COMPASS

Q3 2015

Manhattan Market Report

Introducing the Compass Q3 2015 Manhattan Market Report

At Compass, we understand the value of real data and the insight gained from it. This report serves to highlight the prevailing trends across the marketplace, while providing in-depth insight into the research and data analytics on which Compass prides itself.

We hope to leave you with a more clear understanding of the Manhattan real estate market and a deeper awareness of the drivers of change. There were several key developments throughout the third quarter, and we would like to highlight three of them:

- The median price for a Manhattan property topped $1M for the first time, hitting a record of $1,040,000.
- Available inventory level hit a record low, measuring just 6,366 properties. This comes after strong demand and an increase in the number of closings, pushing prices to new heights.
- Total supply dropped to a record low 4.9 months, adding pressure to an already tight market fueled by strong demand and rising prices.

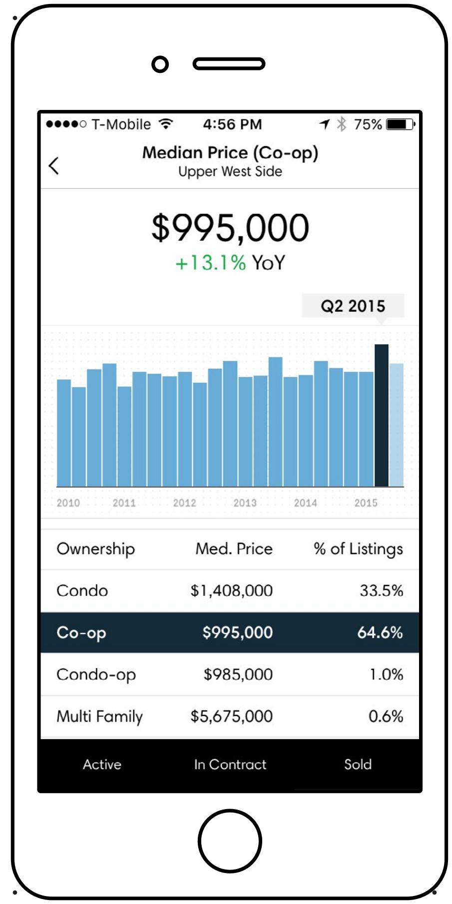
Looking ahead to Q4 2015, we expect prices to continue to increase and inventory to remain in short supply. As we approach the last quarter of 2015, one segment that continues to be closely watched is the high-priced luxury sector, as additional new developments come available, adding to what is widely viewed as a top-heavy market.

Please contact our agents if you have any questions related to this report, or if we may be of further assistance. A digital copy of this report may be viewed at compass.com/research.

Introducing Compass Markets

Get real-time quarterly data on the go. Our first iOS app for market research is almost ready. Access the latest data in real-time for Manhattan and Brooklyn as well as five years of sales history at your fingertips.

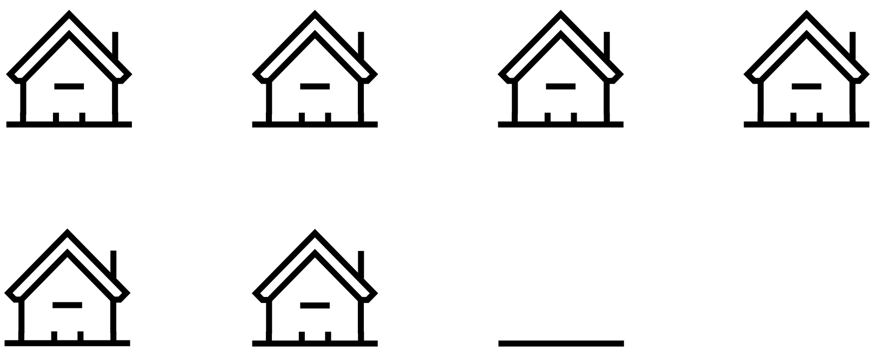
Contact research@compass.com for details.



Market Highlights

Total Available Listings in Manhattan:

6,366



New Record - Median Price in Manhattan

$1,040,000

New Record - Median Resale Co-op Price

$800K

New Record - Downtown Price

$1.4M

Total Supply Lowest Level

4.9

Median Days on Market

45

Share of Inventory over $3M

34.1%

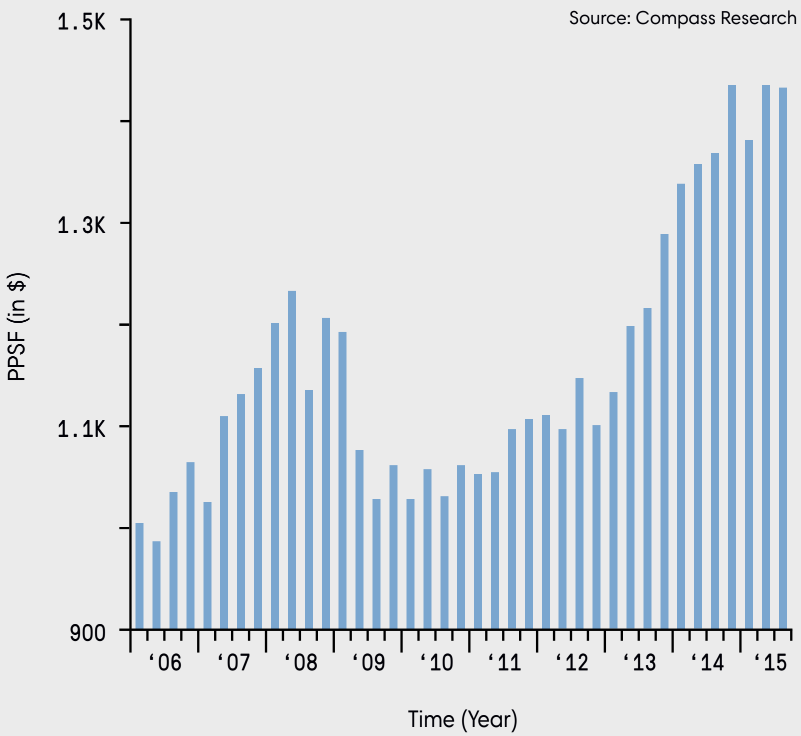
UWS Median Price

$1.2M

Prices

As available inventory tightened and demand grew in Q3 2015, record prices were set for Manhattan and more specifically, two major markets: the Upper West Side and Downtown.

