



# R P X M O N T H L Y

## MANHATTAN NEIGHBORHOODS REPORT

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December 2008

### *Key Characteristics*

- The Manhattan condominium market experienced a year-over-year price increase, but the weakness of the market was reflected in the transaction count, which decreased substantially relative to December 2007.
- Resales of existing condos decreased year-over-year in six of the eight Manhattan neighborhood submarkets tracked by Radar Logic. In contrast, sales of new condos rose in five of those neighborhoods and remained flat in one other.
- The neighborhoods with the greatest year-over-year increases in prices were those where the ratio of new-condo closings to total closings increased the most.
- New-condo sales declined from November to December in six neighborhoods we track. Only Soho/Tribeca displayed a month-over-month increase in new-condo sales.
- Developer capitulations and foreclosures could reverse current price trends in neighborhoods where new-condo sales make up a large percentage of total sales.

### *Discussion*

In December 2008, the RPX Manhattan Condo Price, which reflects condo sales throughout the borough, remained at the record high level it first reached in May 2008. However, high prices masked the true weakness of the Manhattan condo market, which was revealed instead by declines in sales. In December, there were roughly 31% fewer condo sales in Manhattan than there were in December 2007. Condo sales decreased by approximately 45% between the end of October and the end of December after having been relatively flat since August. In contrast, transactions declined only 19% over the same period a year earlier.

Despite the overall decline in condo sales between December 2007 and December 2008, sales of new and existing condos displayed different trends. Resales of existing condos decreased in six of the eight of the Manhattan neighborhood submarkets tracked by Radar Logic. In contrast, sales of new condos surged in five of those neighborhoods and remained flat in one other. As a result of these opposing dynamics, new-condo sales increased as a share of total transactions in seven of the eight RPX Manhattan Neighborhoods.

Changes in the mix of new- and existing-condo sales help explain changes in condo pricing between December 2007 and December 2008. Prices for new construction are typically negotiated 12-18 months prior to closing, so the new-condo prices recorded in December 2008 reflect market conditions from a period when overall prices in most of the RPX Manhattan Neighborhoods were still increasing. In contrast, prices for existing condos are negotiated much closer to the closing date and therefore reflect more recent market conditions. Thus, it is not surprising that the neighborhoods with the greatest increases in prices - Chelsea/West Village, Soho/Tribeca and the Upper West Side - were those where the ratio of new-condo closings to total closings increased the most. For instance, in Soho/Tribeca, where new-condo closings increased from 25% of total to 59% of total, overall prices increased 10.4%. In contrast, Murray Hill/Gramercy, the only neighborhood where new-condo sales decreased as a share of total sales, displayed the largest year-over-year decline in prices.

The surge in new-condo sales may be starting to wane. New-condo sales declined from November to December in six of the neighborhoods we track. Only Soho/Tribeca displayed a month-over-month increase in new-condo sales. This reverses the trend in 2007, when new condo sales increased in seven neighborhoods between November and December.

Developers have started to reduce asking prices and to capitulate in negotiations with buyers in order to move unsold inventory (The Real Deal, February 2009). Moreover, many condominium projects are facing foreclosure, which could transfer many new condominiums to bank control. Lending institutions are likely to be even more aggressive than developers in moving these units. As these trends develop, neighborhoods where sales of new condos make up a large percentage of total sales – such as Soho/Tribeca, Chelsea/West Village/, and Midtown/Clinnton – could reverse their current trajectory and display rapid price declines. This may already be happening in the Financial District, where new development accounts for 38% of sales and prices fell 0.7% in December.

## Exhibit 1: Manhattan Neighborhoods Ranked by 1-Year % Change\*

Dec 08 Rank	Nov 08 Rank	Neighborhood	PPSF	Dec 08 vs. Dec 07	Dec 07 vs. Dec 06	Dec 08 vs. Dec 08	Dec 07 vs. Nov 07
1	6	Chelsea/West Village	\$1,356.25	17.5%	-0.7%	22.8%	-1.5%
2	3	Soho/Tribeca	\$1,484.95	10.4%	15.2%	4.0%	0.9%
3	8	Upper West Side	\$1,195.27	4.0%	7.3%	14.6%	-12.8%
4	7	East Village/Lower East Side	\$1,213.59	2.5%	28.6%	44.8%	16.4%
5	5	Financial District	\$968.81	-0.7%	14.7%	-6.6%	-9.7%
6	2	Upper East Side	\$1,070.34	-3.0%	9.4%	-10.3%	-0.3%
7	4	Midtown/Clinton	\$1,170.85	-4.6%	20.1%	-8.2%	0.9%
8	1	Murray Hill/Gramercy	\$990.10	-16.5%	6.5%	-11.8%	14.8%

