

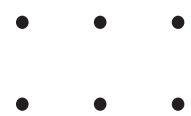
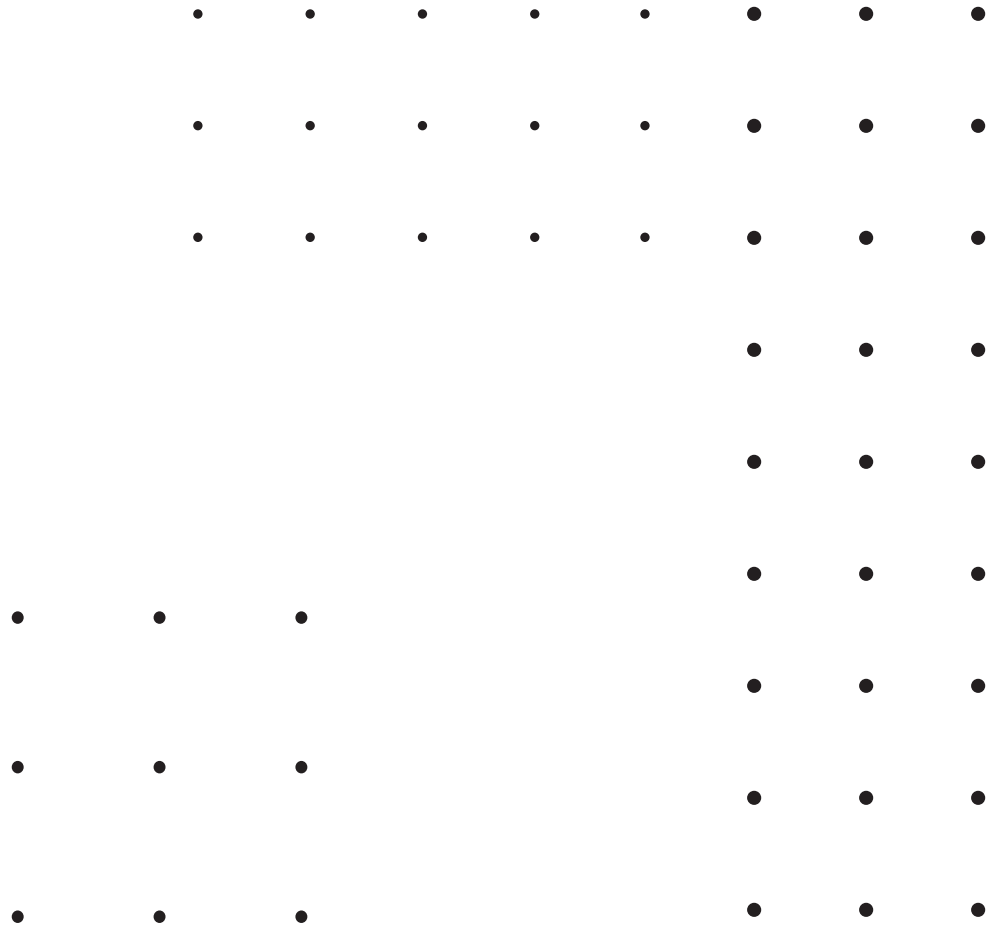
Q 4

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M A N H A T T A N

M A R K E T

R E P O R T



Introducing the Compass Q4 2017 Manhattan Market Report

Page 02 **Coverage area**

Page 03 **Inventory**

Page 05 **Contracts signed**

Page 08 **Closings**

Page 10 **Pricing by market**

Page 11 **Time on market**

Compass created Compass Markets, a mobile application that analyzes real estate markets in real time, because we believe in transparency and the importance of real-time information in the marketplace. Highlighted in this report are several key trends observed from our Compass Markets app throughout the fourth quarter.

01

In anticipation to sweeping changes to tax legislation, resale activity ramped up during the fourth quarter as buyers rushed to lock-in the full \$1M mortgage interest deduction on new mortgage originations. Resale closings for condos and co-ops within the \$1M - \$3M price segment, where buyers could be most impacted by the new limit in mortgage interest deductions, increased 11% and 13% year-over-year, respectively. Furthermore, resale activity within the \$500K - \$1M price segment increased 21% year-over-year as potential buyers originally feared a mortgage interest cap of \$500K. In fact, median condo resale prices were down 13% this quarter compared to 4Q16, which was not attributable to any particular project or neighborhood, but as a result of a broader shift in resale volume to units priced between \$500K - \$1M. However, it remains to be seen how the GOP Tax Bill will impact Manhattan real estate performance long-term, especially when taking into account the \$10K cap to state and local income taxes (SALT) deductions, lower marginal taxes for many income brackets, and the new \$750K limit in mortgage interest deductions.

02

The disconnect between luxury condo inventory and market demand remains wide as condo inventory priced above \$3M made up 38%

of condo inventory, but only 25% of condo contracts signed. Notably, condo inventory priced between \$3M-\$5M increased by 7% year-over-year, which added choices for buyers and reduced urgency. Co-op inventory is limited (44% of total inventory) and demand is high (56% of contracts signed) as the relative price differential between ownership types continues to push buyers toward co-ops.

