

# MANHATTAN

## Market Overview

A Quarterly Survey of Manhattan Co-op and Condo Sales

1Q 06



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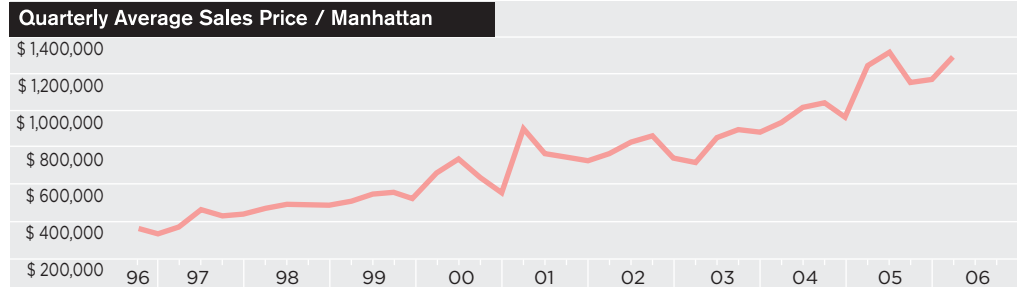
Prepared by Miller Samuel Inc.  
 A Manhattan residential real estate appraisal company

### Price appreciation eases as inventory rises

**All price indicators showed gains as bonus income from the financial sector exerted its influence** Although the three price indicators showed growth over the prior quarter and the prior year quarter, price per square foot best characterizes market conditions for the current quarter since it is least impacted by the shift in unit mix toward larger apartments this quarter. The average price per square foot of \$1,004 was the highest ever recorded in this study but was essentially unchanged from the prior quarter result of \$1,002 for a 0.2% increase. The average sales price and median sales price jumped 9.6% and 8.6% respectively over the prior quarter. The average sales price was one of the highest on record at \$1,300,928, second only to the second quarter of 2005 when the average sales price set an all-time record of \$1,317,528. This indicator was 7.1% above the prior year quarter average sales price of \$1,214,379. Median sales price saw a similar pattern, setting a record at \$825,000 in the current quarter, up 17% over the prior year quarter median sales price of \$705,000. The contradiction in the average price per square foot compared to these indicators was due to a shift in the mix of apartments to larger units that sold for the quarter.

**Apartment sales mix shifted to larger units** The mix shifted to larger apartments as compared to last quarter but was closer to the normal distribution seen in the same quarter last

Manhattan Market Matrix	Current Qtr	%Chg	Prior Qtr	%Chg	Prior Yr Qtr
Average Sales Price	\$1,300,928	9.6%	\$1,187,404	7.1%	\$1,214,379
Average Price per Square Foot	\$1,004	0.2%	\$1,002	10.3%	\$910
Median Sales Price	\$825,000	8.6%	\$760,000	17%	\$705,000
Number of Sales	2,005	27.4%	1,574	-1.1%	\$2,028
Days on Market (From Last List Date)	138	1%	137	47.8%	94
Listing Discount (From Last List Price)	2.8%		2.5%		1.3%
Listing Inventory	6,904	15.8%	5,964	59.6%	4,327



Note: Uptown statistics are included in the current and historical results.

year. Studio and 1-bedroom apartments comprised 49% of all units sold this quarter down from 55% in the prior quarter when sales activity at the upper end of the market was light. The drop in entry-level apartments this quarter was offset by the gain in 2-bedroom, 3-bedroom and 4-bedroom apartments in which all shares rose. The largest gain was a 4% market share increase for 2-bedroom apartments over the prior quarter to 43%. 3-bedroom and 4-bedroom units also saw increases in market share of 1% each, reaching 5% and 3% respectively.

**Inventory reached record highs** The number of apartments available for sale increased 59.6% to

6,904 units from 4,327 units in the prior year quarter, the highest level of inventory seen in the seven years since this statistic has been tracked. To be fair, the size of the gain was exaggerated since the inventory levels at the beginning of 2005 were near record lows. Inventory has trended upward nearly every month over the past year due to new development units entering the market and rising mortgage rates which together have tempered the number of transactions for the year.

