

R New York 1st Quarter 2020 Market Report

The Manhattan real estate market showed some strength in the March quarter before seeing a sharp downturn in the last 2 weeks of the month, due to the COVID-19 pandemic. Total sales of 2,407 were up 13% year-over-year (y/y). Buyers are benefiting from weaker pricing trends, with average price per sq. ft. down 13% y/y. Average price per sq. ft. was also negatively impacted by weaker sales of high-end apartments. Median sales prices were slightly down y/y. Sales are taking longer to close, with days on market (DOM) up 16% y/y to 115 days. The luxury high end market was the weakest, hurt by the new mansion tax, which took effect in 3Q19. The luxury market saw a 21% drop in avg price per sq. ft., which was \$2,603 in 1Q with an avg sales price of \$7.7m down 24% y/y.

Listing inventory was down 8% y/y as a sharp drop took place in March 2020 due to the spread of the COVID-19 pandemic in New York City. This is the first time the listing inventory dropped since 2007 and we expect a further sharp drop in 2Q20.

The market was initially off to a solid start given easier comparison, low rates, a stable US economy and resilient stock market. However, with the emergence of the global COVID-19 pandemic in March of 2020 and the shutdown of the US economy starting in mid-March, the US and New York will now experience a sharp recession that will negatively impact the real estate market for the next 2 quarters. New York City was hit especially hard with COVID-19, recording the most cases of any metropolitan area of the country. A state of emergency was declared in New York on March 7th. The city was basically shutdown starting March 22nd as the state issued a stay-at-home order, mandating that all non-essential employees and businesses work from home. As of April 9th, there were about 88,000 confirmed COVID-19 cases in New York City.

With GDP expected to be down 30-40% in 2Q20, we would expect real estate sales to be down 50% plus given the total shutdown of the city in April and May of this year. With the pandemic expected to subside starting in June, we would expect an improvement in sales trends in the third quarter vs. the second quarter as New York returns to normalcy and real estate activity picks up. The third quarter sales figure will likely be down double digits y/y but should show a significant improvement vs. the second quarter. The fourth quarter will likely be the strongest as the economy recovers from the sharp slowdown in 2Q and 3Q of 2020.

The Manhattan market showed some momentum in 1Q20 before the impact of the COVID-19 pandemic

Manhattan	1Q20	1Q19	% y/y change	4Q19	% q/q change
Average sales price (\$mm)	1.89	2.12	-10.9%	1.82	4.0%
Avg. price per sq. ft.	1540	1769	-12.9%	1581	-2.6%
Median sales price (\$mm)	1.06	1.08	-1.4%	1.00	6.1%
Re-sale medium price	0.97	1.00	-3.3%	0.94	2.7%
Closed sales	2407	2121	13.5%	2404	0.1%
Average days on market	115	99	16.2%	99	16.2%
Listing Inventory	6113	6673	-8.4%	6643	-8.0%
Months of supply	7.6	9.4	-19.1%	8.3	-8.4%