	FIGURE	YoY
MEDIAN PRICE	$1,040,000	+10.6%
CONDO - RESALE	$1,275,000	-1.8%
CO-OP - RESALE	$800,000	+8.3%
NEW DEVELOPMENT	$1,781,938	+29.9%
CONDO PPSF:	$1,422	+4.1%
BY LISTING STATUS		
ASKING:	$1,800,000	+33.3%
IN-CONTRACT:	$1,250,000	+20.5%



Historic PPSF Trends

The chart depicts the overall median closing PPSF trends from Q1 2006 to Q3 2015 in Manhattan. PPSF measured $1,422 this quarter, down from $1,435 the previous quarter.

Tightening Inventory, Higher Prices

Prices continued an upward climb in Q3 2015, driven by increased appetite and inventory constraints. The median price for a Manhattan property rose 4.1% from last quarter and 10.6% year-over-year to $1,040,000, surpassing the million-dollar mark for the first time. Price per square foot (PPSF) was up from one year ago, hitting $1,422. Due to constrained inventory and strong demand throughout Manhattan, two major Manhattan markets set record median prices during the third quarter.

Main Points:

- Manhattan Median Price Hits $1.0M
- Median PPSF is $1,422
- Record Prices Set on the Upper West Side and Downtown

Manhattan Median Price Hits $1.0M

Prices in Manhattan hit a major milestone in Q3 2015, exceeding the million-dollar mark for the first time with a median price of $1.0 million. This is up from last quarter when the median price registered $999,500 and up considerably from $940,000 one year ago. The median price climbed 32.0% since the lowest point of the recession when median price was $788,140 and surpassed the pre-recession high of $985,000 by 5.6%.

Resale condo prices dipped slightly in the third quarter to $1.3M, down 5.6% from Q2 2015 when the median price was $1.4M. However prices remained stable year-over-year and were up 35.5% from the recession low of $941,000. Resale co-ops experienced a second straight quarter of median price increases, up 8.3%, hitting $800,000 from $739,935 one year ago.

New development witnessed substantial growth in the third quarter, with median price reaching a record-shattering $1.8M. This is up 25.9% from last quarter's $1.4M and up 29.9% from Q3 2014 when median price was $1.3 million. The new development median price exceeds the Manhattan median by an astounding 71.3%, or $741,938.

Closings at high-profile new developments including One57 at 157 West 57th Street and The Baccarat Hotel & Residences at 28 West 53rd Street in Midtown Manhattan will continue to inflate new development median prices and upwardly skew Manhattan median prices overall. Starting price-points of these luxury projects far exceed those of properties in resale and have created an entirely new market segment. This is expected to continue as several key developments are set to start closings in the fourth quarter.

Median PPSF is $1,422

Median PPSF was up 4.1% year-over-year, hitting $1,422 and exceeding the pre-recession peak by 15.3%, when median price was $1,234. Q3 2015 also surpassed the lowest point of the recession by 38.2% when median PPSF was $1,029.

Median resale condo PPSF reached $1,417, up 4.8% from one year ago when median price was $1,353. This is a 42.5% increase over the low point of the recession when median price was $995 per square foot.

As previously forecast, PPSF levels have experienced a slowed rate of growth against historical levels. Quarter-over-quarter increases have averaged 1.5% growth since Q1 2010, but only measured a 1.1% quarterly growth rate in the previous four quarters. The annual rate of growth averaged 5.7% since 2010, with a notable spike of 12.9% in 2014.

Record Prices Set On the Upper West Side and Downtown

As inventory levels tightened and strong demand put upward pressure on prices, the void of lower priced inventory and onslaught of new developments produced record median prices in two major markets.