03

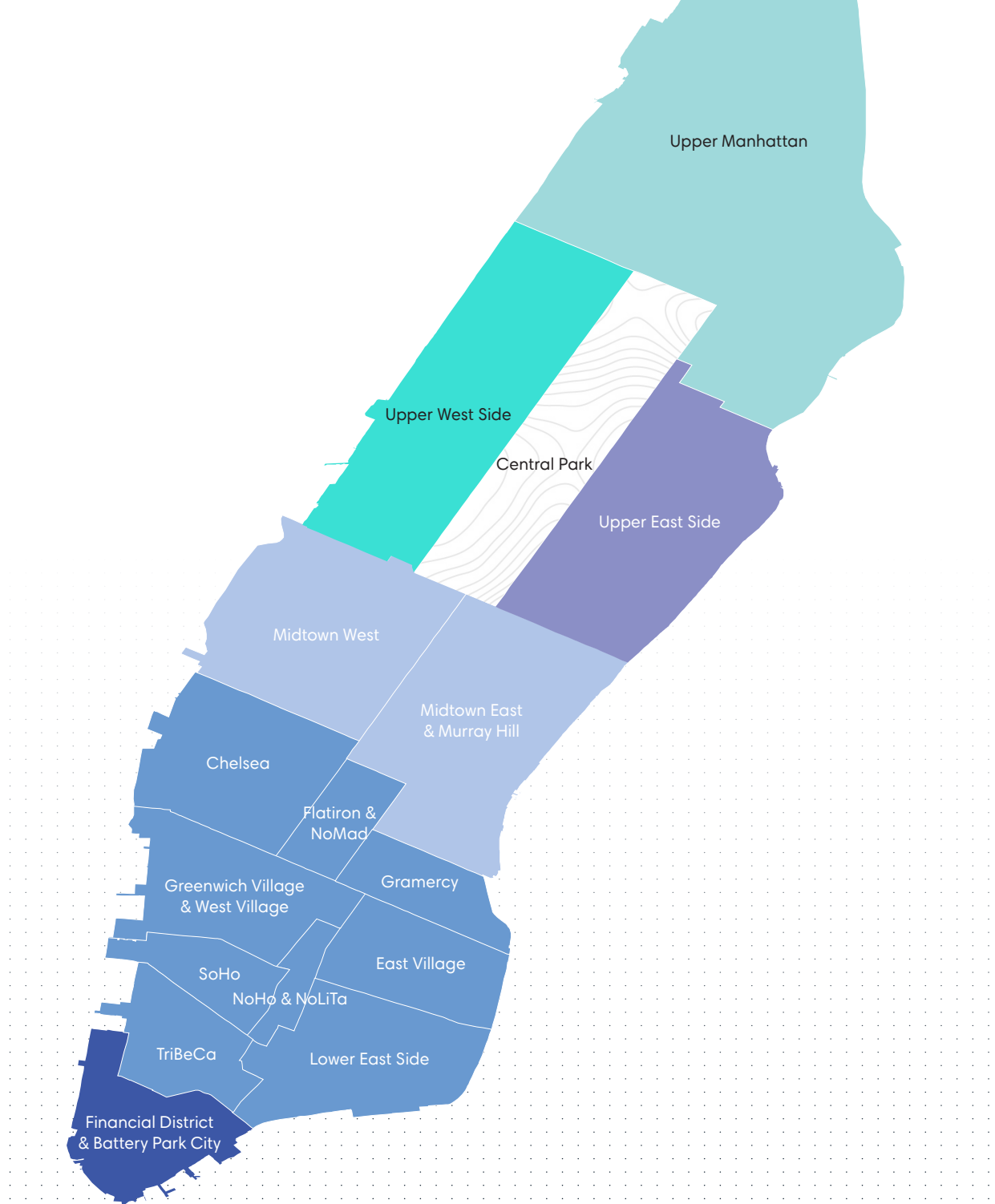
The median price of a new development condo fell to \$2.8M during the fourth quarter, which represents a 5% year-over-year decline, as there continues to be less 'noise' from closings at ultra-luxury projects such as 432 Park Avenue and 56 Leonard, which have typically distorted new development median prices. During the fourth quarter, new development pricing was impacted by clustered closings at projects in the \$1M - \$3M price segment (i.e. One West End Avenue, Citizen360, and 389 East 89th Street). Furthermore, in neighborhoods such as Upper West Side, Midtown, and FiDi & BPC, the new development median price changes were affected by clustered closings at one or two projects, which essentially defined median new development prices in these submarkets (i.e. One West End Avenue on the Upper West Side, 252 East 57th Street in Midtown, and 5 Beekman in FiDi & BPC).

Coverage area

Compass' 4Q17 Manhattan Market Report is an analysis of the 15 neighborhoods highlighted on this map.