**The average days on market and listing discounts weakened slightly** The average number of days it took to sell a Manhattan apartment, 138 days, was essentially unchanged

from the prior quarter average of 137 days but was 44 days longer than the average days on market seen in the prior year quarter average of 94 days. The lack of change this quarter was somewhat of a surprise due to the rising inventory levels. The average listing discount or negotiability of each sale averaged 2.8% which was up from 2.5% in the prior quarter and up from 1.3% seen in the prior year quarter. This provides evidence that sellers are still not willing to ease their stance of negotiating from strength. Their position is expected to be reinforced over the next quarter, known as the "Spring Market" which is considered one of the stronger marketing periods of the year, both in terms of the number of sales and listings.

**The Manhattan housing market moved "sideways" in the first quarter** The Manhattan market was best characterized this quarter by more high-end apartment sales, an increase in inventory and also an increase in the number of sales. The surge in larger apartment sales, especially 2-bedroom units, and, to a certain extent, the greater number of apartments available to sell for the quarter are likely one-time adjustments. The apartment mix of units sold this quarter was virtually identical to the same period last year suggesting a return to a more normal market after the unusual sales patterns observed in the second half of 2005. Last quarter we noted a rise in contract activity, suggesting an increase in sales this quarter, which held true. Many of these additional sales were condo units that went to contract sometime in 2005 and closed after the first of the year tipping the balance towards a greater number of condo sales over co-op sales. Inventory is expected to continue to increase over the next quarter as new units continue to enter the market. This is expected to temper price gains for the coming quarter. While we expect inventory to continue to increase, it is largely dependent on how demand is affected by the rise in mortgage rates, which have been increasing steadily over the quarter.

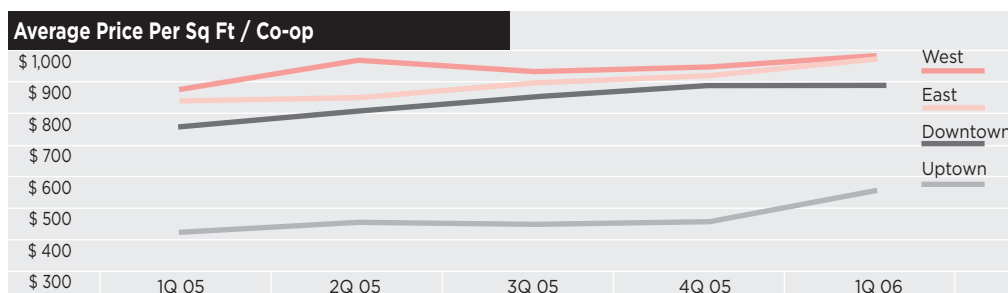
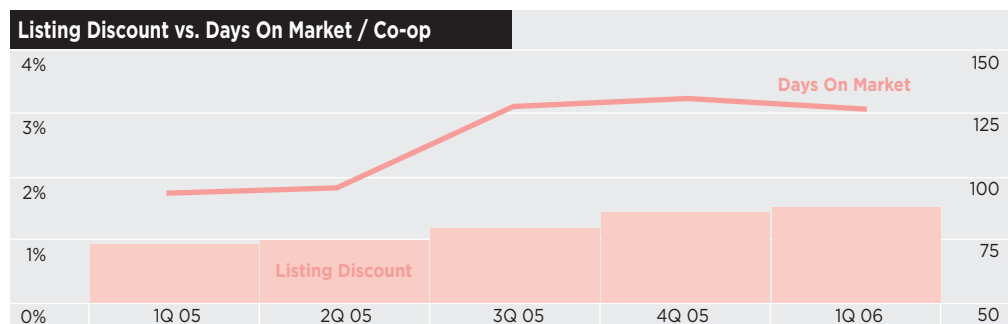
# CO-OP Market

*All price indicators set records as inventory increased*

**All three price indicators reached record levels** For the past two years, the average price per square foot and median sales price have set records in each successive quarter. This quarter was no exception with average sales price setting a record as well. The average sales price rose to \$1,093,361 in the current quarter, 7.2% above the prior quarter average sales price of \$1,020,161, and was up 10.6% above the prior year quarter average sales price of \$988,746. The median sales price increased 2.3% to \$665,000 in the prior quarter from \$650,000 and was 9% above the prior year quarter median sales price of \$610,000. The average price per square foot increased to \$933, 2.8% above the prior quarter of \$908 and was 13% above the prior year quarter average price per square foot of \$826.

