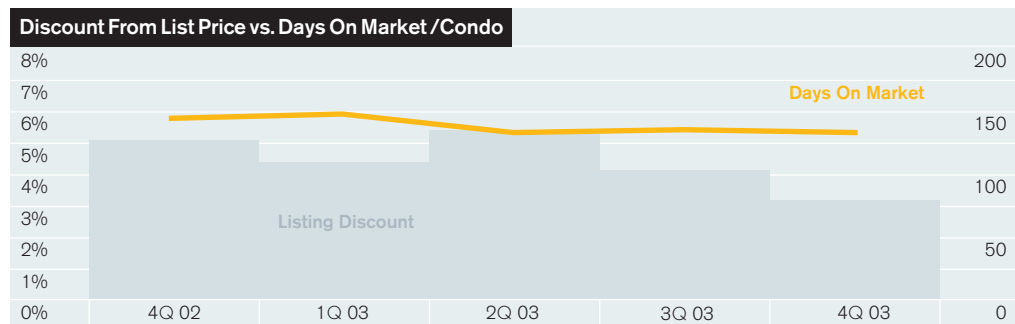
**Prices increased for larger units; prices for smaller units weakened** By number of bedrooms, the percentage of market share for each size category was relatively unchanged over the prior quarter. However, there was a shift in market strength from entry-level units to larger apartments. The average sales price of a

condo studio and 1-bedroom fell 3.4% and 6.6% respectively while the average sales price of 2 and 3-bedroom units rose 7.2% and 13.2% respectively. Because the entry-level market was weaker, the median sales price fell 2% to \$752,000 from the \$767,500 set last quarter but is still 4.4% above the \$720,000 in the prior year quarter.

**Listing inventory fell to its lowest level in more than a year** The number of apartments available for sale fell 3.4% to 1,695 from the 1,754 seen in the prior quarter, the lowest level since 1,506 in the second quarter of 2002. The lack of inventory may be constricting the number of sales, which fell 6.8% to 746 units from the 800 units sold in the prior quarter. Although this is a decline from the prior quarter, the current number of sales is the second highest total in the past year. The continuation of this trend will place additional upward pressure on condo prices.

**The west side showed the largest gains in average price per square foot** The average price per square foot for properties on the west side increased 12.3% to \$894 from \$796 in the prior quarter and 18.7% over the \$753 seen in the prior year quarter. The downtown market also showed significant improvement while the east side market was relatively unchanged. Historically, the east side has had a higher average price per square foot than the west side until the past two years at which time both areas began to alternate with the highest averages each quarter. Extensive new development on the west side has brought this indicator up to levels more on par with the east side.

**The average listing discount and days on market dropped** The average days on market was relatively unchanged at 135 days from the 137 days seen in the prior quarter but 10 days shorter than the 145 seen in the prior year quarter. Price negotiability declined for the second consecutive quarter as the listing discount fell from 4.2% in the prior quarter to 3.2% in the current quarter, down from 5.1% in the prior year quarter. When this indicator falls below 5%, the market is likely to see upward price pressure in future quarters.



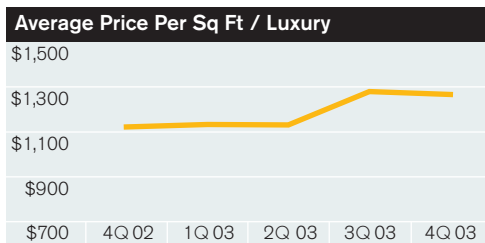
Condo Market Matrix	Current Qtr	%Chg	Prior Qtr	%Chg	Prior Yr Qtr
Average Sales Price	\$1,159,808	1.1%	\$1,147,055	13.9%	\$1,018,256
Average Price Per Sq Ft	\$822	4.2%	\$789	9.3%	\$752
Median Sales Price	\$752,000	-2.0%	\$767,500	4.4%	\$720,000
Number of Sales	746	-6.8%	800	1.2%	737
Days on Market (From Last List Date)	135	-1.5%	137	-6.9%	145
Listing Discount (From Last List Price)	3.2%		4.2%		5.1%

Condo Apartment Mix	% of Total	Avg. Price
Studio	11%	\$383,583
1-bedroom	33%	\$536,634
2-bedroom	51%	\$1,450,640
3-bedroom	4%	\$3,278,823
4+ bedroom	1%	\$5,078,000

# LUXURY Market

*Average sales price declined slightly but still above levels seen in more than two years.*

**The average price per square foot remained above \$1,200** While the average sales price and median sales price declined 7.8% and 8.2% from the prior quarter, respectively, largely attributable to the fewer number of luxury apartments that transferred this quarter. The average price per square foot at 1,268 slipped 1%, yet is the second highest level for this indicator after the \$1,281 average price per square foot seen in the prior quarter. The aver-



age square footage fell 6.9% to 2,516 square feet from 2,702 in the prior quarter. These results indicate that luxury price levels are relatively stable.