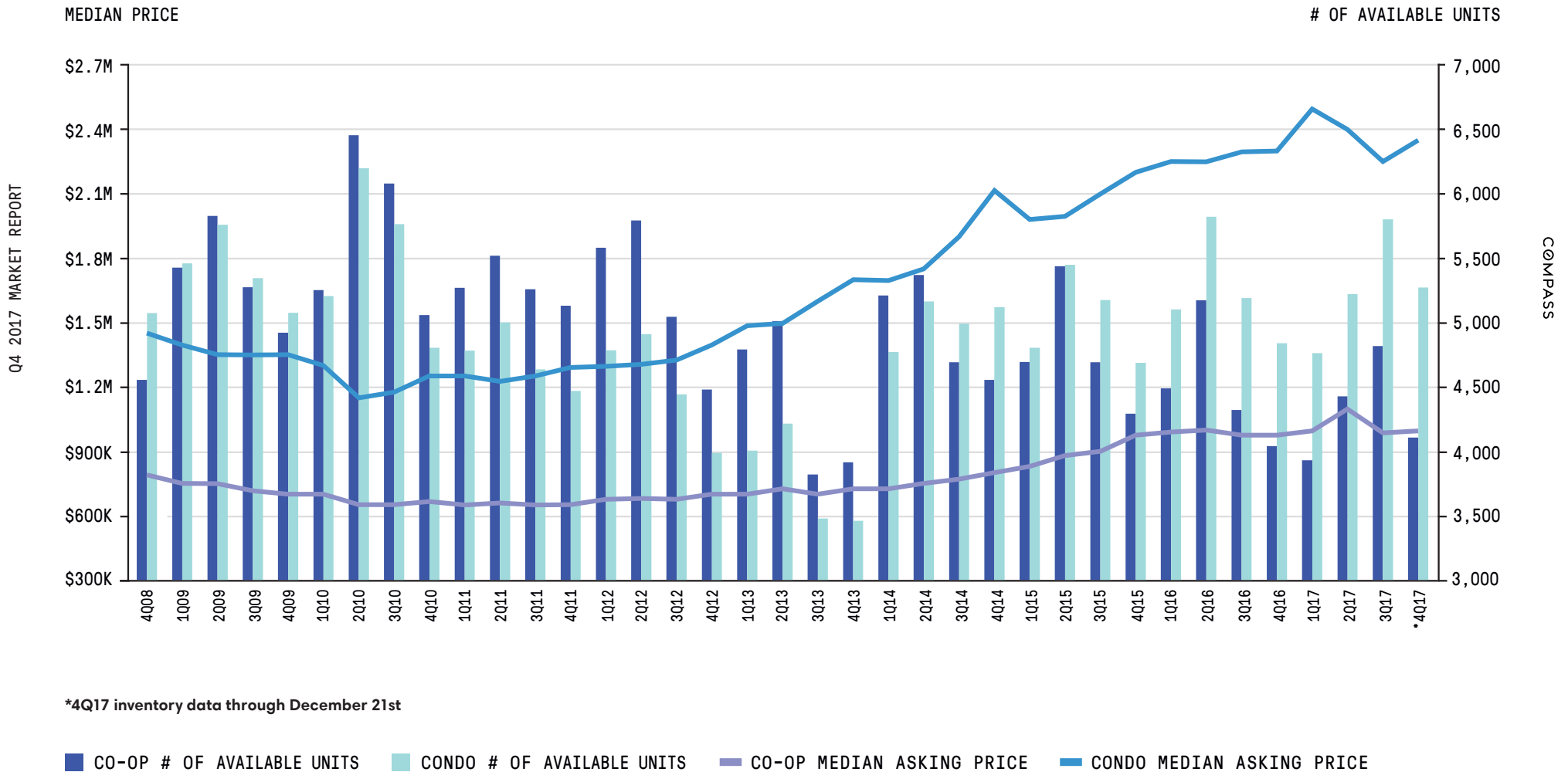
Q4 2017 MARKET REPORT

- FINANCIAL DISTRICT & BATTERY PARK CITY
- DOWNTOWN
- MIDTOWN
- UPPER WEST SIDE
- UPPER EAST SIDE
- UPPER MANHATTAN



Inventory

There were 9,377 available listings on the market in the fourth quarter, consisting of 5,271 condos (56%) and 4,106 co-ops (44%). Condos have represented the majority of available units for the 14th consecutive quarter. Both condo and co-op inventory achieved record high asking prices when compared to historical fourth quarter periods.



Inventory

Overall available listings increased 2% year-over-year to 9,377 units compared to the adjusted numbers* in 4Q16 (9,222 units through December 21st, 2016), driven by an 8% year-over-year increase in the number of available condos, which was offset by a 6% year-over-year decline in the number of available co-ops. Following a similar trend from last quarter, inventory priced above \$10M declined by 6%, which was driven by a 22% year-over-year decline in available co-op inventory within this price bracket. The majority of available condos were priced between \$1M-\$3M (45% of condo inventory), followed by those priced between \$3M-\$5M (18%). The number of available studios in condo buildings increased by 35% year-over-year, which was not necessarily attributable to a single project, but rather a market-wide increase in studio resale volume. The overall median price of available units increased 2% year-over-year to \$1.7M, with Upper Manhattan and Downtown submarkets posting the largest year-over-year increases in median asking price, up 8% and 4%, respectively.

*4Q16 Inventory numbers are adjusted to match the time period of the present quarter (October 1st - December 21st).

CONDO

	UNITS	SHARE	YoY	MEDIAN PRICE	YoY
AVAILABLE:	5,271	56%	8.0%	\$2,350,000	0.0%

BEDROOM TYPE

STUDIO:	421	8.0%	34.5%	\$795,000	2.6%
1BR:	1,520	28.8%	7.3%	\$1,275,000	0.4%
2BR:	1,705	32.3%	5.2%	\$2,500,000	0.0%
3BR:	1,020	19.4%	7.8%	\$4,500,000	-2.2%
4BR+:	605	11.5%	4.0%	\$8,990,000	-5.4%

PRICE CATEGORY

<\$500K:	58	1.1%	-3.3%
\$500K-1M:	827	15.7%	7.7%
\$1M-3M:	2,360	44.8%	12.3%
\$3M-5M:	924	17.5%	7.2%
\$5M-10M:	714	13.5%	2.6%
\$10M-20M:	263	5.0%	-6.4%
\$20M+:	125	2.4%	12.6%