Manhattan Neighborhoods are subsets of the New York MSA

■ = positive ■ = neutral ■ = negative

## Exhibit 2: Transaction Counts\*

	Dec 2007	Nov 2008	Dec 2008
Chelsea/West Village	32	15	16
East Village/Lower East Side	19	9	3
Financial District	17	14	16
Murray Hill/Gramercy	26	23	23
Midtown/Clinton	62	52	42
Soho/Tribeca	24	19	37
Upper East Side	64	35	29
Upper West Side	45	42	30

## Exhibit 3: Transaction Counts % Change\*

	Dec 2008 vs. Dec 2007	Dec 2008 vs. Nov 2008
Soho/Tribeca	54.2%	94.7%
Financial District	-5.9%	14.3%
Murray Hill/Gramercy	-11.5%	0.0%
Midtown/Clinton	-32.3%	-19.2%
Upper West Side	-33.3%	-28.6%
Chelsea/West Village	-50.0%	6.7%
Upper East Side	-54.7%	-17.1%
East Village/Lower East Side	-84.2%	-66.7%

## Exhibit 4: Manhattan Neighborhoods Ranked by 2-Year and 5-Year Annualized Change\*

Leading 5 Manhattan Neighborhoods (2-Year Annualized % Change)		
Rank	Neighborhood	% Change
1	East Village/Lower East Side	14.8%
2	Soho/Tribeca	12.8%
3	Chelsea/West Village	8.0%
4	Midtown/Clinton	7.1%
5	Financial District	6.7%

Trailing 5 Manhattan Neighborhoods (2-Year Annualized % Change)		
Rank	Neighborhood	% Change
1	Murray Hill/Gramercy	-5.7%
2	Upper East Side	3.0%
3	Upper West Side	5.6%
4	Financial District	6.7%
5	Midtown/Clinton	7.1%

Leading 5 Manhattan Neighborhoods (5-Year Annualized % Change)		
Rank	Neighborhood	% Change
1	Soho/Tribeca	15.3%
2	East Village/Lower East Side	14.7%
3	Chelsea/West Village	11.5%
4	Midtown/Clinton	11.4%
5	Financial District	10.4%

Trailing 5 Manhattan Neighborhoods (5-Year Annualized % Change)		
Rank	Neighborhood	% Change
1	Upper West Side	9.4%
2	Upper East Side	9.7%
3	Murray Hill/Gramercy	10.0%
4	Financial District	10.4%
5	Midtown/Clinton	11.4%

\* Source: 28-Day RPX value for each Manhattan Neighborhood as of 12/31/2008. Please refer to [www.radarlogic.com/disclosure\\_disclaimer.html](http://www.radarlogic.com/disclosure_disclaimer.html) for more information.

## **About Radar Logic**

Radar Logic Incorporated, a real estate data and analytics company, calculates and publishes the Radar Logic Daily™ Prices. The prices track housing values for major U.S. metropolitan areas and are the basis of the Residential Property Index™ (RPX™), a market that enables real estate to be traded as a liquid asset, via property derivatives marketed by major financial institutions.

RPX allows real estate and financial professionals to manage opportunity and risk, invest in real estate values without owning physical assets and effectively analyze markets using a consistent metric: price per square foot. Data in the RPX Monthly Manhattan Neighborhoods Report reflect the 28-day aggregated value of Radar Logic Daily Prices. The price per square foot metric used significantly reduces the influence of property sizes on overall housing price trends, which can skew results.

The Daily Prices are not adjusted for seasonal variations. In some cases, Daily Prices may vary based on reporting characteristics within individual markets. The RPX Monthly Manhattan Neighborhoods Report is published 63 days after the last transaction date of every month.

## **RPX Analytics & Research**

Radar Logic offers specialized analytic services which allow real estate and financial professionals to view current and historical price per square foot and transaction count trends for all markets and sub-markets we track. MSAs and neighborhoods can be segmented by location (zip code and county), property type (single family, multi-family and condo), property size, date range, and sale price. The database is derived from our neutral, public source records.

Our web-based tools provide a means for all entities associated with or affected by housing prices to maintain market data streams on a constant, neutral and daily updated basis.

For additional insight on this report or for inquiries about research or analytic products, please contact:

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