

# MANHATTAN

## Market Overview

A Quarterly Survey of Manhattan Co-op and Condo Sales

2Q 08



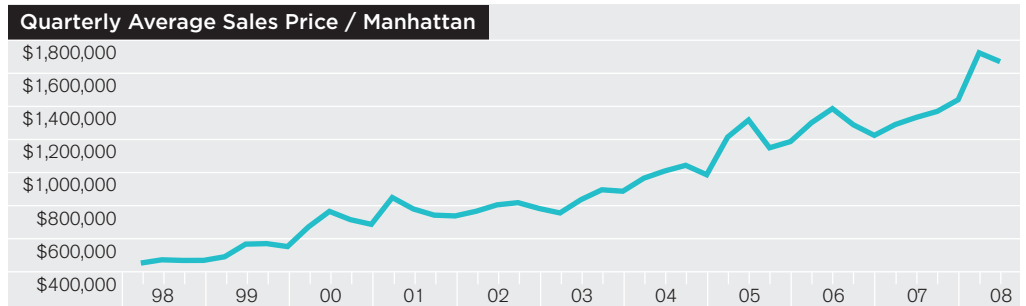
Prepared by Miller Samuel Inc.  
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### *Rising prices skewed by mix as number of sales fall*

**Number of sales drop** Like the prior quarter, fewer sales occurred compared to the prior year quarter, but more than the corresponding quarter two years prior. There were 3,081 co-op and condo sales collected at the close of the quarter, down 21.8% from the prior year quarter. The decline in activity was evenly spread across co-op and condo property types, with the lower level of demand attributed to tighter credit and a weaker economy. With tighter credit conditions for market participants existing today as compared to last year, it is reasonable to expect a lower level of activity relative to 2007 for the remainder of 2008. In fact, there were more co-op and condo sales in 2007 than in any other year over the past 20 years.

**Listing inventory continued to rise** There were 6,869 apartments listed for sale at the end of the quarter, up 31.2% compared to the same period last year when the total was 5,237 apartments. Seasonally, apartment inventory is expected to rise from January through May. Despite the rise this year compared to last year, inventory is currently 10.1% below the same period two years ago. Although new development has played a role in the rise in inventory, co-op apartments, which

Manhattan Market Matrix	Current Qtr	% Chg	Prior Qtr	% Chg	Prior Year Qtr
Average Sales Price	\$1,669,729	-3.1%	\$1,722,991	25.2%	\$1,333,316
Average Price per Square Foot	\$1,263	-2%	\$1,289	10.9%	\$1,139
Median Sales Price	\$1,025,000	8.4%	\$945,276	14.5%	\$895,000
Number of Sales	3,081	35%	2,282	-21.8%	3,939
Days on Market (from Last List Date)	135	-7.5%	146	15%	117
Listing Discount (from Last List Price)	3.6%		3.2%		2.2%
Listing Inventory	6,869	10.9%	6,194	31.2%	5,237



are primarily re-sales, increased faster than condo units in the current quarter, as compared to the same period last year.

**Price indicators were mixed** The median sales price of a Manhattan apartment exceeded \$1,000,000 for the first time in the history of this report series, reaching \$1,025,000 this quarter. This represents a 14.5% increase above the \$895,000 median sales price achieved in the prior year quarter. The remaining price indicators were well above the levels achieved in the prior

year quarter, but were not the highest on record. The remaining price indicators, while showing an increase from the prior year quarter, were below the prior quarter results. After removing sales from 15 Central Park West and 768 Fifth Avenue (The Plaza), the modified median sales price of \$995,000 was 11.2% over the prior year quarter.

**Days on market and listing discount rise** The increase in apartment inventory is consistent with the expansion of marketing time and increase in

negotiability of sales prices. The average days on market was 135 days, more than two weeks longer than the 117 days of the prior year quarter. The five year quarterly average for days on market is 126 days. This indicator is measured by the difference in the number of days between the date of the last listing price change, if any, until the contract date. The listing discount increased modestly to 3.6% from a discount of 2.2% in the prior year quarter. The listing discount has averaged 2.7% per quarter over the past five years. Like days on market, the listing discount is measured from the listing price in effect when the property went to contract.