**Average and median sales prices stayed at near record levels** The average sales price declined 7.8% to \$3,190,329 from the \$3,461,522 in the prior quarter still higher than quarterly averages for this segment over the past two years. Similarly, the median sales price fell 8.2% to \$2,475,000 from the prior quarter of \$2,695,000 but remained above all other quarterly results over the past two years. While this category is defined as the upper 10% of all apartment prices, it accounted for 35.3% of all dollar volume in the quarter.

Luxury Market Matrix	Current Qtr	%Chg	Prior Qtr	%Chg	Prior Yr Qtr
Average Sales Price	\$3,190,329	-7.8%	\$3,461,532	17.6%	\$2,713,761
Average Price Per Sq Ft	\$1,268	-1.0%	\$1,281	12.9%	\$1,123
Median Sales Price	\$2,475,000	-8.2%	\$2,695,000	9.5%	\$2,260,000
Number Of Sales	226	-2.8%	232	11.2%	203
Days on Market (From Last List Date)	165	-4.1%	172	-10.8%	185
Listing Discount (From Last List Price)	8.5%		8.9%		9.4%

**The average time to sell an apartment declined slightly** Luxury units tend to have longer marketing times, typically averaging 30 days more than the overall market. The overall days on market was 133 days while the average for the luxury market was 165 in the current quarter, a drop of 7 days from 172 in the prior quarter. The average days on market is calculated as the number of days between the last price reduction, if any, to contract date. Negotiability decreased slightly with the average discount from list price averaging 8.5%, down from 8.9% in the prior quarter and 9.4% in the prior quarter.

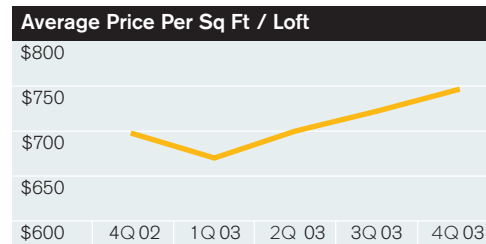
This sub-category is the analysis of the top ten percent of all co-op and condo sales. The data is also contained within the co-op and condo markets presented.

# LOFT Market

*Median and average sales prices fell due to the drop in average unit size. The quarterly average price per square foot was the highest ever recorded in this study.*

**The average size of a loft sale was the smallest in two years** Lofts averaged 1,830 square feet for the quarter, the smallest size seen since the same quarter two years ago when the average was 1,823 square feet. This is a 7.7% decline from the prior quarter average of 1,982. Averages in excess of 2,000 square feet were the loft market norm several years ago. This pattern is consistent with the overall market trend of smaller apartments.

**The average price per square foot set a record; other indicators fell** The record-setting average price per square foot at \$746 is a 3.3% increase over the prior quarter but did not offset the average square footage drop of



7.7%. As a result, the average sales price fell 4.6% to \$1,365,038 from \$1,430,879 in the prior quarter. In addition, the median sales price dropped 3.2% to \$1,200,000 from the \$1,240,000 in the prior quarter, also attributable to the decline in the average square footage.

**Number of sales and market share gained while inventory contracted** The number of

Loft Market Matrix	Current Qtr	%Chg	Prior Qtr	%Chg	Prior Yr Qtr
Average Sales Price	\$1,365,038	-4.6%	\$1,430,879	-2.5%	\$1,400,489
Average Price Per Sq Ft	\$746	3.3%	\$722	7.0%	\$697
Median Sales Price	\$1,200,000	-3.2%	\$1,240,000	-4.0%	\$1,250,000
Number Of Sales	210	1.9%	206	36.4%	154
Days on Market (From Last List Date)	136	-1.4%	138	-11.7%	154
Listing Discount (From Last List Price)	3.9%		3.9%		8.2%

loft sales rose 1.4% to 210 units from the prior quarter of 206 and 36.4% above the 154 seen in the prior year quarter. This is the third consecutive quarterly increase for this index. As a result, the loft market share was 9.3% of the overall market up from 8.9% in the prior quarter and 7.6% in the prior year quarter. Listing inventory posted an 18% drop to 242 units from the 295 units in the prior quarter and down 45.5% over the prior year quarter total of 444. The gain in demand and the reduction in supply would indicate upward price pressure in this market over the next several quarters.

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.

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**Douglas Elliman**  
575 Madison Avenue, New York, NY 10022  
212 891-7000  
elliman.com

**Miller Samuel Inc.**  
21 West 38th Street, New York, NY 10018  
212 768-8100  
millersamuel.com

For more information or electronic copies of this report please visit [elliman.com](http://elliman.com). Email report author Jonathan Miller at [jmiller@millersamuel.com](mailto:jmiller@millersamuel.com) with questions or comments.

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