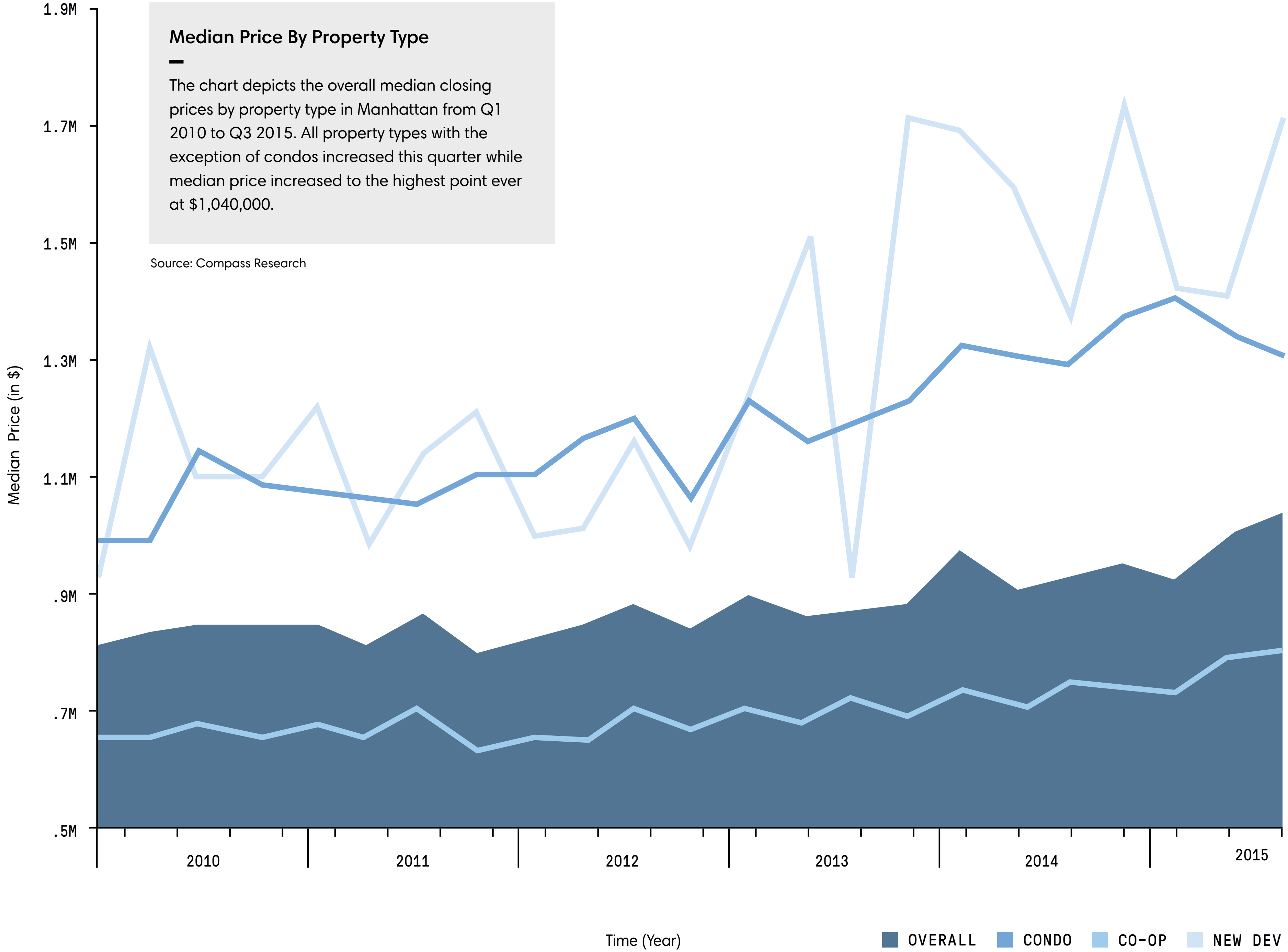
The Upper West Side surpassed the previous record high of $1.1M set in Q2 2014 by 10.1% with a new median price of $1.2M. Without a significant share of more affordable options, the median price has grown 14.6% from $1.0M in Q2 2015 and 13.8% year-over-year from $1.1M. Overall, 42.4% of sold properties were priced between $1-3M and 13.9% priced above $3.0M in Q3 2015. Only 11.7% were below $500,000.

Downtown hit a record high of $1.4M, overcoming the recent record high of $1.3M set last quarter by 9.8% and continued to be the most expensive major market in Manhattan. Prices have increased an average of 2.2% a quarter since 2010. In total, 37.4% of properties sold between $1-3M while 22.6% sold at $3M+. Just 9.1% of homes sold under $500,000. With the addition of new construction and conversions, the median price is expected to climb higher.

Median Price By Property Type

The chart depicts the overall median closing prices by property type in Manhattan from Q1 2010 to Q3 2015. All property types with the exception of condos increased this quarter while median price increased to the highest point ever at $1,040,000.

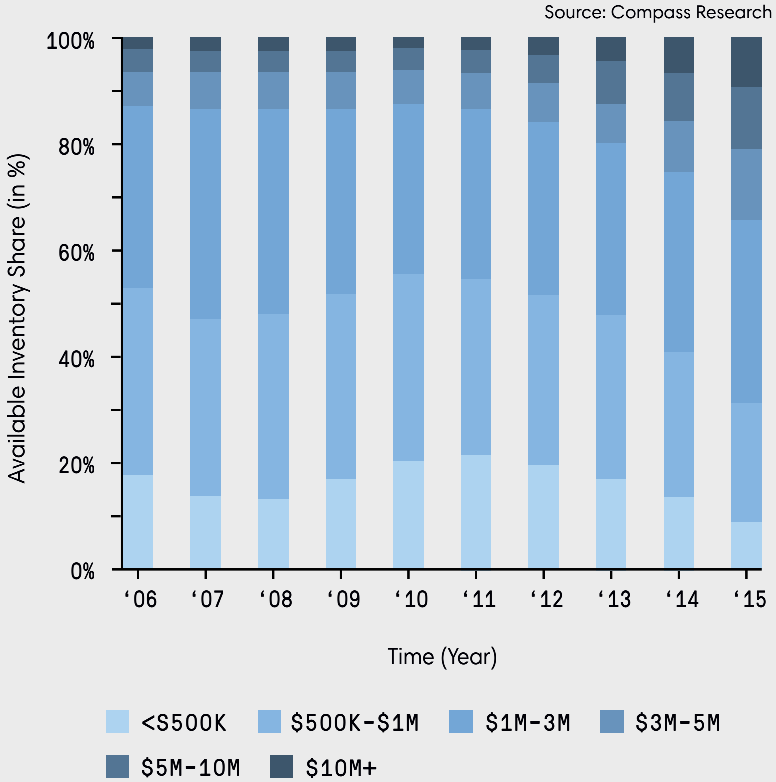
Source: Compass Research



Inventory

Overall inventory hit the lowest level recorded since 2006. Inventory carryover, defined as leftover product from one quarter to the next, hit a record high of 73.6%. As inventory decreased and demand strengthened, prices continued to climb.

