Some Comments on Current Activity and Historic Trends In the Manhattan Housing Market

Sale Volume and Price

This year has seen a significant collapse in both sale volume and price, followed by a significant recovery in sale volume.

According to market data compiled by Miller Samuel Inc., quarterly closed-sale volume for cooperative and condominium apartments, in prime Manhattan, dropped precipitously, by 45% from the fourth quarter of 2008 to the first quarter of 2009. Actually, the 1,138 reported sales in the first quarter, is more than I expected, since for some types of property, I was unable to find any significant market activity in early 2009.

There has been a significant recovery in sale volume in the second and third quarters of 2009, with third quarter's 2,104 closings comparing favorably with earlier years reported in its survey.

With regards to price, the square foot average was lowest in the 2nd and 3rd quarters of this year, at respectively $1,083 and $1,015. This is well below the peak average of $1,352/SF in the first quarter of 2008, and corresponds roughly to the 20-30% discount I have observed as an appraiser.

Availability

Not having tracked the number of available listings over time, I cannot comment in the aggregate. However, I have checked availability in a few segments of the market.

Reflecting continued weakness at the top, there were approximately 50 cooperative apartments listed, as of November 4, asking $10,000,000 or more. Only three have signed contracts. Two of these are in a new development in a former hotel, and the contracts were signed some months ago. I was able to find ten closings this year indicating that this market has slowed but is not dead.

At the Time Warner Center, on Columbus Circle, there are 10 available condominium apartments, asking from about $3,100 to $5,100 per square foot. According to the public record, there were four sales in the Center's two towers this year, ranging from $2,832 to $4,532 per square foot.

At a relatively more reasonable level, in my Upper West Side neighborhood, on or between Riverside Drive and West End Avenue (from 72nd to 116th Streets), there are approximately 60, six and seven room apartments listed, of which approximately 20 have deals.[i] Asking prices range from about $900,000 to over $4,000,000, but most are listed between $1,000,000 and $3,000,000. Virtually all of these are in pre-war buildings with two or three master bedrooms.

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What Governs this Market?

Using the following graphs, I have examined a few indicators, to determine which most closely parallel Manhattan housing prices.

- The first graph is of quarterly average Manhattan housing prices, since 1990, and is based on data compiled by Miller Samuel. What it generally indicates is a boom in prices that began in the late 1990's and peaked in about the first quarter of 2008. Prices have since fallen to roughly 2005 levels.

- The next graph is of the Dow Jones Industrial Average, as indicated by the daily close for the end of each quarter, published on-line by Google Finance. Here, the trend line indicates a boom that begins a bit earlier, in the mid-1990's, peaks at the end of 2007, hits bottom in the first quarter of 2008, and has since recovered. This suggests that the Dow might be a fairly good advance indicator for Manhattan apartment prices; however, the earlier stock market boom and bust of 2000 to 2002 is reflected by no more than a flattening in apartment prices, with the possible exception of the largest apartments, where there may be too few transactions to portray a reliable quarterly trend.

- The next two tables are based on data provided by the New York State Department of Labor and indicate average annual wages in New York City for the entire private sector and for its highly paid sector, Securities and Commodities Contracts. In order to ease the comparison, a final graph of Manhattan prices has been added, with annual figures. Again, the trend lines are very similar, with security and commodity averages most closely matching those of the largest apartments, while the private sector average appears to be a better indicator for the overall market, and the other size categories.

However, average wage figures are reported after-the-fact, so they are not useful for predicting prices. Nevertheless, there have been a number of reports in the press regarding recovering income in the financial sector.

If we accept these reports and the imperfect reliability of the Dow Jones Industrial Average as indicators, and if this year's stock market recovery is sustained, we should predict some recovery in Manhattan housing prices, although it may be harder to predict the timing.