Source: Samuel Miller

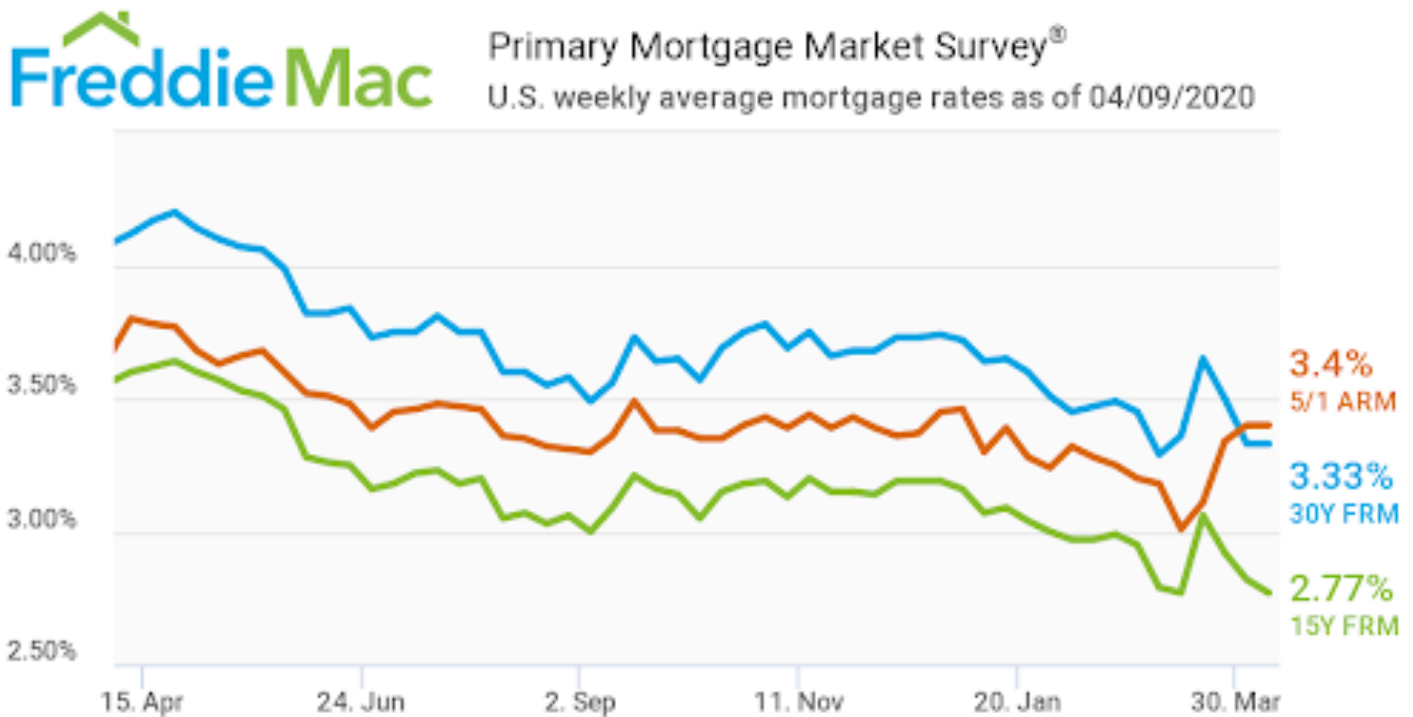
Manhattan Co-ops	1Q20	1Q19	% y/y change	4Q19	% q/q change
Average sales price (\$mm)	1.37	1.29	6.7%	1.21	13.7%
Avg. price per sq. ft.	1206	1225	-1.6%	1147	5.1%
Median sales price (\$mm)	0.81	0.83	-2.3%	0.80	2.0%
Closed sales	1387	1265	9.6%	1385	0.1%
Average days on market	105	90	16.7%	94	11.7%
Months of supply	6.2	7.5	-17.3%	6.7	-7.5%

Manhattan Condos	1Q20	1Q19	% y/y change	4Q19	% q/q change
Average sales price (\$mm)	2.59	3.35	-22.7%	2.64	-2.1%
Avg. price per sq. ft.	1923	2331	-17.5%	2067	-7.0%
Median sales price (\$mm)	1.63	1.59	2.1%	1.58	3.3%
Closed sales	1020	856	19.2%	1019	0.1%
Average days on market	131	116	12.9%	106	23.6%
Months of supply	9.5	12.3	-22.8%	10.4	-8.7%

Source: Samuel Miller

Mortgage rates have dropped and should become a tailwind after the US economy reopens from the pandemic shutdown

Due to a sharp drop in the US economy and a more dovish stance from the Federal Reserve, mortgage rates have dropped significantly in 2020. 30-year rates are about 3.3% down about 75 bps vs. a year ago. This should help drive higher demand going forward and help stabilize the Manhattan market.

