

R New York Third Quarter 2019 Market Report

The Manhattan real estate market weakened in the third quarter and was negatively impacted by rising mortgage rates, concern about a global economic slowdown, a falling stock market and the negative impact from the new mansion tax which pulled more sales into the second quarter. While second quarter sales were up 13% y/y, third quarter sales were down 13% y/y. Year to date, total number of sales are down 2% year over year. Median sales prices were down 15.6% y/y while resale prices were also down by 8% y/y. Given the weakness in the transaction market, months of supply jumped 12% y/y to 8.6 months and listing inventory was up 6% y/y.

The luxury high-end market was the weakest with sales dropping 26% to \$6.35m y/y hurt by the new mansion tax which took effect in 3Q19. NYC buyers already pay a flat 1 percent tax on home purchases of \$1 million or more but now have to pay a scale of graduated levies which start at 1 percent. The rate increases at \$2 million and continues to rise until it reaches a top of 4.15 percent on any amount over \$25 million.

We expect the market to be somewhat muted going forward given the slowdown in the US economy, higher taxes and the weaker stock market. Fourth quarter trends are likely to be better than the third quarter trends given the one-time impact of the pulled forward demand into 2Q from 3Q19.

Manhattan	3Q19	3Q18	% y/y change	2Q19	% q/q change
Average sales price (\$mm)	1.656	1.928	-14.1%	2.09	-20.8%
Avg. price per sq. ft.	1524	1610	-5.3%	1762	-13.5%
Median sales price (\$mm)	1.025	1.117	-8.2%	1.22	-16.0%
Re-sale median price	0.915	0.995	-8.0%	1	-8.5%
Closed sales	2562	2987	-14.2%	2957	-13.4%
Average days on market	91	92	-1.1%	114	-20.2%
Listing Inventory	7352	6925	6.2%	7558	-2.7%
Months of supply	8.6	7.0	22.9%	7.7	11.7%

Source: Samuel Miller

Both the Co-op market and Condo market weakened in 3Q19 and saw double digit declines

Manhattan Co-ops	3Q19	3Q18	% y/y change	2Q19	% q/q change
Average sales price (\$mm)	1.141	1.348	-15.4%	1.36	-16.1%
Avg. price per sq. ft.	1146	1290	-11.2%	1339	-14.4%
Median sales price (\$mm)	0.795	0.95	-16.3%	0.84	-5.4%
Closed sales	1485	1668	-11.0%	1482	0.2%
Average days on market	88	79	11.4%	100	-12.0%
Months of supply	7.3	6.0	21.7%	7.4	-1.4%

Manhattan Condos	3Q19	3Q18	% y/y change	2Q19	% q/q change
Average sales price (\$mm)	2.3668	2.662	-11.1%	2.84	-16.7%
Avg. price per sq. ft.	1952	1913	2.0%	2077	-6.0%
Median sales price (\$mm)	1.491	1.61	-7.4%	1.7	-12.3%
Closed sales	1077	1319	-18.3%	1475	-27.0%
Average days on market	95	109	-12.8%	132	-28.0%
Months of supply	10.5	8.2	28.0%	8	31.3%

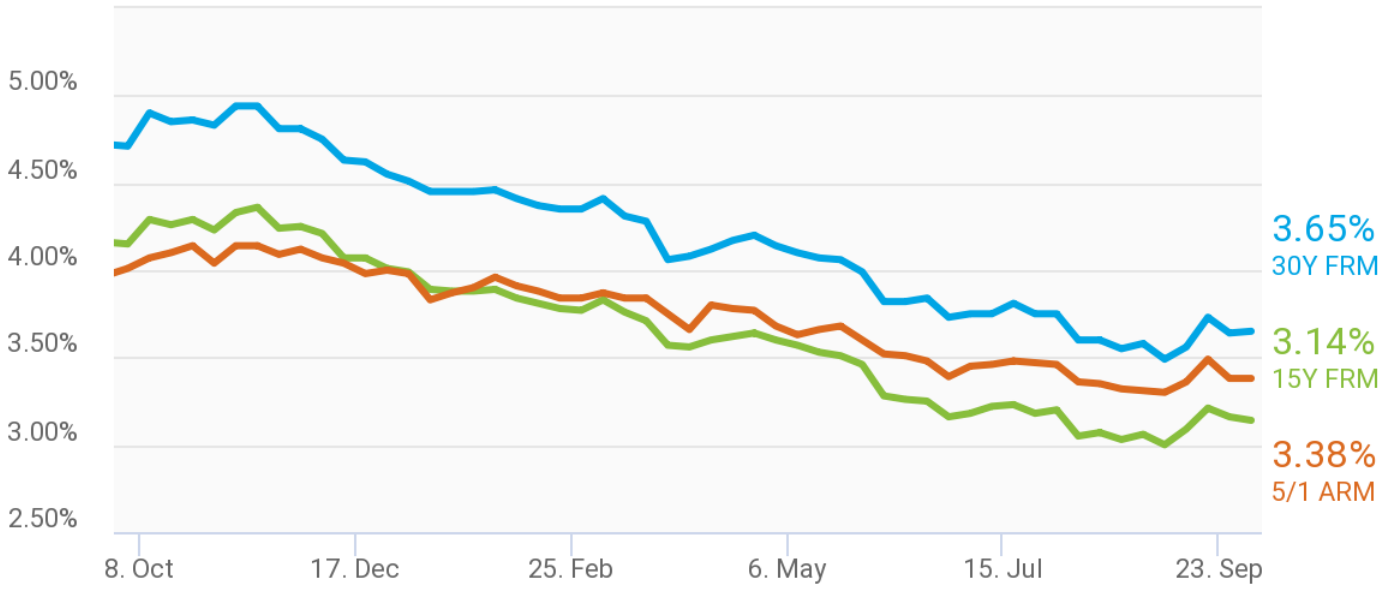
Mortgage rates which have been a headwind for the real estate market in 2018 and should become a tailwind in 2019 and beyond