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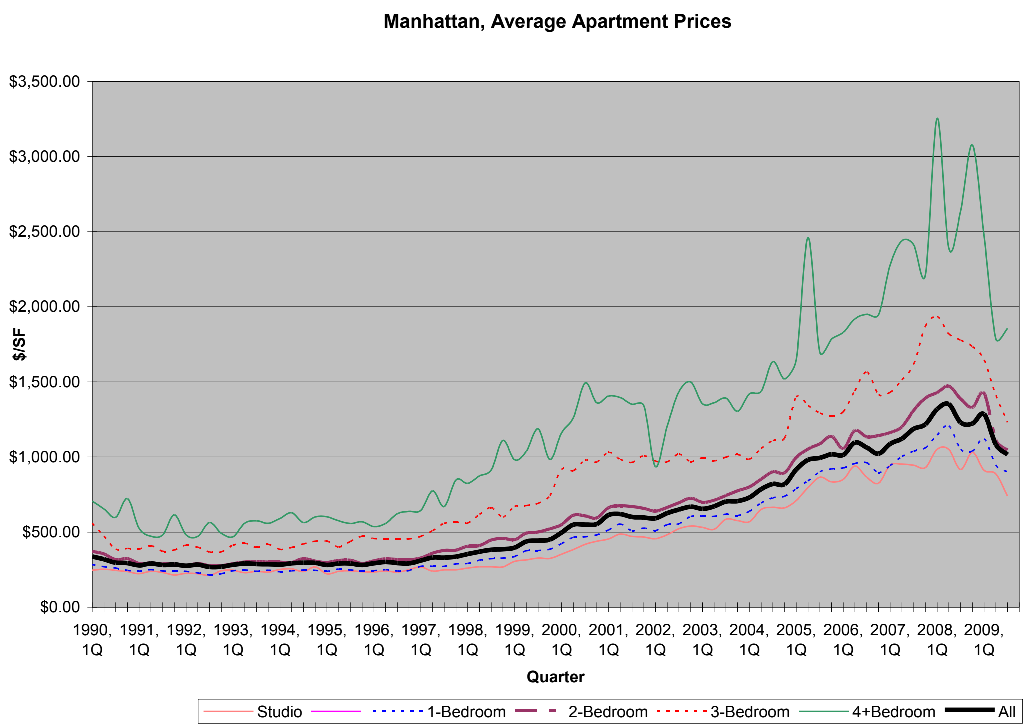
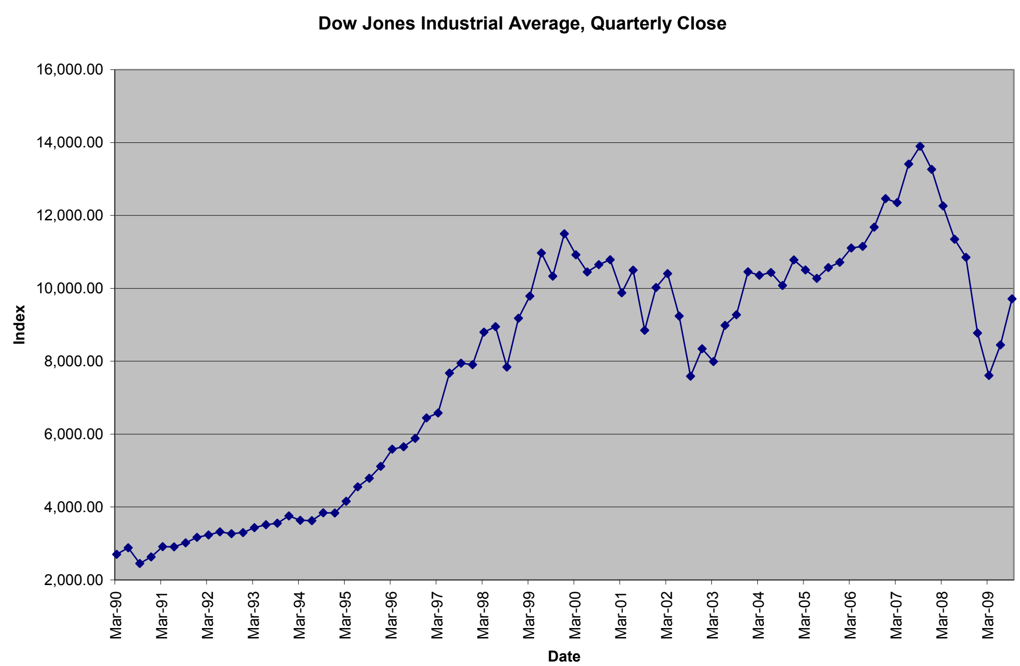