**Listing inventory increased and outpaced gains in number of sales.** The number of co-op

apartments available for sale jumped 16.1% to 3,971 units from 3,421 units in the prior quarter and was up 51.6% from the 2,620 units available in the prior year quarter. Inventory levels were near record lows last year, thereby exaggerating the gain since the prior year quarter. However, inventory is at the highest level since 1999 when it was first tracked in the study. In contrast, the number of sales also surged this quarter, rising 9.9% to 932 units from 848 units in the prior quarter. Despite the rise in sales this quarter, the number of sales this quarter is still 23% below the 1,210 apartments that sold in the prior year quarter. One would expect that the number of sales would have shown a decline this quarter given the growth in inventory and the fact that inventory and the number of sales tend to move in opposite directions. An increase in sales activity tends to offset the number of listings that remain on the market. Since new development activity is generally limited to condos, much of the increase in co-op inventory is due to existing property sales. The housing stock remains essentially static yet more apartments are available for sale.



Co-op Market Matrix	Current Qtr	%Chg	Prior Qtr	%Chg	Prior Yr Qtr
Average Sales Price	\$1,093,361	7.2%	\$1,020,161	10.6%	\$988,746
Average Price per Square Foot	\$933	2.8%	\$908	13.0%	\$826
Median Sales Price	\$665,000	2.3%	\$650,000	9.0%	\$610,000
Number of Sales	932	9.9%	848	-23.0%	1,210
Days on Market (From Last List Date)	132	-0.8%	133	46.7%	90
Listing Discount (From Last List Price)	2.2%		2.0%		1.0%

Co-op Apartment Mix	% of Total	Avg. Price
Studio	21%	\$391,059
1 bedroom	38%	\$642,423
2 bedroom	35%	\$1,327,986
3 bedroom	4%	\$3,312,997
4+ bedroom	3%	\$6,745,850

**Days on market remains stable, while the listing discount eroded** The number of days it takes to sell a Manhattan co-op was essentially unchanged for the past three quarters after posting an average days on market of 132. The prior two quarters saw the average days on market settle at 133 days and 129 respectively. However, this indicator lags behind market activity and it is anticipated to expand over the next year. Days on market is defined as the number of days from the date of the last price change, if any, to the contract date. For the sixth consecutive quarter, the listing discount has increased, albeit at a very modest pace. The average listing discount or negotiability of a sale is defined as the amount the sales price is reduced from the last listing price of a property. In the current quarter, the average listing discount of a Manhattan apartment was 2.2%, up from 2% in the prior quarter and up from 1% in the prior year quarter. Like days on market, listing discount is expected to expand as the market adjusts to a lower level of activity.

# CONDO Market

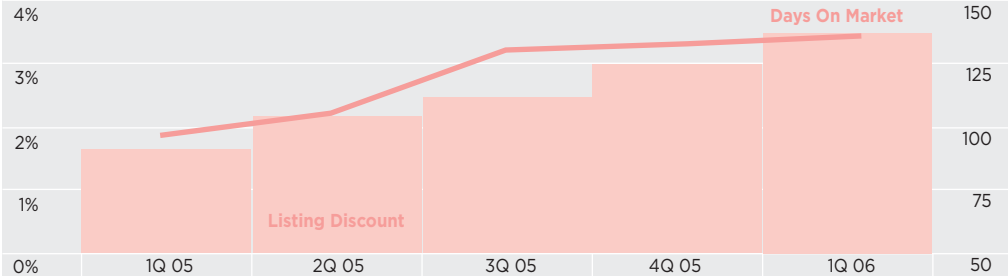
*Price indicators are mixed as number of sales surged*

**No price indicator set a record this quarter but number of sales surged** It has been five quarters since a record has been set by any of the price indicators tracked in this report. The absence of record setting results from all price indicators last occurred in the fourth quarter of 2004, the quarter before the price spike that occurred in the first half of 2005. The average price per square foot was more tempered in the short term, dropping 4.2% to \$1,065 from \$1,112 price per square foot in the prior quarter, but up 2.9% from the \$1,035 average price per square foot seen in the prior year quarter. The average price per square foot was a more reliable indicator this quarter due to the shift in unit mix toward larger units which skewed the other indicators upward. The number of sales for the quarter jumped as a large number of units in new developments closed after the first of the year. The number of sales to close in the quarter was up 31.2% to 1,073 units from 818 units in the