CO-OP

	UNITS	SHARE	YoY	MEDIAN PRICE	YoY
AVAILABLE:	4,106	44%	-5.5%	\$995,000	1.6%

BEDROOM TYPE

STUDIO:	574	14.0%	-1.7%	\$475,000	2.2%
1BR:	1,417	34.5%	-10.9%	\$745,000	-0.7%
2BR:	1,207	29.4%	-2.4%	\$1,550,000	3.7%
3BR:	605	14.7%	2.5%	\$2,849,000	-4.9%
4BR+:	303	7.4%	-11.1%	\$5,395,000	-7.8%

PRICE CATEGORY

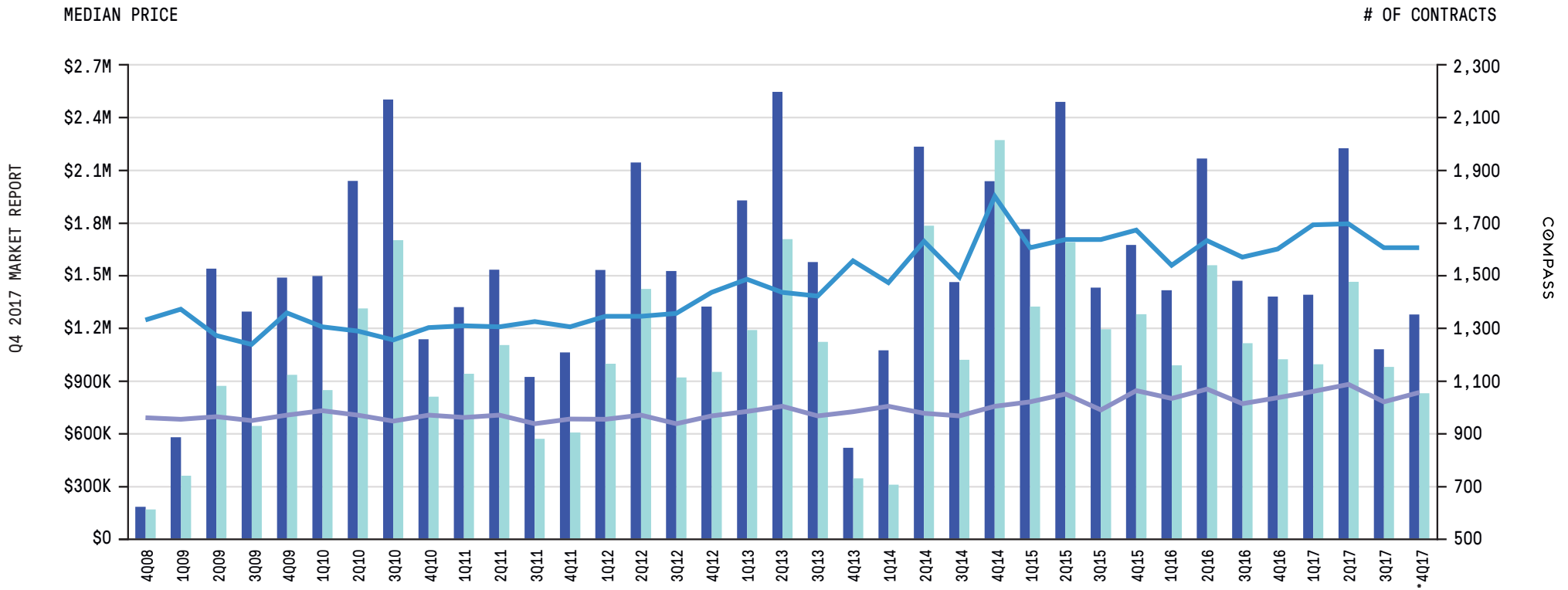
<\$500K:	606	14.8%	-13.9%
\$500K-1M:	1,492	36.3%	-4.0%
\$1M-3M:	1,328	32.3%	-2.8%
\$3M-5M:	356	8.7%	-4.0%
\$5M-10M:	235	5.7%	0.4%
\$10M-20M:	66	1.6%	-20.5%
\$20M+:	23	0.6%	-25.8%

MAJOR MARKETS

	MANHATTAN	UPPER EAST	UPPER WEST	MIDTOWN	DOWNTOWN	FIDI & BPC	UPPER MANHATTAN
UNITS	9,377	1,917	1,299	2,275	2,695	546	645
YoY	1.7%	0.2%	8.3%	1.4%	1.7%	5.4%	-7.5%
MEDIAN PRICE	\$1,681,000	\$1,895,000	\$1,650,000	\$1,400,000	\$2,595,000	\$1,395,000	\$699,000
YoY	2.3%	2.4%	3.3%	0.4%	4.0%	0.0%	7.9%

Contracts signed

There were 2,396 contracts signed in the fourth quarter, consisting of 1,049 condos (44%) and 1,347 co-ops (56%). The median price* of a condo contracts remained almost unchanged year-over-year at \$1.7M, which also mirrored 3Q17. The median price of \$829K for co-op contracts was the second-highest level when compared to historical fourth quarter periods. *Please note that median prices of contracts signed represent last asking prices and do not take into consideration new development properties which decline to report sales.*