	FIGURE	SHARE	YoY
AVAILABLE:	6,366		-20.0%
PRICE CATEGORY			
<$500K:	627	9.8%	-43.4%
$500K-1M:	1,415	22.2%	-30.6%
$1M-3M:	2,153	33.8%	-15.1%
$3-5M:	831	13.1%	+15.7%
$5-10M:	739	11.6%	+6.0%
$10M+:	601	9.4%	+21.9%
PROPERTY TYPE			
CONDO:	3,056	48.0%	-18.4%
CO-OP:	2,880	45.2%	-25.2%
BEDROOM TYPE			
STUDIO:	932	14.6%	-20.5%
1BR:	1,895	29.8%	-29.2%
2BR:	1,693	26.6%	-23.9%
3BR:	1,033	16.2%	-6.5%
4BR+:	813	12.8%	+4.2%



Q3 Available Inventory Shares by Price Category

The chart depicts the total available listing percentage (%) shares as they relate to price categories. Q3 2015 witnessed the smallest % shares of available inventory amongst any Q3 with only 32.2% of available inventory falling below the $1M threshold.

Inventory Hit the Lowest Recorded Level Since 2006

Available inventory has been steadily declining since 2010 and experienced a 32.1% drop in Q3 2015 from Q2 2015, the sharpest quarter-over-quarter decline since 2006. Inventory was down 20.0% from one year ago. Previously, the largest drop occurred in Q4 2010, when inventory plunged 23.8%.

Q3 2015 had the lowest level of inventory recorded since 2006. There were 6,366 overall units available, of which 4,688 (73.6%) were carried over from the second quarter. The remaining 1,678 (26.4%) units were new inventory listed for the first time, representing the lowest quarterly amount added in 10 years. Total inventory was down from 9,381 total listings in Q2 2015, when 5,107 (54.4%) properties were added. In Q3 2014, 7,959 units were available, with 3,712 (46.6%) new. Previously, the lowest inventory level recorded was during Q1 2014 with a total of 7,338 units available.

Main Points:

- Inventory Hit the Lowest Recorded Level Since 2006
- Overall Condo Inventory Outpaced Co-op Share of Inventory
- High-Priced Properties Sat Longer While Less Expensive Moved Quickly, Equalizing Market Share

Overall Condo Inventory Outpaced Co-op Share of Inventory

In Q3 2015, condo inventory accounted for 48.0% of total inventory. This is up 1.3% from holding 46.7% last quarter and up 0.9% from 47.1% in Q3 2014. The rising share marks a substantial increase over the post-recession average of 45.7%, suggesting a heightened and expanding marketplace.

As condo share increased, co-op share dipped to 45.2% of total inventory. This is down 3.2% from 48.4% in Q3 2014 and down from the post-recession average of 50.1%. A similar trend was witnessed in pre-recession quarters when condo inventory peaked at 55.7% while co-ops only held 40.5% of total inventory.

Among new inventory, condos made up 43.5% total share while co-ops were at 48.0%. Both numbers are down from Q3 2014, when condos were at 45.9% and co-ops 50.8%. Post-recession condo inventory averaged 43.3% of market share while co-ops held 53.1%.

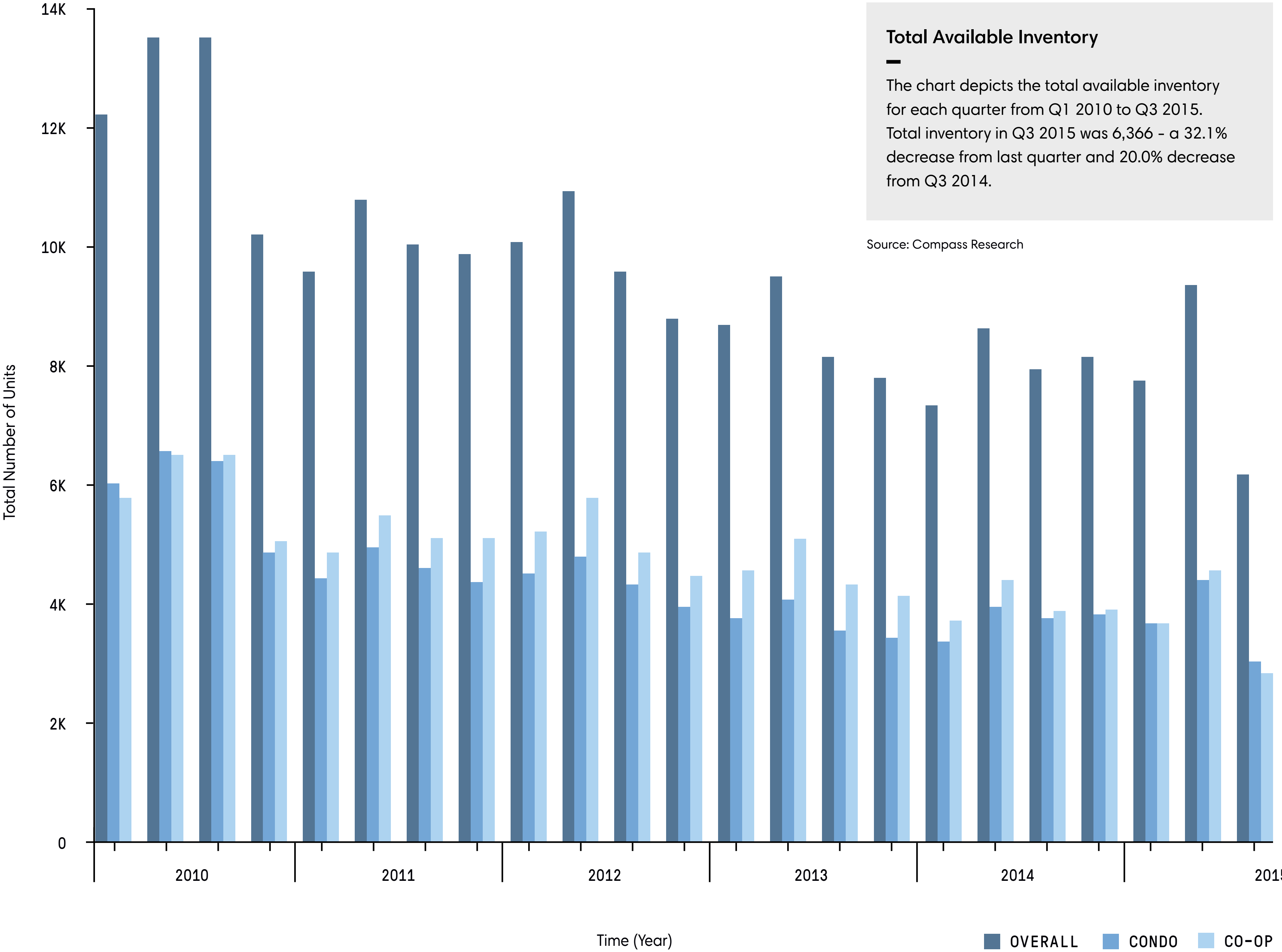
High-Priced Properties Sat Longer While Less Expensive Moved Quickly, Equalizing Market Share