**Credit markets and weaker economy impact the pace of Manhattan sales activity** Rate and credit actions by the Federal Reserve to ease the financial markets have had limited impact on mortgage rates. Other proposed or enacted housing related actions on a federal level and by the government sponsored enterprises, like Fannie Mae and Freddie Mac, will likely have more impact in the future rather than address the issue of the weakened US economy today. Recession or near-recession economic conditions have impacted the New York region as evidenced by the lower pace of sales activity. Like last quarter, the number of sales continues to remain below the levels seen at this time last year. The turmoil of the credit markets reduced buyer purchasing power, served to reduce employment in the financial services sector and is generally believed to result in reduced individual compensation next year. Nevertheless, the number of sales to date in 2008 is at a higher level, and inventory is at a lower level, than experienced in 2006. The record activity levels seen in 2007 in comparison to the current year serve to exaggerate the perceived level of weakness in the current market.

## CO-OP Market

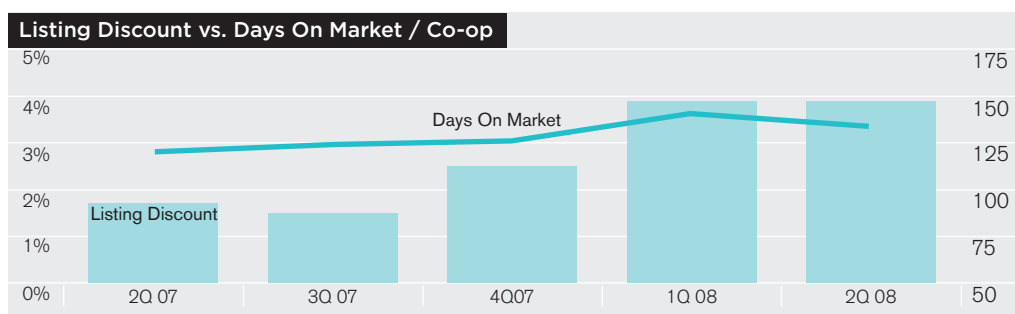
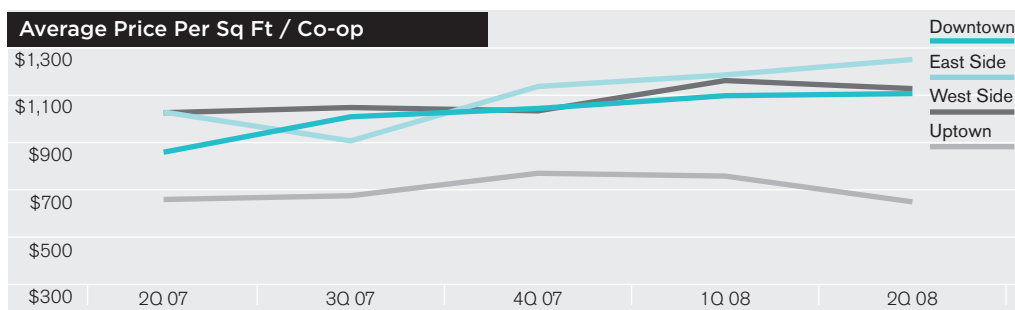
*Prices show modest gains, as number of sales decline*

**Inventory increased as number of sales declined** There were 1,254 sales in the current quarter, 21.4% less than the prior year quarter total of 1,595 sales, but still the third highest total number of co-op sales in the past three years. Over the same period, the total number of co-op apartments available for sale increased 34.4% to 3,335 compared to 2,481 in the prior year. This was the first time co-op inventory showed an increase over the prior year quarter since the third quarter of 2006 when there was an increase of 6.9%. The lower number of sales reduced the ability of the market to absorb new inventory resulting in a net gain in the number of listings.

**Price indicators show gains** The median sales price of a Manhattan co-op apartment reached a

record \$755,000, up 8.6% above the \$695,000 median sales price of the prior year quarter and just above the \$750,000 median sales price record set last quarter. Price per square foot reached a record this quarter at \$1,146, 16.6% above the prior year price per square foot of \$983. Average sales price was \$1,280,201 for the recent quarter, up 11.2% from the prior year quarter average sales price of \$1,150,765. With the exception of the 4-bedroom market, which is subject to significant skew due to its 2% market share, all segments showed double digit price increases in average sales price compared to the prior year quarter. However, despite the expected increase from the first to second quarter of a typical year, there was relative price stabilization in the two largest markets: 1-bedroom apartments increased 3.2% from the prior quarter and 2-bedrooms decreased 1.8%.

