

Q2 2015 MANHATTAN MARKET REPORT

COMPASS

Introducing the Q2 2015 Manhattan Market Report.

This report is a review of market trends in Manhattan sales from this past quarter. There were several key developments this quarter, but we would like to highlight three:

More new inventory was put on the market than in any previous Q2, helping to offset the historically low level of inventory that has slowly driven up prices in recent years.

Reacting quickly to this new inventory, buyers are seizing listings at a rapid pace, setting new pricing records across the city.

This demand was not enough to offset the increase in months of supply, allowing the market to slowly move back toward equilibrium.

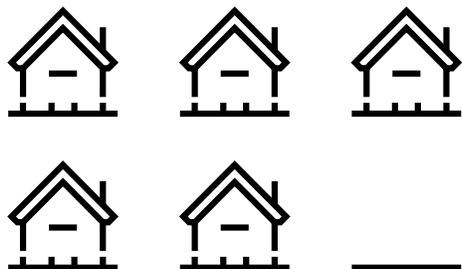
As we look ahead to Q3, expect a portion of this inventory to transition off-market or begin to favor the buyer with price negotiability starting to return, particularly in luxury resales. One segment that will remain favorable to sellers is inventory under \$1M where any additional supply would help to quell the levels of demand for this price category.

Market Highlights

NEW RECORD - HIGHEST Q2 NEW
INVENTORY LISTINGS

5,115

PROPERTIES LISTED



NEW RECORD - HIGHEST MEDIAN CONDO PPSF

\$1,441

TOTAL \$ VOLUME CLOSED SALES

\$6.4B

MONTHS OF SUPPLY

9.2

SHARE OF INVENTORY OVER \$3M

30.3%

MEDIAN DAYS ON MARKET

40

NEW RECORD - HIGHEST MEDIAN PRICE
IN UPPER MANHATTAN:

\$583,000

NEW RECORD - HIGHEST MEDIAN PRICE
FOR CO-OP RESALES:

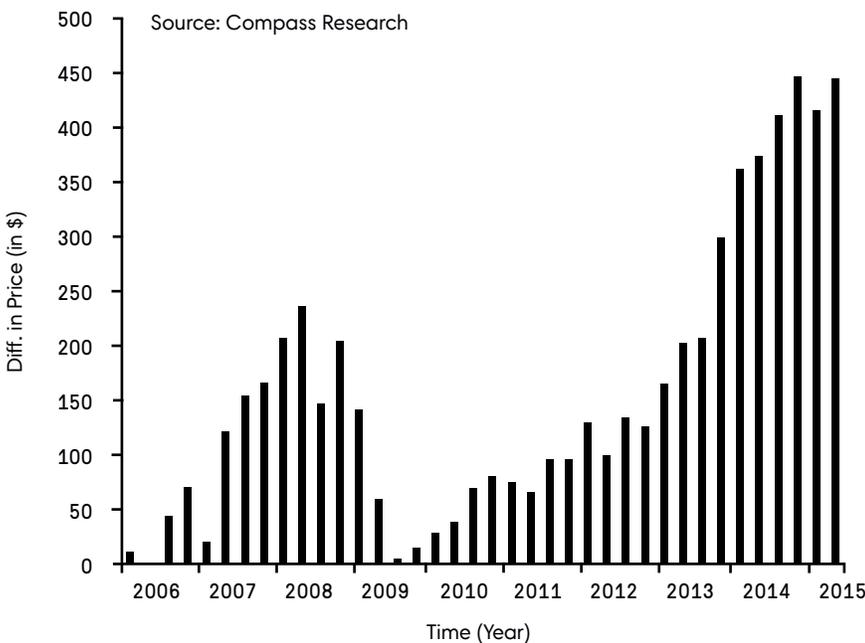
\$740,000

Prices

As expected, prices have increased this quarter with median prices in Manhattan climbing to \$930,000, up 2.4% from last quarter. Median condo price per square foot (PPSF) has also increased to a record-setting level of \$1,441, up 1.5% from last quarter. As part of the increasing strain prices have placed on the market, the Upper Manhattan sub-market has reached its own record-setting median price at \$583,000, an astounding 20.1% increase from last quarter.