*4Q17 contracts signed data through December 21st

■ CO-OP # OF CONTRACTS ■ CONDO # OF CONTRACTS ■ CO-OP MEDIAN CONTRACT PRICE ■ CONDO MEDIAN CONTRACT PRICE

Contracts signed

The 2,396 condo and co-op contracts signed in 4Q17 represented a 4% decrease compared to the adjusted numbers* for 4Q16 (2,502 units through December 21st, 2016). The decline of contract velocity was contributable to a relatively strong fourth quarter in 2016, when luxury buyers who had taken a wait-and-see approach for the majority of 2016 before the Presidential Election finally got clarity to make buying decisions. Despite the slowdown of the contract velocity, the dollar volume of contracts signed was up 1% year-over-year. Additionally, condo contracts signed with last asking prices above \$20M increased 22% year-over-year, driven by three combination units purchased at 432 Park Avenue in early December with a total asking price of \$120M. With regards to Major Markets, Upper Manhattan showed particular strength as demonstrated by both increases in contract velocity (+5% Y-o-Y) and median last asking price for contracts signed (+15% Y-o-Y), mainly attributable to numerous contracts signed at new development projects, such as The Cereza at 1790 Third Avenue, at higher price points relative to the rest of the Upper Manhattan Market. *Please note that median prices of contracts signed represent last asking prices and do not take into consideration new development properties which decline to report sales.*

***3Q16 Contracts Signed numbers have been adjusted to match the time period of the present quarter (July 1st - September 21st).**

CONDO

	UNITS	SHARE	YoY	MEDIAN PRICE	YoY
CONTRACTS:	1,049	43.8%	-6.3%	\$1,650,000	-0.9%

BEDROOM TYPE

STUDIO:	100	9.5%	-6.5%	\$737,000	5.4%
1BR:	385	36.7%	-7.7%	\$1,145,000	-4.2%
2BR:	313	29.8%	-10.8%	\$2,285,000	1.6%
3BR:	173	16.5%	6.8%	\$3,995,000	0.6%
4BR+:	78	7.4%	-6.0%	\$8,087,500	-6.8%

PRICE CATEGORY

<\$500K:	10	1.0%	-80.4%
\$500K-1M:	271	25.8%	2.3%
\$1M-3M:	508	48.4%	-2.3%
\$3M-5M:	130	12.4%	-12.8%
\$5M-10M:	85	8.1%	-2.3%
\$10M-20M:	34	3.2%	-12.8%
\$20M+:	11	1.0%	22.2%

CO-OP

	UNITS	SHARE	YoY	MEDIAN PRICE	YoY
CONTRACTS:	1,347	56.2%	-2.5%	\$829,000	3.8%

BEDROOM TYPE

STUDIO:	237	17.6%	-2.5%	\$455,000	-3.0%
1BR:	523	38.8%	-9.8%	\$719,500	-0.8%
2BR:	390	29.0%	1.8%	\$1,395,000	7.3%
3BR:	153	11.4%	14.2%	\$2,395,000	-3.1%
4BR+:	44	3.3%	4.8%	\$3,750,000	-6.2%

PRICE CATEGORY

<\$500K:	263	19.5%	6.9%
\$500K-1M:	556	41.3%	-10.2%
\$1M-3M:	416	30.9%	-1.2%
\$3M-5M:	73	5.4%	19.7%
\$5M-10M:	29	2.2%	7.4%
\$10M-20M:	10	0.7%	42.9%
\$20M+:	0	0.0%	-100.0%

MAJOR MARKETS

	MANHATTAN	UPPER EAST	UPPER WEST	MIDTOWN	DOWNTOWN	FIDI & BPC	UPPER MANHATTAN
UNITS	2,396	512	389	512	655	95	233
YoY	-4.2%	2.8%	-8.9%	-5.9%	-7.2%	-9.5%	5.0%
MEDIAN PRICE	\$1,175,000	\$1,250,000	\$1,275,000	\$925,000	\$1,615,000	\$1,145,000	\$689,000
YoY	3.1%	4.6%	-1.8%	-3.9%	15.4%	-0.4%	15.0%

Contracts signed

Months of supply

Average number of contracts signed
(January 1st 2017 - December 21st 2017)

899/month

Active inventory
(As of December 21st 2017)

5,810

Q4 2017 MOS

6.5

Average number of contracts signed
(January 1st 2016 - December 21st 2016)

940/month

Active inventory
(As of December 21st 2016)