Manhattan, Average Apartment Prices
$/SF
$3,500.00
$3,000.00
$2,500.00
$2,000.00
$1,500.00
$1,000.00
$500.00
$0.00
1990, 1Q
1991, 1Q
1992, 1Q
1993, 1Q
1994, 1Q
1995, 1Q
1996, 1Q
1997, 1Q
1998, 1Q
1999, 1Q
2000, 1Q
2001, 1Q
2002, 1Q
2003, 1Q
2004, 1Q
2005, 1Q
2006, 1Q
2007, 1Q
2008, 1Q
2009, 1Q
Quarter
Studio
1-Bedroom
2-Bedroom
3-Bedroom
4+Bedroom
All


Dow Jones Industrial Average, Quarterly Close
Index
16,000.00
14,000.00
12,000.00
10,000.00
8,000.00
6,000.00
4,000.00
2,000.00
Mar-90
Mar-91
Mar-92
Mar-93
Mar-94
Mar-95
Mar-96
Mar-97
Mar-98
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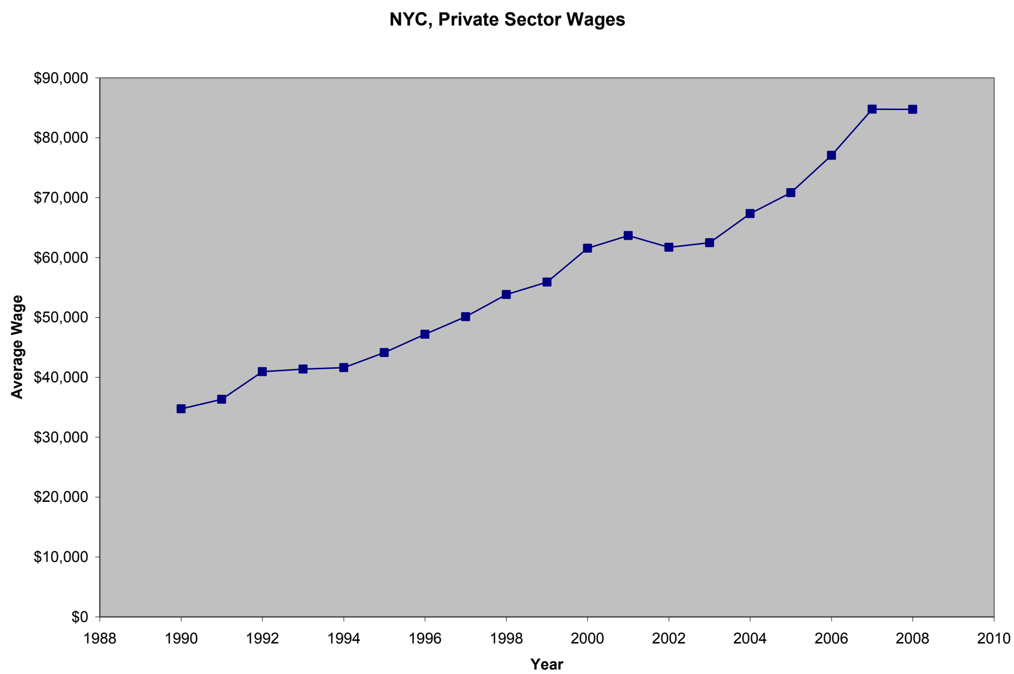
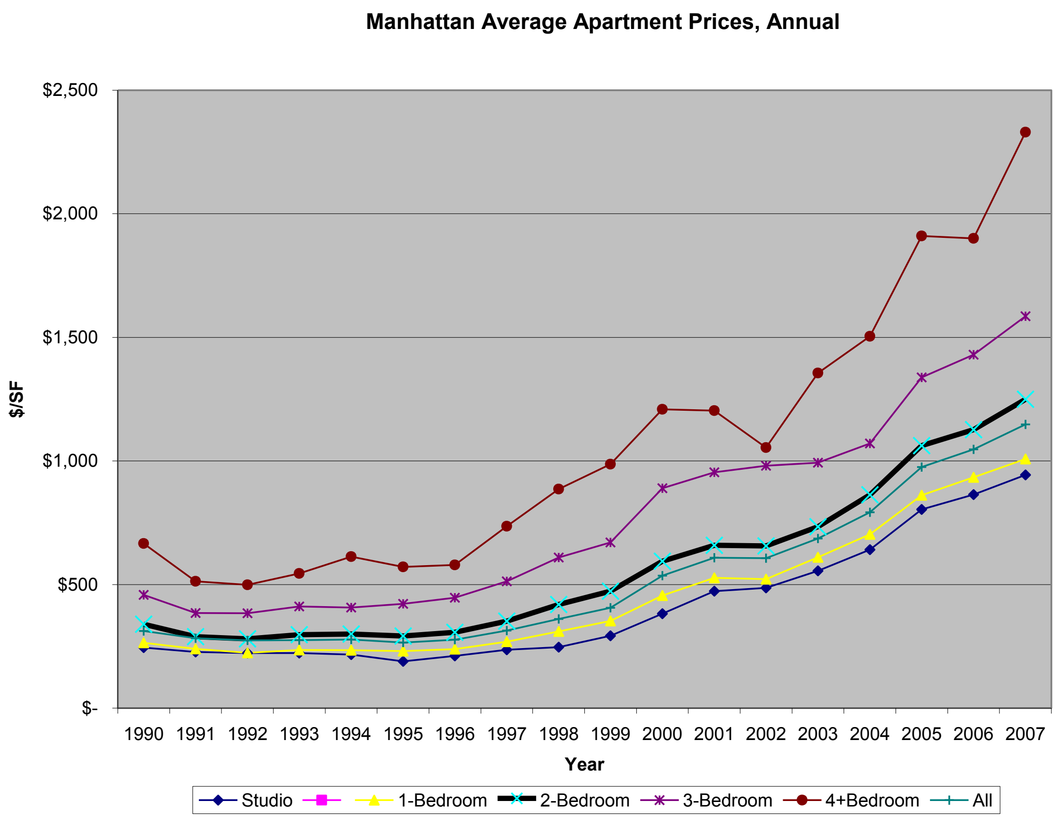
Mar-08
Mar-09
Date


NYC, Private Sector Wages
Average Wage
$90,000
$80,000
$70,000
$60,000
$50,000
$40,000
$30,000
$20,000
$10,000
$0
1988
1990
1992
1994
1996
1998
2000
2002
2004
2006
2008
2010
Year


NYC Securities & Commodities Wages
Average Wages
$450,000
$400,000
$350,000
$300,000
$250,000
$200,000
$150,000
$100,000
$50,000
$0
1988
1990
1992
1994
1996
1998
2000
2002
2004
2006
2008
2010
Year



[i] Some of these listing statistics are based on information from the listing service of the Real Estate Board of New York. The REBNY listing service makes no representations or warranties with respect to the accuracy or completeness of such information and is not liable for any omission or inaccuracy. Nor is the author.