With a moderation in the US economy and a more dovish stance from the Federal Reserve, mortgage rates have dropped significantly in 2019. 30-year rates are about 3.65% down about 75 bps vs. a year ago. This should help drive higher demand going forward and help stabilize the Manhattan market. Mortgage applications have picked up recently due to lower rates and is up 10% y/y (see second graph)



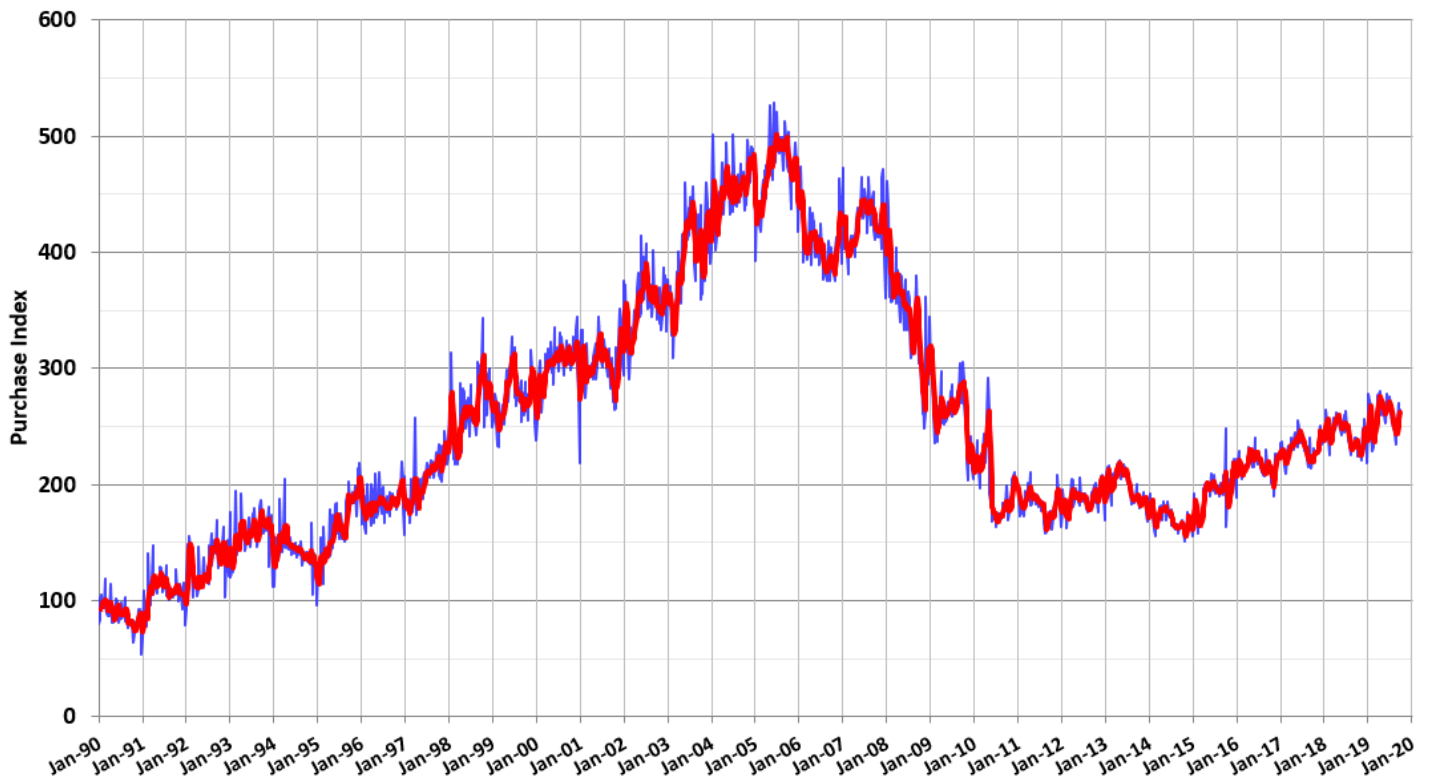
Primary Mortgage Market Survey®