Since 2006, the total percentage share and number of units priced below $500,000 has steadily declined. Presently, only 10.0% of available properties fall into this price category. This is down from 14.7% one year ago and is a 42.6% decline from the 10-year third quarter average of 17.3%. Properties purchased in this price category are not replenished as frequently as higher priced properties, contributing to the loss of market share.

While the number of available units priced below $500,000 continued to shrink, those priced above $10M gained market share. In the third quarter, $10M+ properties increased share by 46.9%, now accounting for 9.4% of total inventory from 6.4% in Q3 2014. The increasing share represents a jump of 161.1% from the 10-year quarterly average of 3.6%. In Q3 2010, this category made up an insignificant 1.9% of the market, but continued to increase share thereafter.

For the fourth consecutive quarter both the $3-5M and $5-10M price categories comprised double-digit shares of the market, accounting for 13.0% and 11.6%, respectively. Year-over-year, the $3-5M category has increased share by 3.6% and the $5-10M bracket grew by 2.4%.

A contributing factor to the increase in $3M+ market share is the velocity at which properties in the top tier price categories are selling. In total, 20.6% of properties priced above $3M averaged more than 180 days on the market, while only 3.0% of those priced below $1M averaged the same amount of time. As an increasing number of higher priced units enter the market selling at a comparatively slower rate, market share for the $3M+ properties will continue to increase.



Total Available Inventory

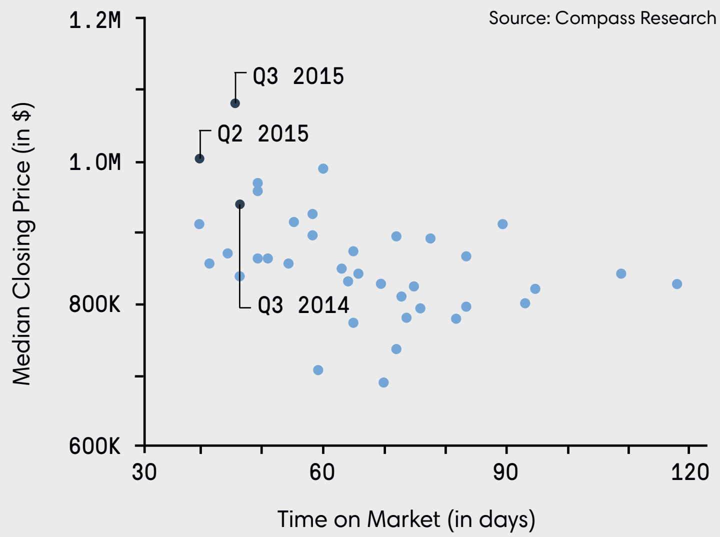
The chart depicts the total available inventory for each quarter from Q1 2010 to Q3 2015. Total inventory in Q3 2015 was 6,366 - a 32.1% decrease from last quarter and 20.0% decrease from Q3 2014.

Source: Compass Research

Time on Market

Q3 2015 recorded the highest median sold price while properties spent the shortest time on the market of any third quarter in the past 10 years.

	FIGURE	YoY
TIME ON MARKET (DAYS):	45	-2.2%
PRICE CATEGORY (DAYS)		
<$500K:	42	-16.0%
$500K-1M:	40	-2.4%
$1M-3M:	46	+4.5%
$3-5M:	47	-25.4%
$5-10M:	91	+21.3%
$10M+:	91	+5.8%
PROPERTY TYPE (DAYS)		
CONDO:	49	+4.3%
CO-OP:	42	-6.7%
BEDROOM TYPE (DAYS)		
STUDIO:	41	-16.3%
1BR:	43	+2.4%
2BR:	41	-18.0%
3BR:	56	+7.7%
4BR+:	74	+1.4%



Time on Market

The chart depicts median days on market and median closing prices for all quarters between Q1 2006 and Q3 2015 and details Q3 2015's performance relative to all other quarters during the period of observation. This quarter has outperformed nearly all other quarters with median days on market equating to a 45 days while at the same time witnessing median sale price reach a record $1,040,000.

More Expensive, Less Time

In the third quarter of 2015, properties spent less time on the market, the period defined from the listing date to the contract signed date, than any previous third quarter since 2006. The overall shift towards a faster paced absorption is due to the evolving buyer composition of Manhattan, as an increase in foreign-led transactions and investment purchases have become commonplace. Coupled with less inventory, demand fueled price growth; the median sold price of a Manhattan property is $1.0M. Overall, 61.3% of properties sold within the first 59 days on market.