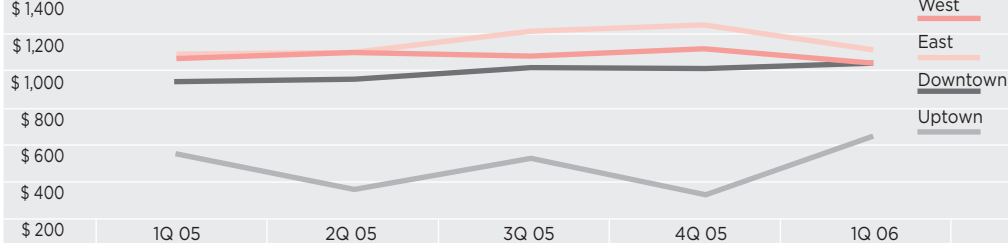
prior year quarter. However, this is believed to be a one-time anomaly and not an indicator of an emerging trend.

**The unit mix of sales this quarter shifted to larger apartments** The market share of 2-bedrooms increased 9% above the prior quarter and 4-bedroom units gained a 2% share which was a notable increase given the already small size of this segment. These gains came at the expense of the studio and 1-bedroom market which saw an 11% drop in the number of their sales as compared to the last quarter. However, the current mix of units that sold this quarter was largely in line with the mix seen in the prior year quarter indicating that market patterns are returning, at least temporarily, to more normal patterns. The increased activity at the upper end of the market can be evidenced by the increase in the average square footage for the quarter. The average size of a Manhattan condo was 1,391 square feet, up 11.8% over the prior quarter average of 1,243 square feet. This is in contrast to the drop in the average size of a Manhattan condo throughout 2005 and, in fact, the current average is 7% below the average square footage of 1,496 seen in the prior year quarter.

**Listing Discount vs. Days On Market / Condo**



**Average Price Per Sq Ft / Condo**



**Listing inventory continued to rise as days on market expanded** Condo inventory rose throughout 2005 to the highest level seen since this indicator was tracked starting in 1999. There were 2,933 condo re-sale and new development units available for sale, up 15.3% over the prior quarter total of 2,543 and up 71.8% above the prior year quarter total of 1,707 units. Inventory levels were near record lows during the same period last year which exaggerates the growth of inventory. However, it is clear that inventory is rising at a rapid pace. New development and re-sale condo units took an average of 144 days to sell this quarter, up 3 days from the prior quarter average of 141 days and up 45 days from the prior year quarter average of 99 days. The average listing discount was 3.4% this quarter, up from 3% seen in the prior quarter and up from 1.7% seen in the prior year quarter.

Condo Market Matrix	Current Qtr	%Chg	Prior Qtr	%Chg	Prior Yr Qtr
Average Sales Price	\$1,481,219	7.1%	\$1,382,751	-4.3%	\$1,548,139
Average Price per Square Foot	\$1,065	-4.2%	\$1,112	2.9%	\$1,035
Median Sales Price	\$975,000	8.3%	\$900,000	-1.2%	\$987,000
Number of Sales	1,073	47.8%	726	31.2%	818
Days on Market (From Last List Date)	144	2.1%	141	45.5%	99
Listing Discount (From Last List Price)	3.4%		3.0%		1.7%

Condo Apartment Mix	% of Total	Avg. Price
Studio	8%	\$494,352
1 bedroom	33%	\$757,653
2 bedroom	50%	\$1,589,508
3 bedroom	6%	\$3,285,631
4+ bedroom	3%	\$7,530,469

# LUXURY Market

*Prices rose, but with more volatility*

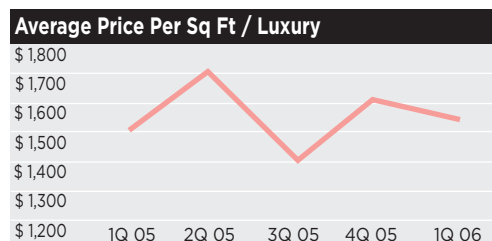
**Prices were mixed as average square footage surged** The average sales price of a Manhattan luxury apartment increased 9.9% to \$4,547,201 from the prior quarter average sales price of \$4,138,270, and was essentially unchanged from the prior year quarter average sales price of \$4,533,297. Although the current average sales price is the second highest average sales price on record, this was largely due to the 14.6% increase in apartment size from the prior quarter. The average size of a

luxury apartment this quarter was 2,945 square feet, up from 2,570 square feet in the prior quarter.