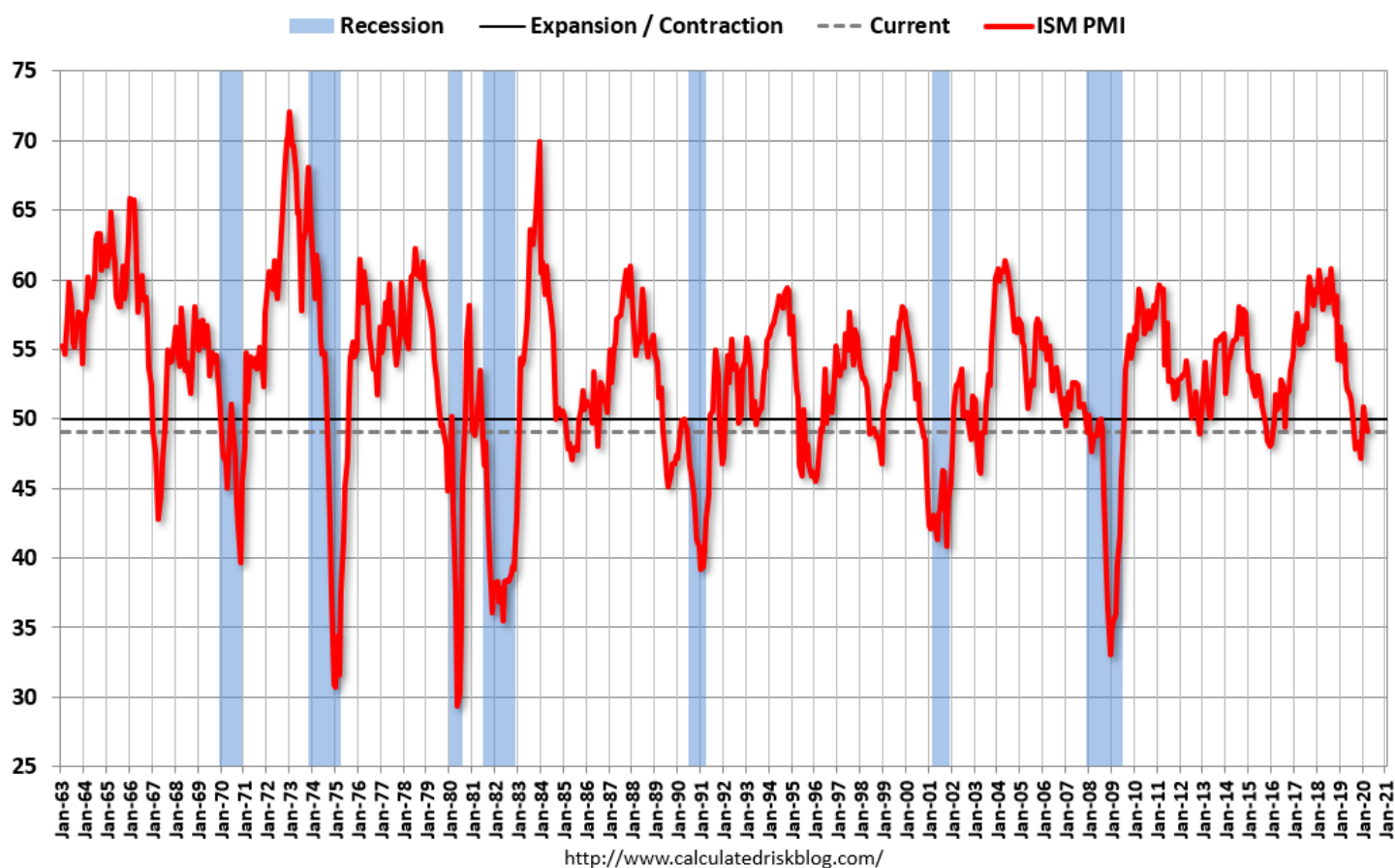


Economic indicators show that the US economy is about to go into a deep recession starting in the second quarter of 2020 and negatively impact the housing market

Because over 2/3 of the country is shutdown with most people forced to stay at home, we will see a significant negative impact to the US economy and to the real estate market in comparison y/y. This is unlikely to improve until we see a meaningful reduction of COVID-19 cases in the US. Most experts expect that the US economy can start to recover in the third quarter of 2020 as the pandemic subsides significantly.

The ISM manufacturing index dropped below 50 indicating that the economy is shrinking. We expect the index to drop significantly to levels last seen in the 2008-2009 recession.