**Days on market and listing discount expand** The average days on market for co-ops that closed in the second quarter was 135 days, two weeks longer than the same period in the prior



Co-op Market Matrix	Current Qtr	% Chg	Prior Qtr	% Chg	Prior Year Qtr
Average Sales Price	\$1,280,201	-8.1%	\$1,393,548	11.2%	\$1,150,765
Average Price per Square Foot	\$1,146	1.6%	\$1,128	16.6%	\$983
Median Sales Price	\$755,000	0.7%	\$750,000	8.6%	\$695,000
Number of Sales	1,254	24.9%	1,004	-21.4%	1,595
Days on Market (from Last List Date)	135	-4.9%	142	11.6%	121
Listing Discount (from Last List Price)	3.9%		3.9%		1.7%
Listing Inventory	3,335	16.2%	2,869	34.4%	2,481

Co-op Apartment Mix	% of Total	Avg. Price
Studio	27%	\$436,035
1 bedroom	34%	\$759,154
2 bedroom	32%	\$1,641,764
3 bedroom	4%	\$4,472,791
4+ bedroom	3%	\$8,084,141

year. Listing discount was 3.9% this quarter, up from the 1.7% listing discount of the prior year quarter. The expansion of days on market plus the modest increase in listing discount directly correlates with the rise in the number of apartments available for sale. In other words there were more choices for buyers and more competition for sellers.

**Studio apartment market share remains elevated** Like the previous quarter, there was an increase in the market share of co-op studio apartments that sold. Studios represented 27% of all co-ops sold during the quarter, up from 21% in the prior year quarter. Studios held steady at about 19% market share in 2004, 2005 and 2006, with a modest increase to 22.3% for 2007. For the past three quarters market share has been 33%, 31% and 27% and may be in response to lower affordability of the studio buyer due to a more difficult credit environment.

## CONDO Market

*More inventory, yet price indicators show gains*

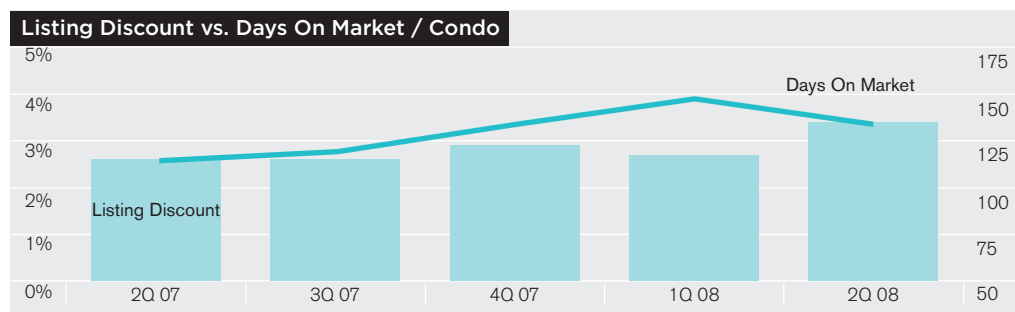
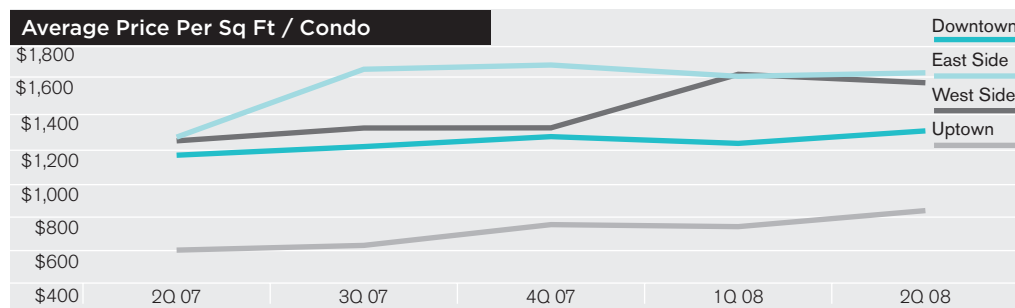
**Prices at or near record levels** All price indicators showed significant and comparable double-digit gains compared to the prior year quarter. Median sales price reached a record \$1,267,000 this quarter, 21.8% above the prior year quarter median sales price of \$1,040,000. Price per square foot was a record \$1,442 in the current quarter, up 22.4% from the prior year quarter price per square foot of \$1,178. The average sales price of a Manhattan condo was \$1,937,090 in the current quarter, up 32.9% from the \$1,457,535 average sales price in the prior year quarter. Like the prior two quarters, the gains are the result of a skew in price caused by high-end sales, including two new developments, 15 Central Park West and The Plaza that were large enough and priced high enough to overstate the price gains of the overall condo market. If sales from these two projects are excluded, the gains are lower but remain at