Main Points:

- Properties Spent a Shorter Time on Market Than All Previous Q3's
- Upper Manhattan and Upper West Side had the Greatest Share Enter Contract in the First 59 Days
- Selling Time Varied by Apartment Type

Properties Spent a Shorter Time on Market Than All Previous Q3's

The third quarter of 2015 registered the lowest overall time on market of any third quarter since 2006. The median time on market was 45 days, down from the Q3 2014 total of 46 days. Comparatively, current time on market is 52.1% lower than at the height of the recession when Q3 2009 averaged 94 days on market. Additionally, the total number of days on market was 16.7% lower than the previous third quarter peak in 2007, when the market averaged 54.

The decrease in total time on market is attributed to several macro-level indicators. An increasingly popular drive of Manhattan real estate is foreign investments. New York City is viewed as a relatively safe and stable investment over other locales and buyers can expect a reasonable return on investments, through appreciation and/or income if rented.

In addition to primary residences, buyers are purchasing properties across all price points as secondary residences or investment properties. As the average rental price in Manhattan has topped $4,000 per month, consumers can generate a stronger rental income incomparable to other U.S. markets. While the economy continues to recover, consumer confidence and household net worth increased, allowing buyers to diversify investments.

Upper Manhattan and Upper West Side had the Greatest Share Enter Contract in the First 59 Days

Upper Manhattan had the greatest increase of contracts signed in the 30-59 days on market time period, totaling 42.2% of properties. One year ago, this bracket made up 31.3%. Overall, 70.0% of all properties in Upper Manhattan sold within the first 59 days. The increase is due to the relatively affordable nature of the area, where 35% of inventory is asking below $500,000 and 92% below $3 million.

The Upper West Side had the largest share of inventory in any major market sell within the first 59 days. Overall, 70.6% of properties entered contract in that timeframe. Additionally, 42.4% of properties sold in less than 30 days, the most of any market. This indicates a strengthening market with robust demand and limited inventory.

Midtown West was the single market to lose share in the 30-59 days on market category, dipping to 25.0% from 30.3% one year ago. However, 58.3% of inventory entered contract within the first 59 days, up 5.1% from 53.2% in the third quarter of 2014. This represents a 10.4% surge of contracts signed within the first 30 days, now accounting for 33.3% of the market, signaling a progressively competitive area.

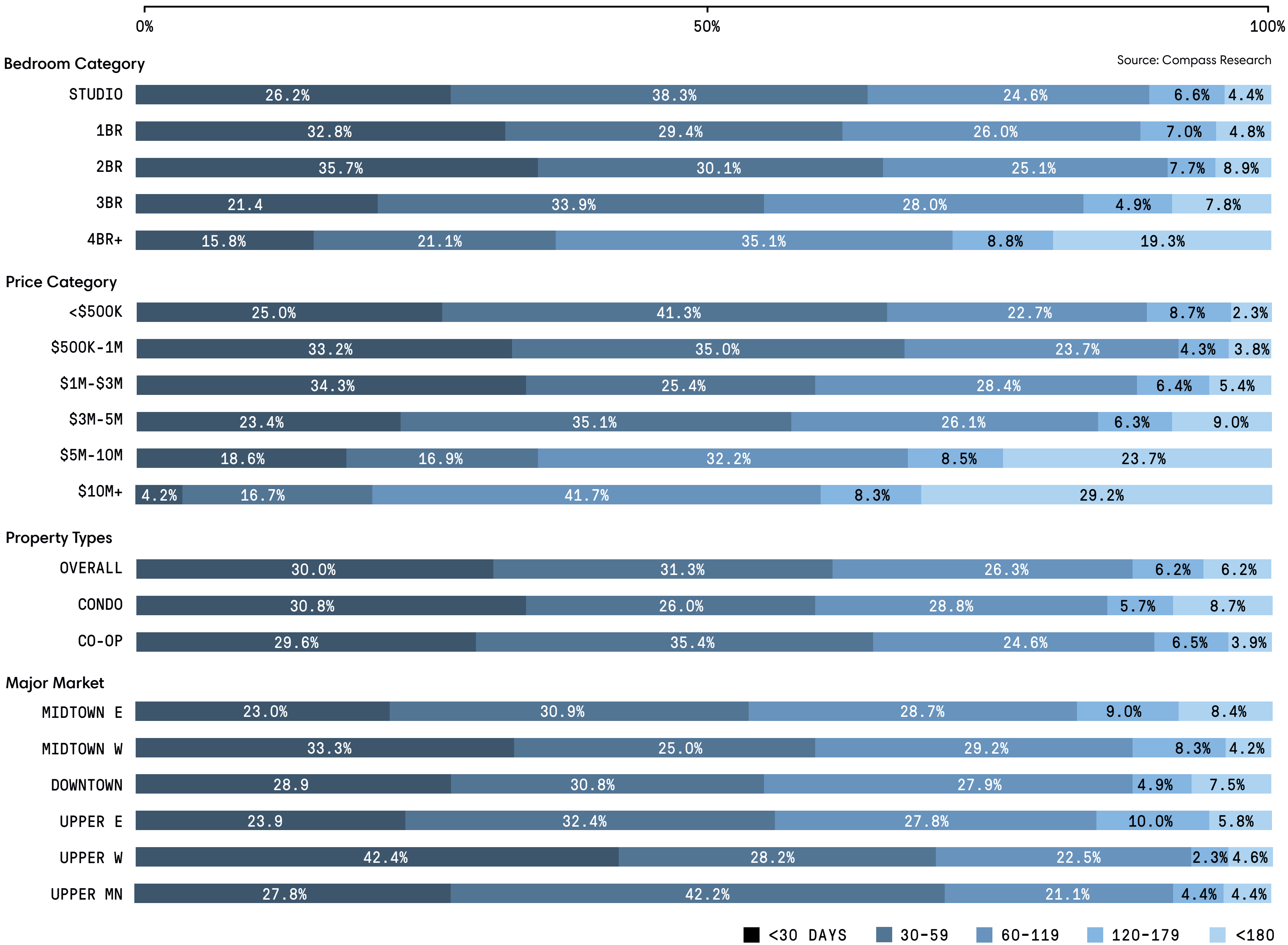
Selling Time Varied by Apartment Type

When evaluating bedroom count, 19.3% of 4 BR+ properties took more than 180 days to sell, compared to an average of 5.9% of Studio – 3 BR homes. This was due to the smaller pool of buyers who are looking for larger, more expensive residences, coupled with an increasing share of high bedroom count inventory in the market.