U.S. weekly average mortgage rates as of 10/03/2019



MBA Purchase Applications Index

— Purchase Index — 4 Week Moving Average



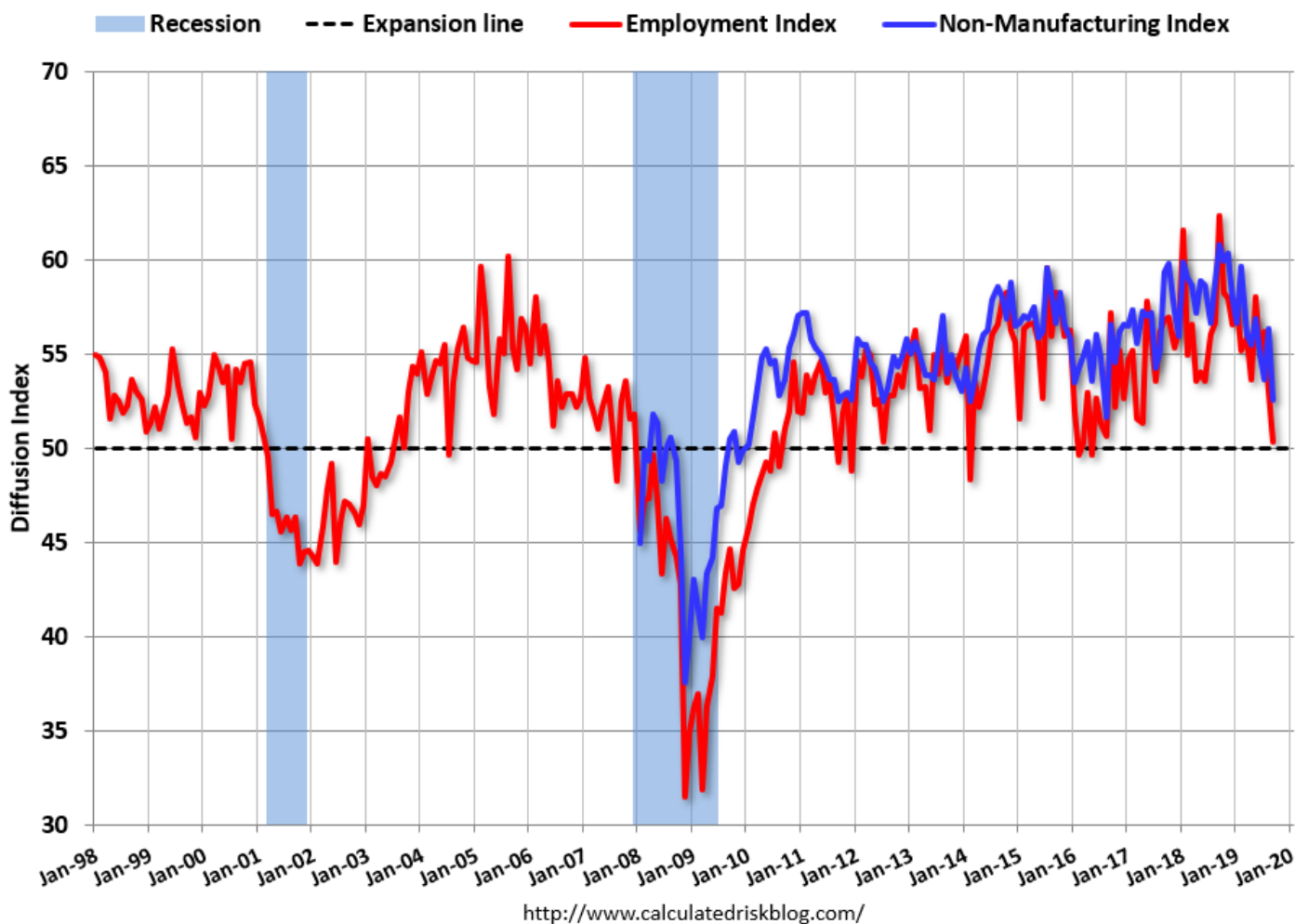
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A slower US economy has likely had a negative impact on the housing market

Recent ISM indexes show that the US economy is slowing down and likely hurt by the trade tensions between the US and China and the higher tariffs the US has imposed on \$550bn of goods from China.