5,769

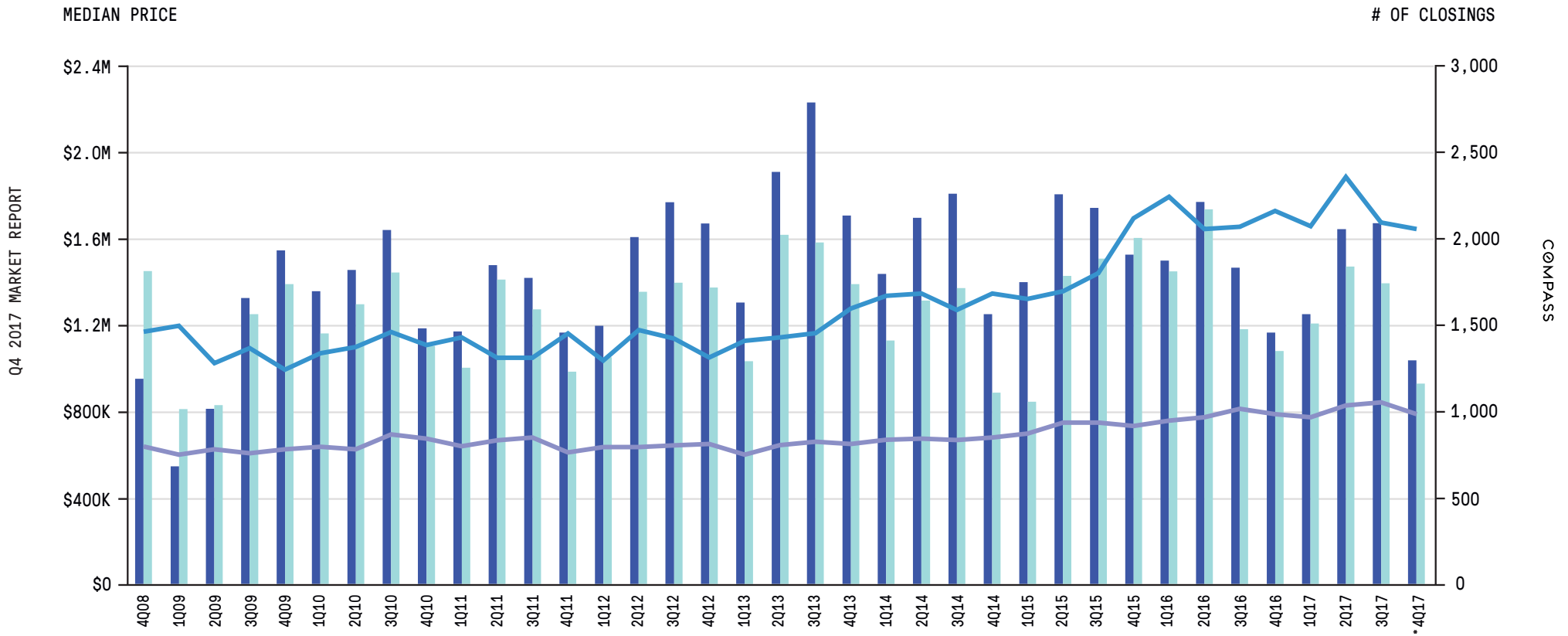
Q4 2016 MOS

6.1

Months of supply represents the number of months it would take to absorb all active inventory based on the trailing 12 months average of contract activity. Typically 6 to 9 months of supply indicates market equilibrium. There are currently 6.5 months of supply on the market, which is up slightly (0.4 months) compared to 4Q16. This slight increase was attributable to a 4% year-over-year decline in the average number of contracts signed per month, combined with a 1% year-over-year increase in quarter-end inventory. *Please note this analysis does not include 'shadow inventory' of unsold, unlisted new development inventory.*

Closings

There were 2,465 total closings in the fourth quarter, consisting of 1,165 condos (47%) and 1,300 co-ops (53%). The median closing price for a condo decreased 5% year-over-year to \$1.7M, and the median co-op closing price decreased 1% year-over-year to \$790K.



*4Q17 closing data through December 21st

■ CO-OP # OF CLOSINGS ■ CONDO # OF CLOSINGS ■ CO-OP MEDIAN CLOSING PRICE ■ CONDO MEDIAN CLOSING PRICE

Closings

The number of condo and co-op closings increased by 21% and 14% compared to the adjusted numbers* for 4Q16, respectively, led by significant strength in closing activity for condo units priced between \$1M - \$5M (+28% Y-o-Y), which comprised 60% of the total condo closings during 4Q17. This sharp increase in closing activity was attributable to a surge in new development closings within this luxury segment, which totaled 283 this quarter compared to 152 in 4Q16. Notably, FiDi & BPC continued to see a boost this quarter in both the number of closings (+51% Y-o-Y) and median closing price (+32% Y-o-Y) attributable to over 20 combined closings at 5 Beekman Street and 50 West Street with average closing prices above \$3M. Furthermore, Upper West Side experienced a 16% year-over-year increase in its median closing price attributable to over 70 closings at One West End Avenue. At the high-end of the condo market (\$10M+), there were 18% fewer closings, attributable to numerous \$10M+ closings at 56 Leonard, 443 Greenwich, and 551 West 21st Street in 4Q16.

*4Q16 Closing numbers are adjusted to match the time period of the present quarter (October 1st - December 21st).

CONDO

	UNITS	SHARE	YoY	MEDIAN PRICE	YoY
CLOSINGS:	1,165	47%	21.0%	\$1,650,000	-4.9%

BEDROOM TYPE

STUDIO:	132	11.3%	36.1%	\$622,500	-11.6%
1BR:	389	33.4%	19.7%	\$1,067,500	-7.2%
2BR:	378	32.4%	25.2%	\$2,200,000	0.1%
3BR:	197	16.9%	21.6%	\$3,950,000	-14.6%
4BR+:	69	5.9%	-10.4%	\$7,850,000	-9.8%

PRICE CATEGORY

<\$500K:	44	3.8%	131.6%
\$500K-1M:	295	25.3%	17.1%
\$1M-3M:	525	45.1%	25.9%
\$3M-5M:	176	15.1%	36.4%
\$5M-10M:	89	7.6%	-12.7%
\$10M-20M:	31	2.7%	-13.9%
\$20M+:	5	0.4%	-37.5%

CO-OP

	UNITS	SHARE	YoY	MEDIAN PRICE	YoY
CLOSINGS:	1,300	53%	14.4%	\$790,000	-1.1%

BEDROOM TYPE

STUDIO:	308	23.7%	45.3%	\$460,000	2.2%
1BR:	470	36.2%	-0.4%	\$733,500	2.2%
2BR:	360	27.7%	13.2%	\$1,382,500	5.3%
3BR:	117	9.0%	19.4%	\$2,262,500	2.5%
4BR+:	45	3.5%	25.0%	\$3,862,500	-16.0%