double-digit levels. The modified results for the condo market compared to the prior year quarter are: median sales price \$1,236,060, up 18.9%; average sales price \$1,604,190, up 16.2%; price per square foot \$1,413, up 19.9%.

**The number of sales declined as inventory increased** There were 1,827 condo sales in the current quarter, a decline of 22.1% from the 2,344 sales of the prior year quarter. Despite the sharp decline in sales, the current total represents the second highest level of condo closed sales in the history of this report series, second only to the prior year quarter. Consistent with the decline in the number of sales, listing inventory increased over the same period. There were 3,534 units listed for sale at the end of the current quarter, 28.2% above the 2,756 units available at the end of the same period last year.

**Days on market and listing discount expand** The average days on market was 135 this quarter, nearly 3 weeks longer than the 115 days on market set in the prior year quarter and two weeks shorter than the prior quarter average of 149 days. This is the first quarter over quarter contraction since the same period last year when days on market declined from 124 days to 115 days, a seasonal pattern. Listing discount increased to 3.4% this quarter, above the 2.6% listing discount of the prior year quarter. The expansion of both of these market indicators is consistent with the rise of listing inventory over the same period.

**Near term price changes show modest gains** With the exception of 3-bedroom units, which slipped 1.9% from the same period last year, the average sales price for all size categories saw significant double-digit gains. Studios increased 23.4%; 1-bedrooms increased 14.6%; 2-bedrooms increased 24.4%; 4-bedrooms increased 53.1%. Although prices tend to rise during the transition from first to second quarter, prices showed stability for studio, 1-bedroom and 2-bedroom apartments. These units represent 91% of all condo sales and posted prior quarter changes of -3%, 2.3% and -1.5% respectively.



Condo Market Matrix	Current Qtr	% Chg	Prior Qtr	% Chg	Prior Year Qtr
Average Sales Price	\$1,937,090	-2.3%	\$1,981,802	32.9%	\$1,457,535
Average Price per Square Foot	\$1,442	1.8%	\$1,416	22.4%	\$1,178
Median Sales Price	\$1,267,000	9.2%	\$1,160,000	21.8%	\$1,040,000
Number of Sales	1,827	43%	1,278	-22.1%	2,344
Days on Market (from Last List Date)	135	-9.4%	149	17.4%	115
Listing Discount (from Last List Price)	3.4%		2.7%		2.6%
Listing Inventory	3,534	6.3%	3,325	28.2%	2,756

Condo Apartment Mix	% of Total	Avg. Price
Studio	12%	\$634,336
1 bedroom	33%	\$949,513
2 bedroom	46%	\$2,185,651
3 bedroom	7%	\$4,604,472
4+ bedroom	2%	\$10,736,556

# LUXURY Market

*Prices rise as inventory declines*

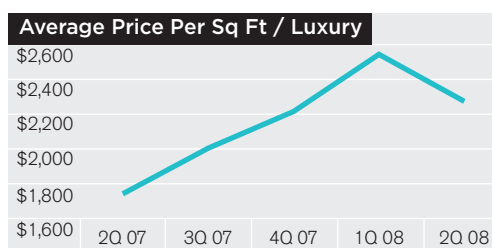
**Price indicators ease off of record levels** All price indicators were short of their respective records set in the prior quarter, but were significantly higher than levels reached in the prior year quarter. The median sales price of a luxury apartment was \$4,950,000 this quarter, up 37.5% from the prior year quarter median sales price of \$3,600,000, down 0.8% from the prior quarter. Both average sales price and price per square foot followed similar patterns. In a supplemental analysis, the luxury market was also analyzed without the price skew caused by the concentrated closing activity of high end new

developments known as 15 Central Park West and 768 Fifth Avenue (The Plaza) for the current and prior quarters. The modified median sales price was \$4,100,000, up 13.9% from the prior year quarter median sales price of \$3,600,000 and up 6.5% from the prior quarter modified median sales price of \$3,850,000. Average sales price and price per square foot showed similar gains from the prior year quarter of 13.6% and 12.6% respectively.