	FIGURE	YoY
MEDIAN PRICE	\$930,000	+5.1%
CONDO - RESALE	\$1,200,000	-4.0%
CO-OP - RESALE	\$740,000	+10.4%
NEW DEVELOPMENT	\$1,883,862	+19.7%
CONDO PPSF:	\$1,441	+4.7%
BY LISTING STATUS		
ASKING:	\$1,575,000	+21.6%
IN-CONTRACT:	\$1,199,000	+20.5%

Historic PPSF Trends (Base Quarter: Q2 2006)



The chart depicts the overall median closing PPSF trends from Q1 2006 to Q2 2015 in Manhattan. Also, within this chart Q2 2006 serves as a base quarter against which all other quarters are measured. Although PPSF has increased to \$1,451 this quarter, Q2 2015 exceeds Q2 2006 by \$454.

Median Condo Price Per Square Foot (PPSF) Sets New Record of \$1,441

Median condo PPSF hit a record-setting level this quarter at \$1,441, a 1.5% increase from last quarter and a 4.7% increase from Q2 2014. Compass' Q1 2015 report stated that the median condo PPSF would begin to plateau, and this still holds true. PPSF levels are still increasing but at a decreasing rate, suggesting that price growth is slowing.

This trend can be observed when viewing historic Q2 growth rates dating back to Q2 2006. The average Q2 growth has been 4.5%; however, this figure is

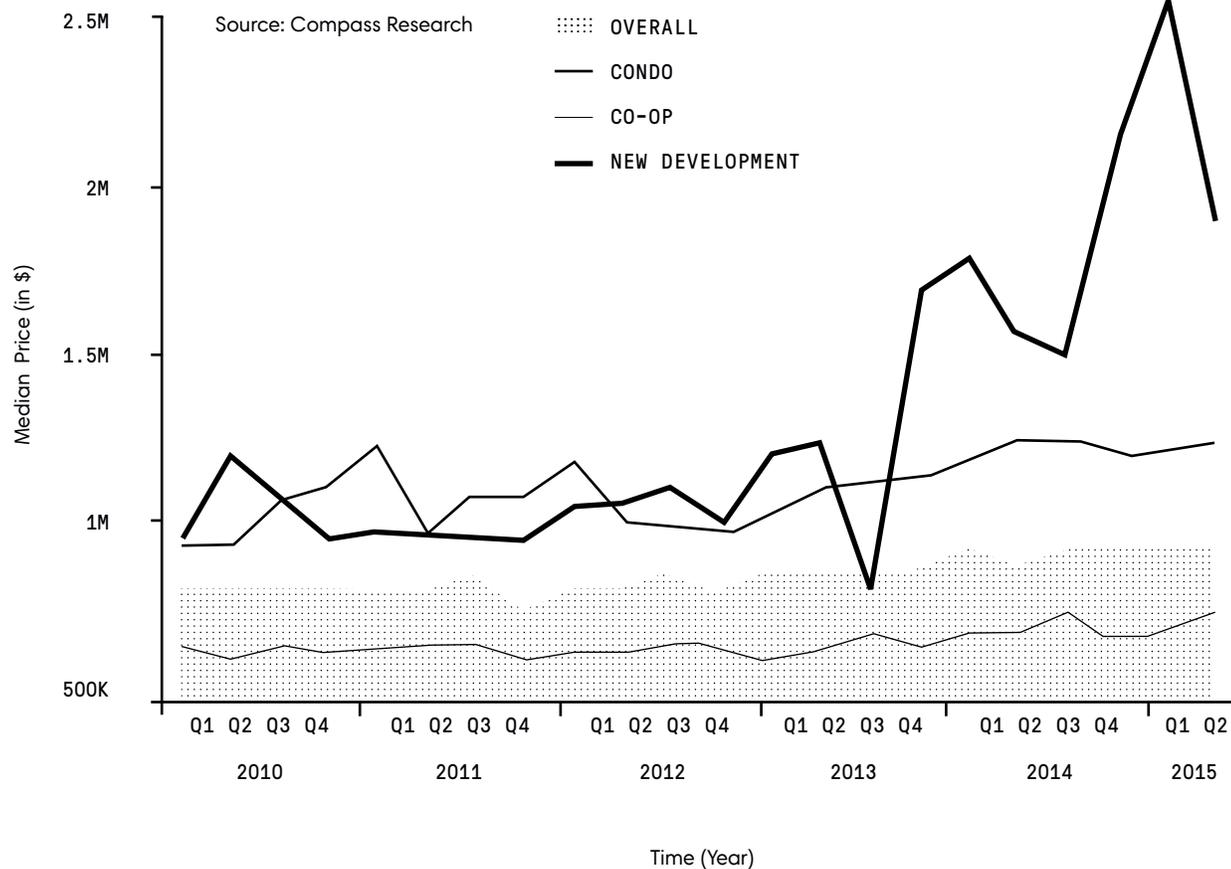
inclusive of the negative yearly growth in Q2 2009 (recession era) of 14.6%. Over the past two years, Q2 2013 and Q2 2014, the yearly growth rates were 9.5% and 14.3% respectively. Prices are expected to increase again in Q3 2015 as the surge of inventory transitions to closed sales and will begin to decrease following this period.