High-priced properties, many of which have a large number of bedrooms, continued to sit on the market longer than lower-priced and lower bedroom count listings. In total, 29.2% of all properties priced above $10M and 23.7% in the $5-10M bracket took more than 180 days to enter contract. Only 3.8% of homes below $5 million sat for more than 180 days.

By property type, condos and co-ops entered contract within the same percentage across time blocks during the first 180 days. However, 8.7% of condos sold in more than 180 days, while only 3.9% of co-ops took as long to sell. One contributing factor is the influence of new condo developments that have come to the market where the lowest price offerings can start around $10M, taking a substantial time to find buyers.

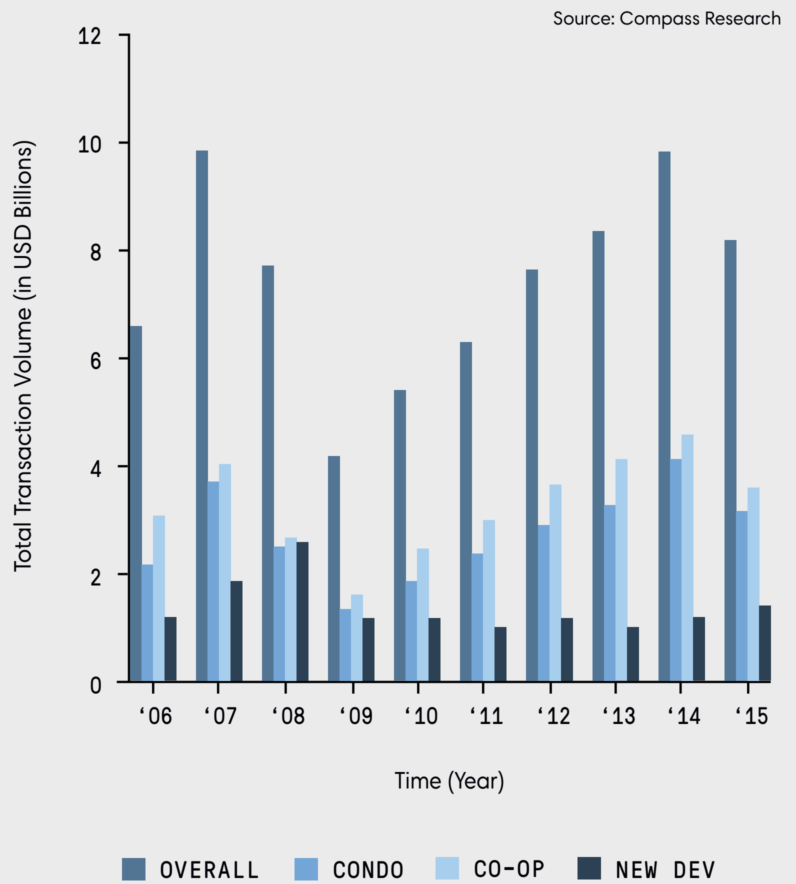
TIME ON MARKET



Closings

As demand surged for Manhattan properties, constrained supply continued to apply upward pressure on prices and drive down inventory levels. Total supply dropped to a record low of 4.9 months.

	FIGURE	SHARE	YoY
TOTAL CLOSINGS	3,929		-10.1%
CONDO - RESALE	1,258	32.0%	-7.6%
CO-OP - RESALE	2,186	55.6%	-14.9%
NEW DEVELOPMENT	476	12.1%	+22.7%
MONTHS OF SUPPLY: 4.9			-11.1%



Transaction Volume

The chart depicts the total historic Q3 transaction volume in dollars ($) of closed sales in Manhattan by property type.

With A Drop in Supply, New Development Gained Traction

The market experienced its second straight quarter of an increase in the rate of absorption, dropping to 4.9 months of supply from 8.2 in Q2 2015. New development closed deals, up 22.7% from Q3 2014, are expected to increase as several high-profile developments begin closings in the upcoming quarters, increasing the median price and total transaction volume.

Main Points:

- Total Supply Hit a Record Low of 4.9 Months
- Number of Closings Declined From Q3 2014
- New Development Increased Share

Total Supply Hit a Record Low of 4.9 Months

The overall months of supply compressed for the second straight quarter, decreasing the total supply to a record low 4.9 months. This level, a decrease of 3.3 months over Q2 2015 (39.9%), was 45.8% below the historic average of 9.1 months and 2.1% below the previous record low of 5.0 months experienced in Q3 2007. The rate of absorption has improved since the recession when total supply peaked at 22.2 months.

With an average drop of 1.8% per quarter since 2010, absorption of total months of supply accelerated in 2015, measuring a 26.7% drop since Q4 2014. Major developments and renovation projects were purchased at the most rapid rate witnessed since the pre-recession level, when total months of supply was decreasing at a near-identical rate.