**Inventory fell sharply as days on market levels off** There were 672 apartments available for sale in the current quarter, down 31.5% from the prior year quarter total of 981 units. Most of the decline occurred since the first quarter of the year when inventory levels were 965 units, a decline of 30.4% through the current quarter.

The listing discount slipped to 2% from the prior year quarter listing discount of 2.3%. While it is unusual for the listing discount of the luxury market to be below the listing discount of the overall market, pressures created by fewer luxury listings has reduced negotiability. The average days on market was 137 days in the current quarter, 9 days longer than the prior quarter days on market of 128 days. However, days on market was essentially unchanged from the 135 days on market of the prior quarter, despite the drop in inventory. This suggests that marketing times for this segment may have stabilized for the time being.

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	\$6,364,000	-17%	\$7,667,413	38.4%	\$4,598,730
Average Price per Square Foot	\$2,282	-10.7%	\$2,556	30.9%	\$1,743
Median Sales Price	\$4,950,000	-0.8%	\$4,989,425	37.5%	\$3,600,000
Number of Sales	308	35.1%	228	-21.8%	394
Days on Market (from Last List Date)	137	1.5%	135	7%	128
Listing Discount (from Last List Price)	2%		2.5%		2.3%
Listing Inventory	672	-30.4%	965	-31.5%	981

# LOFT Market

*Prices and number of sales show contrarian results*

**Price indicators show modest gains as average size falls** Unlike other market segments analyzed in this report, the Manhattan loft market was characterized by modest appreciation with limited price skew and increased sales activity. Although median sales price reached a record \$1,700,000 this quarter, it was up only 3% from the prior year quarter median sales price of \$1,650,000. Price per square foot also set

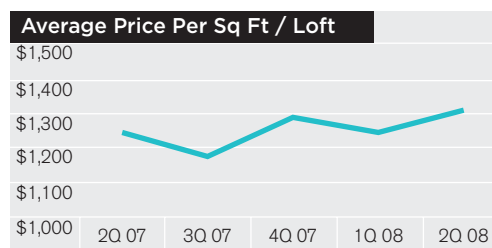
a record this quarter, reaching \$1,311, up 5.2% from the prior year quarter price per square foot of \$1,246. Average sales price fell 11.9% over the same period, but that was largely due to a 16.3% drop in average square feet. The average loft that sold in the current quarter was 1,620 square feet this quarter, well below the 10-year average of 1,858 square feet and below the prior year quarter average size of 1,935 square feet.

**Inventory increased modestly as number of sales jumped** There were 272 loft sales in the current quarter, up 16.7% from the prior year quarter total of 233. Listing inventory for the quarter was 548 units, up a modest 4% from

the 527 units listed for sale last year during the same period.

**Listing discount slipped as days on market expanded** The days on market for the current quarter was 142 days, nearly 3 weeks longer than the 123 days on market average of the prior year quarter. This is generally consistent with the rise in the number of units for sale. However, the listing discount, which would be expected to expand along with inventory, was 2.9%, down from 3.4% in the prior year 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.



Loft Market Matrix	Current Qtr	% Chg	Prior Qtr	% Chg	Prior Year Qtr
Average Sales Price	\$2,123,780	-4.7%	\$2,228,135	-11.9%	\$2,411,429
Average Price per Square Foot	\$1,311	5.2%	\$1,246	5.2%	\$1,246
Median Sales Price	\$1,700,000	6.3%	\$1,600,000	3%	\$1,650,000
Number of Sales	272	49.5%	182	16.7%	233
Days on Market (from Last List Date)	142	5.2%	135	15.4%	123
Listing Discount (from Last List Price)	2.9%		3.3%		3.4%
Listing Inventory	548	10.9%	494	4%	527

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