Median Prices Increase Again, to \$930,000

Median prices have increased in Manhattan this quarter to \$930,000, a 2.4% increase from Q1, and a 5.1% increase from Q2 2014. We typically see this type of behavior in Q2 as a result of low inventory levels coupled with higher prices in property on the market. Condo resales dropped 0.6% to \$1,200,000 from last quarter, and fell by 4.0% since the same time last year. Co-op resales, however, grew to its highest point ever at \$740,000, a 6.8% increase from Q1

and a 10.4% increase from the same period last year. Given that co-ops have grown in popularity, due to condo prices soaring, they now hold a 48.3% share of inventory versus the 46.6% condo share, and 57.9% of closed sales sales versus the 38.5% share of condo closed sales, it has become clear that demand has increased for this property type. While inventory levels still remain low, these prices are justified.

Median Closing Price By Property Type



The chart depicts the overall median closing prices by property type in Manhattan from Q1 2010 to Q2 2015. All property types with the exception of New Developments increased this quarter while co-ops increased to their highest point ever at \$740,000.

Upper Manhattan Hits Record Median Price - \$583,000

The disappearance of lower-priced inventory has had significant effects on pricing levels observed this quarter causing prices to shift upwards as well as redrawing the pricing landscape of Manhattan more broadly. Without a sizable share of available lower-priced listings, a large segment of listings that would have pulled down the Manhattan median price is now absent, causing the median price level to shift higher. This trend is most evident in Upper Manhattan, which has traditionally been

a large generator of Manhattan's least expensive listings. This quarter, 92.4% of the sub-market's available inventory was less than \$3M, down 3.5% from last year. Now, facing pressures of increasing prices found elsewhere in Manhattan, Upper Manhattan has finally grown to a record-setting median price of \$583,000, the highest ever median price for this sub-market, growing 20.1% since last quarter and 8.0% from Q2 2014.