The September ISM Non-manufacturing index was at 52.6%, down from 56.4% in August. The employment index decreased to 50.4%, from 53.1%. Note: Above 50 indicates expansion, below 50 contraction.

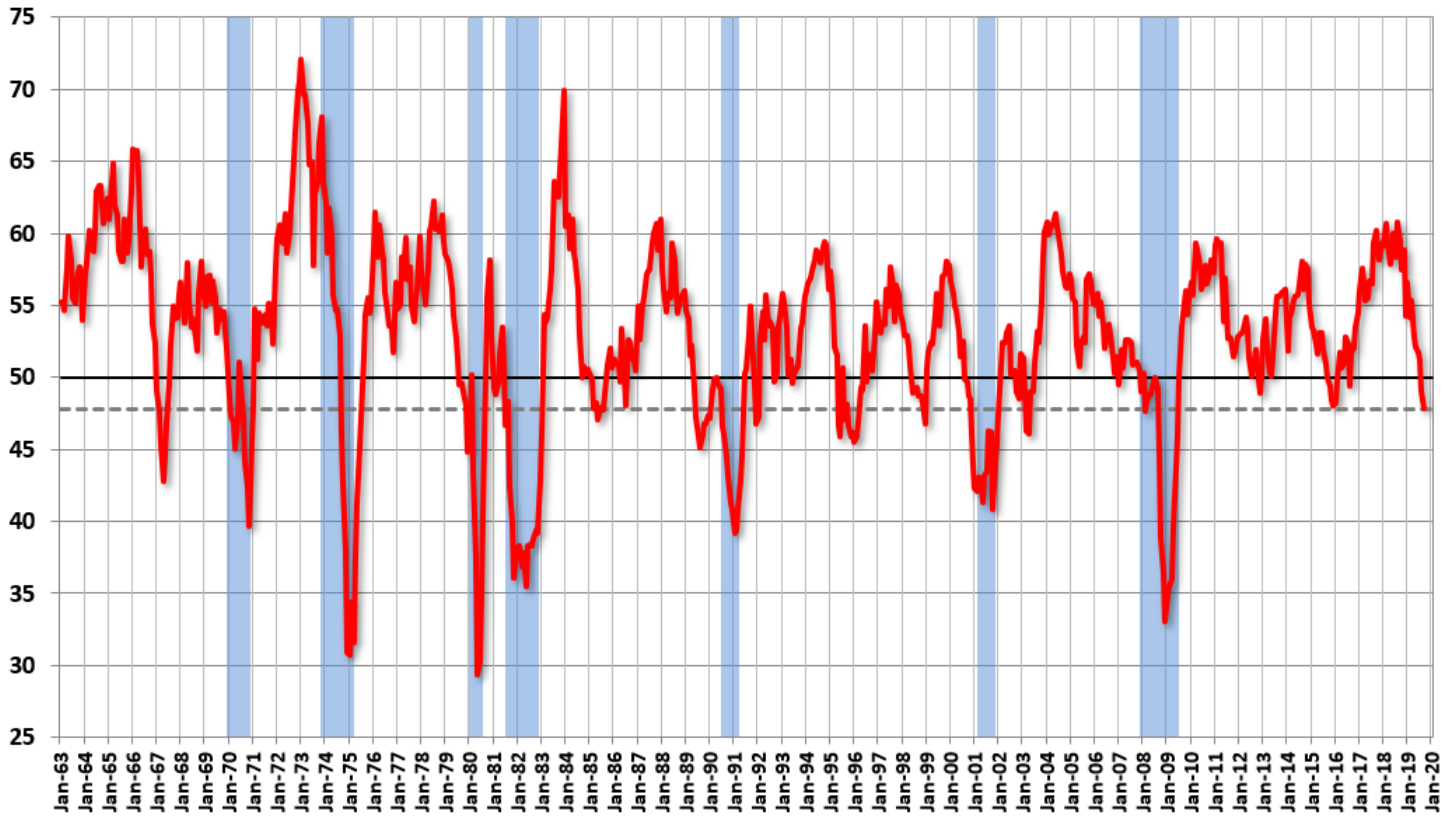
ISM Non-Manufacturing and Employment Diffusion Indexes



The ISM manufacturing index has also weakened for several months and has slipped into recessionary mode in September. The PMI was at 47.8% in September, down from 49.1% in August. The employment index was at 46.3%, down from 47.4% last month, and the new orders index was at 47.3%, up from 47.2%.

Institute for Supply Management PMI

■ Recession — Expansion / Contraction - - - Current — ISM PMI



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