Number of Closings Declined From Q3 2014

Total number of closings decreased from one year ago but increased over 2Q 2015. The quarter-over-quarter uptick was due to strong demand for available inventory amid growing concerns of supply constraints for affordable properties.

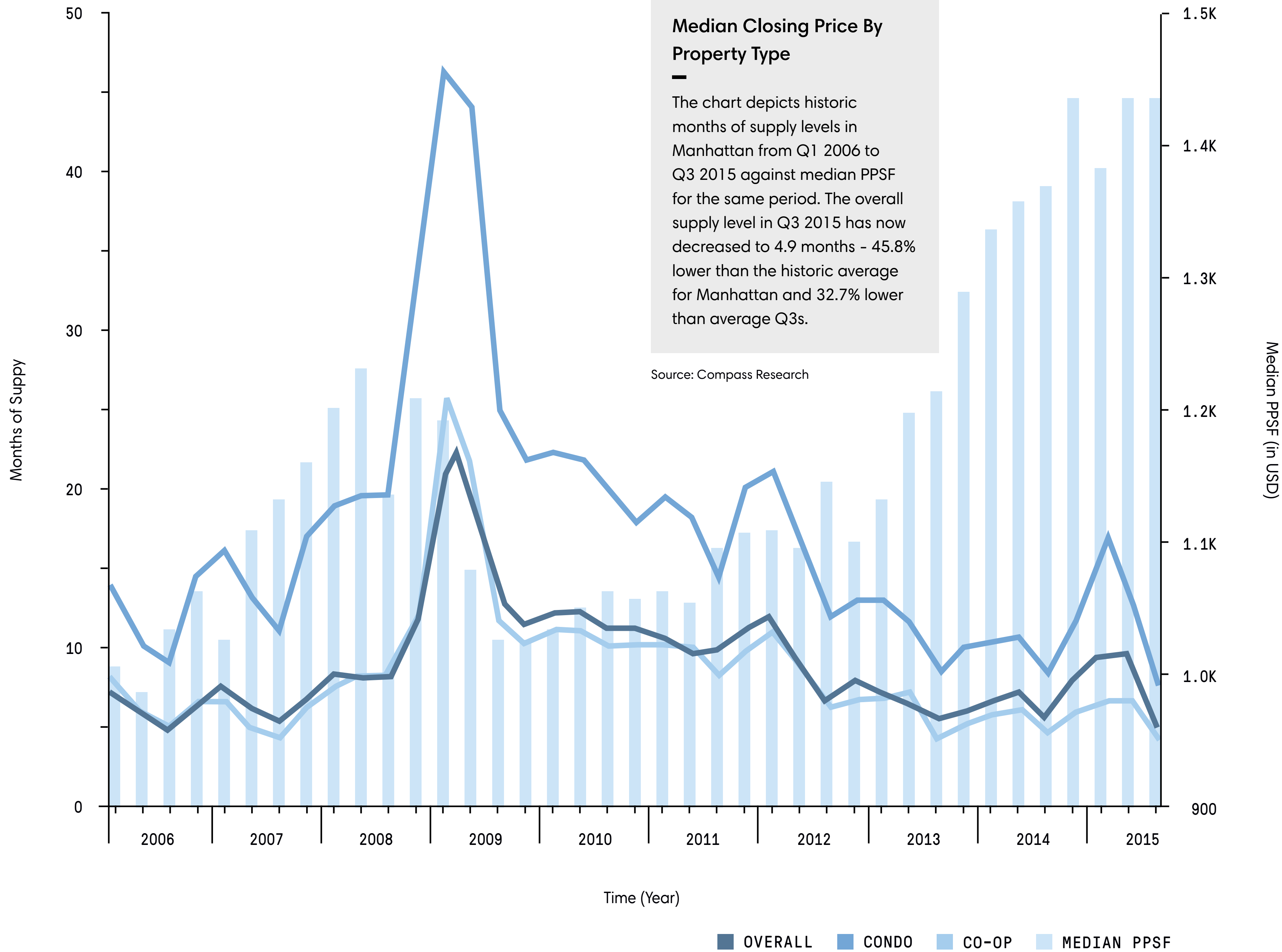
Overall, 3,929 closings were recorded in Q3 2015, down 10.1% from 4,368 in Q3 2014 but up 12.9% from 3,479 in Q2 2015. Condos finished with 1,258 closings, down 7.6% from the Q3 2014 total of 1,361 and up 17.1% from 1,074 closings in Q2 2015. Co-ops ended down 14.9% year-over-year with 2,186 closings but up 4.9% from 2,083 in the second quarter.

Total share of condo closings remained consistent with previous quarters totaling 32.1% in Q3 2015, up 1.2% from Q2 2015 and up 0.6% from Q3 2014. Co-op closings lost share while still maintaining the majority at 55.8%. In Q2 2015 co-ops accounted for 59.9% and in Q3 2014 held 59.5% of total share.

New Development Increased Share

New development finished the quarter up 22.7% from Q3 2014 with a total of 476 closings. This is an increase from 318 closings in Q2 2015 and 388 one year ago. Closings were up 6.4% from the quarterly average of 447 since 2010.

Accounting for 12.1% of total closed deals in Q3 2015, new development generated an increasing share of total transaction volume on a per-unit basis and when measured by dollar amount. 476 new development transactions closed this quarter, the largest number since Q3 2013 when 487 new development closings occurred. New development share of closed deals was up from 9.0% last quarter and 9.1% one year ago.



Median Closing Price By Property Type

The chart depicts historic months of supply levels in Manhattan from Q1 2006 to Q3 2015 against median PPSF for the same period. The overall supply level in Q3 2015 has now decreased to 4.9 months - 45.8% lower than the historic average for Manhattan and 32.7% lower than average Q3s.

Source: Compass Research

Garrett Derderian
Research & Data Analyst
research@compass.com