PRICE CATEGORY

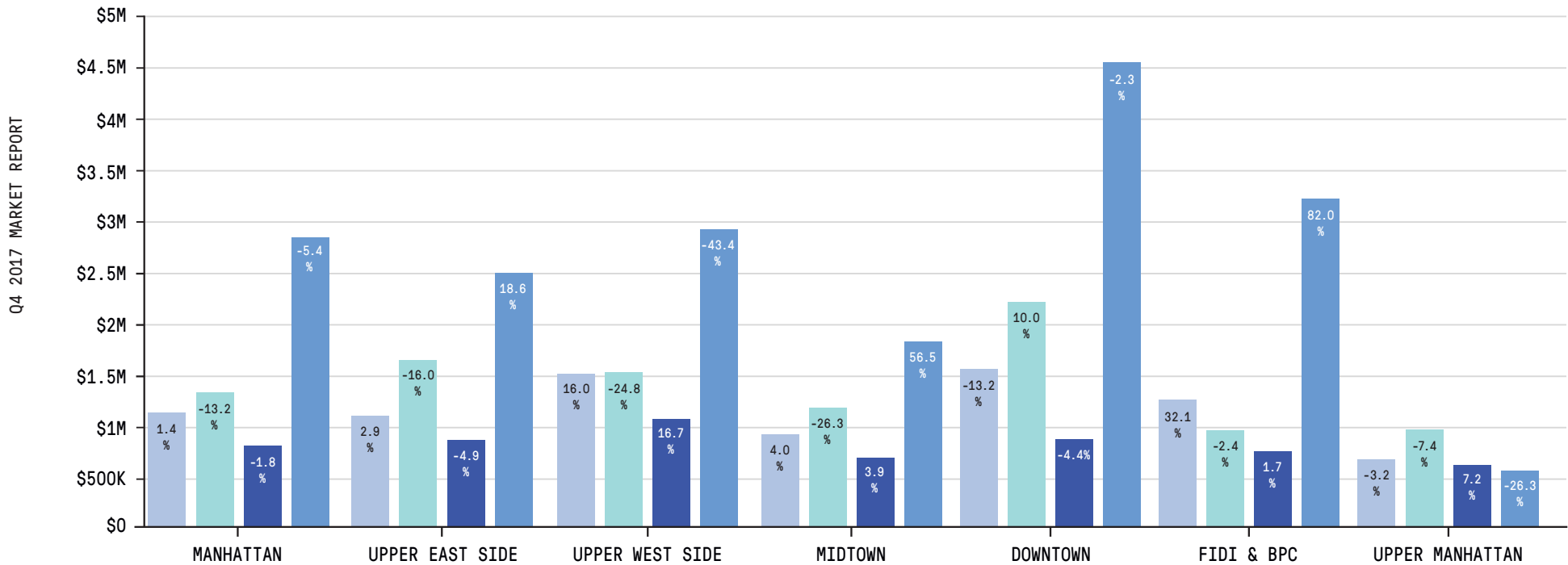
<\$500K:	237	18.2%	3.0%
\$500K-1M:	594	45.7%	17.2%
\$1M-3M:	369	28.4%	12.8%
\$3M-5M:	69	5.3%	56.8%
\$5M-10M:	26	2.0%	30.0%
\$10M-20M:	5	0.4%	0.0%
\$20M+:	0	0.0%	-100.0%

MAJOR MARKETS

	MANHATTAN	UPPER EAST	UPPER WEST	MIDTOWN	DOWNTOWN	FIDI & BPC	UPPER MANHATTAN
UNITS	2,465	520	456	583	590	134	182
YoY	17.4%	37.6%	38.2%	30.1%	-7.2%	50.6%	-16.5%
MEDIAN PRICE	\$1,100,000	\$1,085,000	\$1,490,000	\$900,000	\$1,545,168	\$1,255,000	\$616,500
YoY	1.4%	2.9%	16.0%	4.0%	-13.2%	32.1%	-3.2%

Pricing by market

The median closing price for a new development condo in Manhattan was \$2.8M in the fourth quarter, down 5% compared to the fourth quarter of 2016. However, this drop in median price is not an indication of the market reaching an inflection point, rather it is more of a re-set as compared to 4Q16 where new development closing prices were skewed by high-priced, staggered closings at long awaited projects such as 551 West 21st Street, 443 Greenwich, 56 Leonard, and 432 Park, which reflected contract pricing from 2014 and 2015. Furthermore, in neighborhoods such as Upper West Side, Midtown, and FiDi & BPC, the new development median price changes (ranged from -43% to +82% Y-o-Y) were affected by clustered closings at one or two projects, which essentially defined median new development prices in these submarkets (i.e. One West End Avenue on the Upper West Side, 252 East 57th Street in Midtown, and 5 Beekman in FiDi & BPC). Resale co-ops performed well on the Upper West Side, in Upper Manhattan, and in Midtown, as median prices increased 17%, 7%, and 4% year-over-year, respectively. Median condo resale prices were down 13% compared to 4Q16, which was not attributable to any particular project or neighborhood, but as a result of a broader shift in resale volume to units priced between \$500K - \$1M (+32% Y-o-Y). Additionally, condo resale prices were impacted by a lower number of sales closing between \$5M - \$10M this quarter (-23% Y-o-Y).