Institute for Supply Management PMI

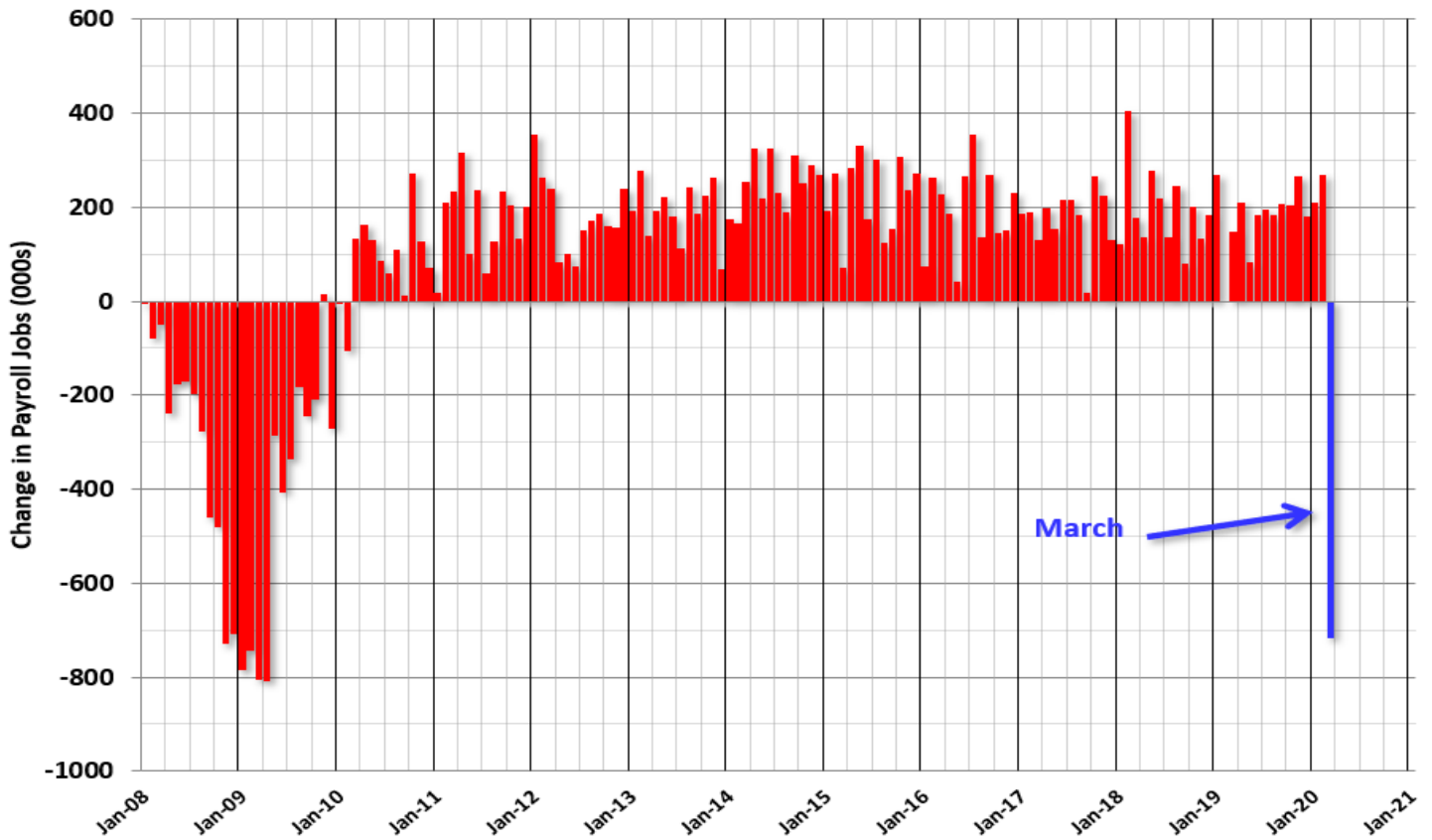


Total US payroll dropped by 718,000 in March 2020, the biggest drop since the 2008-2009 recession