**Average price per square foot declined** The average price per square foot for a luxury apartment was \$1,544, down 4.1% from the prior quarter result of \$1,610 and essentially unchanged from the prior year quarter of \$1,552. This is perhaps the most telling aspect of the luxury market in the current quarter. Prices increased but only as a result of the increase in the average square footage of apartments that sold this quarter. When analyzing units on an individual basis, luxury unit prices were relatively unchanged.

**The velocity of luxury units eased slightly from last year** The velocity of luxury apartments that sold this quarter – defined as the aggregate dollar amount of units sold – was 34.9% of the overall market velocity. In other words, 10% of the sales account for 34.9% of the total dollars spent, falling just short of \$1 billion, at \$909,440,200. This is 1.2% less than the velocity of \$920,259,291 reached in the prior year quarter yet the market share was 37.4%

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.

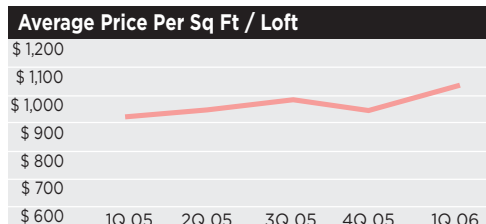


Luxury Market Matrix	Current Qtr	%Chg	Prior Qtr	%Chg	Prior Yr Qtr
Average Sales Price	\$4,547,201	9.9%	\$4,138,270	0.3%	\$4,533,297
Average Price per Square Foot	\$1,544	-4.1%	\$1,610	-0.5%	\$1,552
Median Sales Price	\$3,400,000	4.6%	\$3,250,000	-5.6%	\$3,600,000
Number of Sales	200	27.4%	157	-1.5%	203
Days on Market (From Last List Date)	155	6.9%	145	24.0%	125
Listing Discount (From Last List Price)	4.0%		3.8%		2.0%

# LOFT Market

*Price indicator sets record as the number of sales increased*

**Average price per square foot breaks \$1,000 threshold** The average price per square foot this quarter reached a record \$1,043, 10.8% above the prior quarter price per square foot of \$941 and 12.6% above the \$926 average price per square foot in the prior year quarter. Average sales price increased 10.6% to \$1,825,958 above the prior quarter average sales price of \$1,650,574 but was 8.1% below the prior quarter average sales price of \$1,986,626, the highest quarterly average sales price on record. Median sales price followed the same pattern as average sales price.



the prior quarter average of 126 days. The average listing discount was 3.1%, up from 2.8% in the prior quarter. Loft apartments averaged 1,751 square feet this quarter, about the same as the 1,754 square foot average in the prior quarter but was well below the 2,145 square feet seen in the prior year quarter. The average size of a loft apartment has been trending downward over the past several years with the size of a loft apartment averaging 1,941 square feet over the prior 5 years.

**The number of sales surged as the number of listings dropped** The number of sales jumped 70% over the prior quarter to 187 units from 110 units and 8.7% above the 172 units in the prior year quarter. The quarter-over-quarter change was exaggerated due to the dearth of activity at the end of 2005. At the same time, listing inventory fell 28.1% to 341 units from the prior quarter total of 474 units. However, inventory is 4.6% above the prior year quarter total of 326 units. The jump in sales this quarter was responsible for a portion of the drop in the number of units available for sale.

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.

**Market share rises to normal levels** Loft unit sales comprised 9.3% of overall Manhattan unit sales, after seeing a 7.7% and 7% market share in the prior two quarters respectively, which were unusually low levels. The average days on market was 125 days, basically unchanged from

Loft Market Matrix	Current Qtr	%Chg	Prior Qtr	%Chg	Prior Yr Qtr
Average Sales Price	\$1,825,958	10.6%	\$1,650,574	-8.1%	\$1,986,626
Average Price per Square Foot	\$1,043	10.8%	\$941	12.6%	\$926
Median Sales Price	\$1,470,000	-0.3%	\$1,475,000	-10.9%	\$1,650,000
Number of Sales	187	70.0%	110	8.7%	172
Days on Market (From Last List Date)	125	-0.8%	126	22.5%	102
Listing Discount (From Last List Price)	3.1%		2.8%		2.4%

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