Median closing price by major market

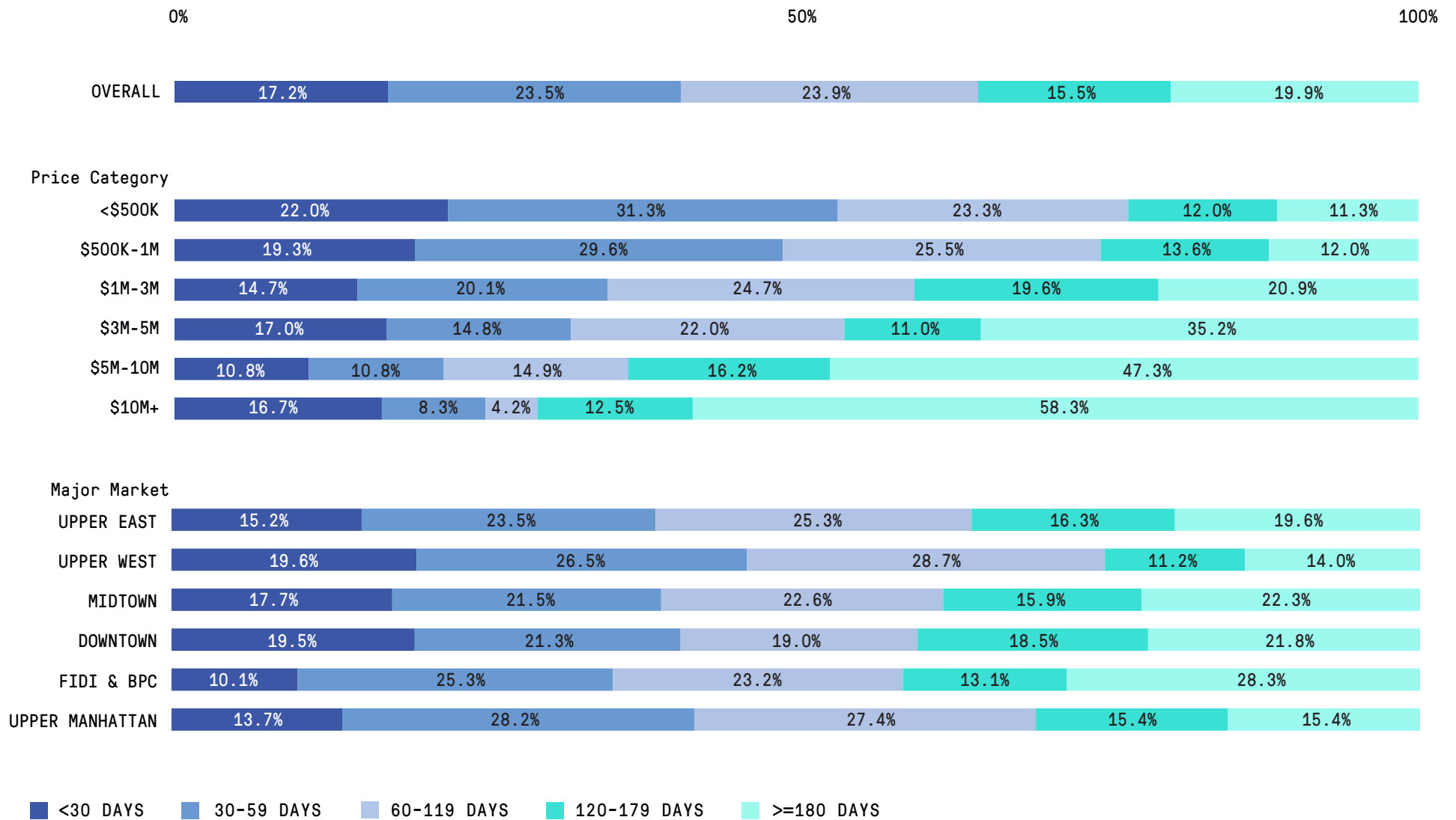
■ OVERALL
 ■ CONDO RESALE
 ■ CO-OP RESALE
 ■ NEW DEV
 % YoY CHANGE

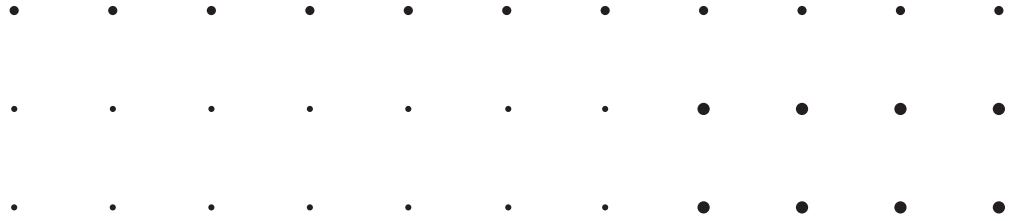
Time on market

The overall median time on market for sold units was 81 days in 4Q17 compared to 65 days in 4Q16. Midtown and FiDi & BPC both had the highest median time on market of 89 days, a 24-day and 10-day year-over-year increase, respectively. The Upper West Side had the lowest median time on market (63 days) of all Major Markets. During the quarter, 41% of all units went into contract within two months -- a decline from 46% during 4Q16. At the high end of the market, units that closed above \$10M had a median time on market of 199 days, which represented a 31% year-over-year increase.

Q4 2017 MARKET REPORT

COMPASS





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