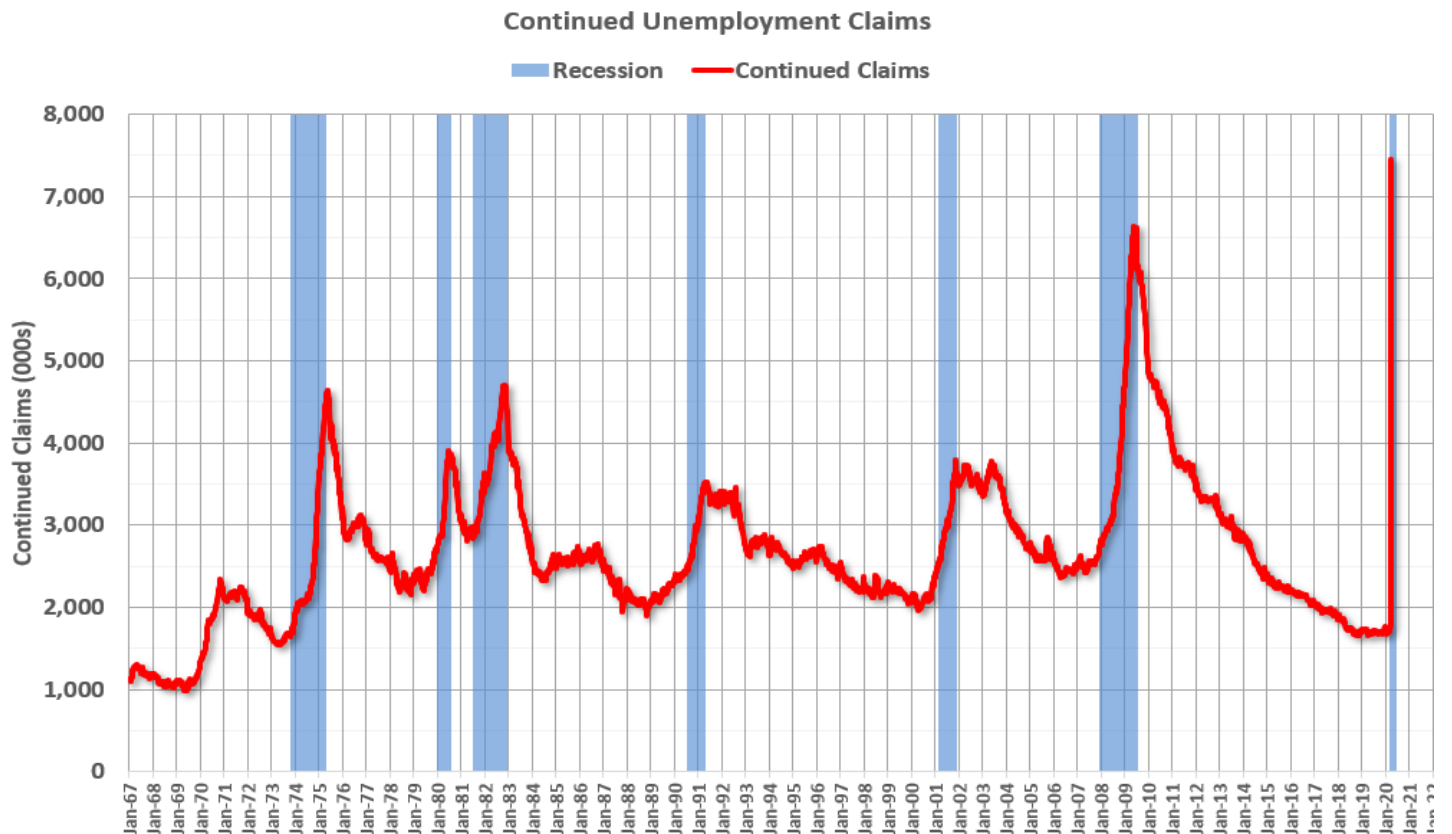
Millions of people will unfortunately be laid off in April and May of this year due to the virtual shutdown of business activity in the country. The government in most states have mandated that all non-essential workers work from home and advised that all individuals stay at home as much as possible to mitigate the spread of the pandemic. We do not expect the US payroll to show recovery until the pandemic related shutdown ends. We expect a significant recovery in the job market and an economic recovery to occur in June and July when the COVID-19 pandemic is likely to subside in the US and in New York.

US unemployment claims increased to 6.6m on April 9th, a level that is higher than the peak in the last recession. New York City also saw an unprecedented spike in unemployment claims with claims up 2600% in the week ended March 28th, 2020.

Change in Payroll Jobs per Month (ex-Census hiring)



Unemployment claims have hit an all time high for the last 50 years with the number reaching 6.6m for week ended April 9th, 2020 with continued claims number above 7m



Government stimulus bill will provide some economic relief to millions of Americans

The Coronavirus Aid, Relief, and Economic Security Act, also known as the CARES Act, is a law passed by Congress meant to address the severe economic fallout of the 2020 coronavirus pandemic in the United States. This is the largest economic stimulus bill in history and amounts to about \$2 trillion, or 10% of total US GDP.

The key provisions include the following:

- Allocates up to \$500 billion for assistance to eligible businesses, states, and municipalities, with not more than \$25 billion designated for passenger air carriers, not more than \$4 billion for air cargo carriers, and not more than \$17 billion for businesses critical to maintaining national security.
- Creates a \$349 billion loan program, called the Paycheck Protection Program (PPP), for small businesses with funds available for loans originated from February 15 through June 30, 2020.
- Allocates \$130 billion in relief to the medical and hospital industries.
- Provides credits against the 2020 personal income tax for eligible individuals who are neither nonresident aliens nor claimed as dependents by another taxpayer.
 - \$1,200 to each individual or \$2,400 to each married couple filing jointly, and
 - \$500 for each dependent who is a qualifying child under age 17 as of December 31, 2020.
 - The credits are reduced, but not below zero, by each five percent of so much of the taxpayers' adjusted gross income as exceeds \$150,000 for a joint return; \$112,500 for a head of household; or \$75,000 for other taxpayer
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- Expands eligibility for unemployment insurance and provides people with an additional \$600 per week on top of the unemployment amount determined by each state.