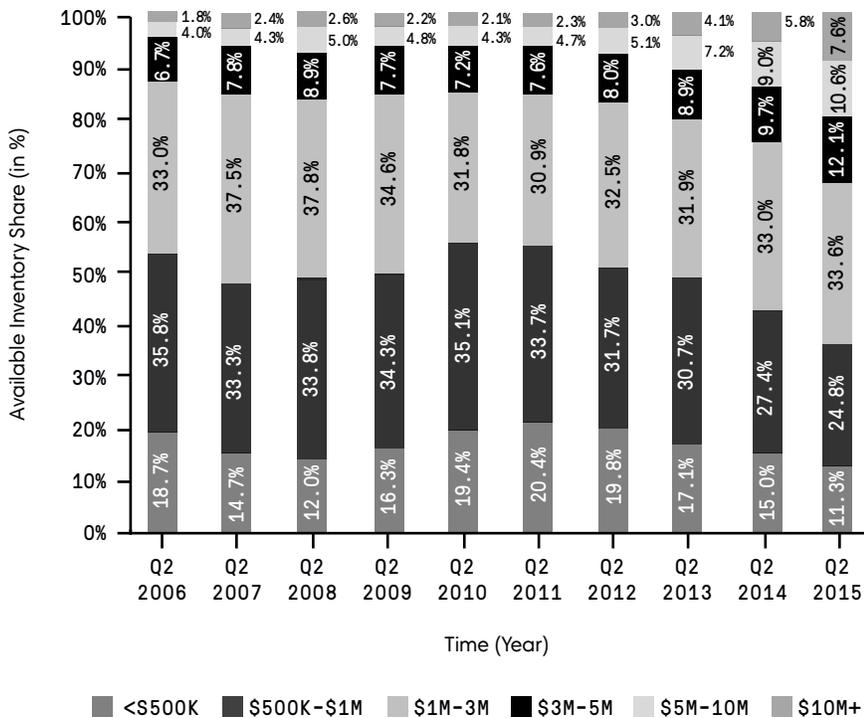
Inventory*

As expected, inventory has grown this quarter and has finally begun to ease the burden of Manhattan's low inventory woes. Available inventory grew to 9,390 total listings this quarter, a 20.8% increase from last quarter. This is due to more new inventory than expected: 5,115 new listings, a 36.5% increase from last quarter and a 4.1% increase from the same time last year. Listings below \$3M continue to decrease with this quarter only seeing 69.7% of inventory falling below \$3M.

	FIGURE	SHARE	YoY
AVAILABLE INV:	9,390		+8.1%
BY PRICE CATEGORY			
<\$500K:	1,093	11.3%	-18.3%
\$500K-1M:	2,401	24.8%	-1.8%
\$1M-3M:	3,247	33.6%	+10.3%
\$3-5M:	1,172	12.1%	+34.9%
\$5-10M:	1,022	10.6%	+26.6%
\$10M+:	730	7.6%	+40.4%
BY PROPERTY TYPE			
CONDO:	4,380	46.6%	+12.2%
CO-OP:	4,532	48.3%	+3.5%
BY BEDROOM TYPE			
STUDIO:	1,365	14.5%	+7.2%
1BR:	2,943	31.3%	+0.6%
2BR:	2,549	27.1%	+4.9%
3BR:	1,492	15.9%	+23.5%
4BR+:	1,041	11.1%	+22.6%

Available Inventory Shares by Price Category

Source: Compass Research



The chart depicts the total available listing percentage (%) shares as they relate to price categories. Q2 2015 has witnessed the smallest % shares of available inventory of listings amongst any Q2 with only 36.2% of available inventory falling below the \$1M threshold.

* Note: Compass' recorded inventory is not merely a snapshot of the marketplace at the tail-end of the quarter, but an inclusion of all inventory that has entered the market during the entirety of the quarter. Such a reporting of inventory provides a more comprehensive diagnosis of the marketplace by determining the full extent of inventory that was available to the market throughout the full period of immediate observation, in this case Q2 2015.

Low Priced Listings Quickly Evaporating

Value purchases are experiencing steadily diminishing shares of inventory, making their presence increasingly rare. Since Q3 2010, listings below \$1M have rapidly declined, and Q2 2015 was no exception. As of Q2 2015, total available listings less than \$500K in Manhattan have fallen to their lowest share levels ever, comprising only 11.3% of the market with 1,093 listings, representing a share level decrease of 0.7% from last quarter and 3.7% from the same period last year. Additionally, the \$500K-1M price category, which comprises only 24.8% of available inventory this quarter, grew 0.1% since the previous

quarter but decreased by 2.6% from the same point last year. This is the the second lowest level ever for the \$500K-1M price category, just above Q1 2015.

The more significant factor driving this evaporation is simply that these value listings are not being replenished, especially amidst a Q2 listing surge. Observing new inventory this quarter for listings less than \$500K, it was found that total levels 588 units this quarter fell by 20.5% since last year, and the \$500K-1M category with 1,423 having fallen to a lesser degree by 4.0%.

Manhattan Inventory Remains Top-Heavy

Total available inventory priced above \$3M maintained its heightened share level this quarter with 30.3% of all inventory falling above \$3M. This figure hasn't changed since last quarter; however, there has been significant movement in the makeup of price categories falling below the \$3M threshold.

This quarter witnessed sizable shifts in higher price category listings with both the \$3-5M and \$5-10M categories now comprising double-digit shares of available inventory with 12.1% and 10.6% respectively. This is the third consecutive quarter in which both of

these price categories have achieved double-digit shares, and the first time that a Q2 has reached double-digits for both categories.

This increase in more expensive inventory comes by way of increased numbers of large bedroom units coming on to the market, specifically 3BR and 4BR+ units. In Q2 2015, there were 767 3BR and 457 4BR + newly listed units representing a 48.4% and 39.8% increase respectively from the previous quarter and a 18.7% and 21.9% increase from the same time last year.

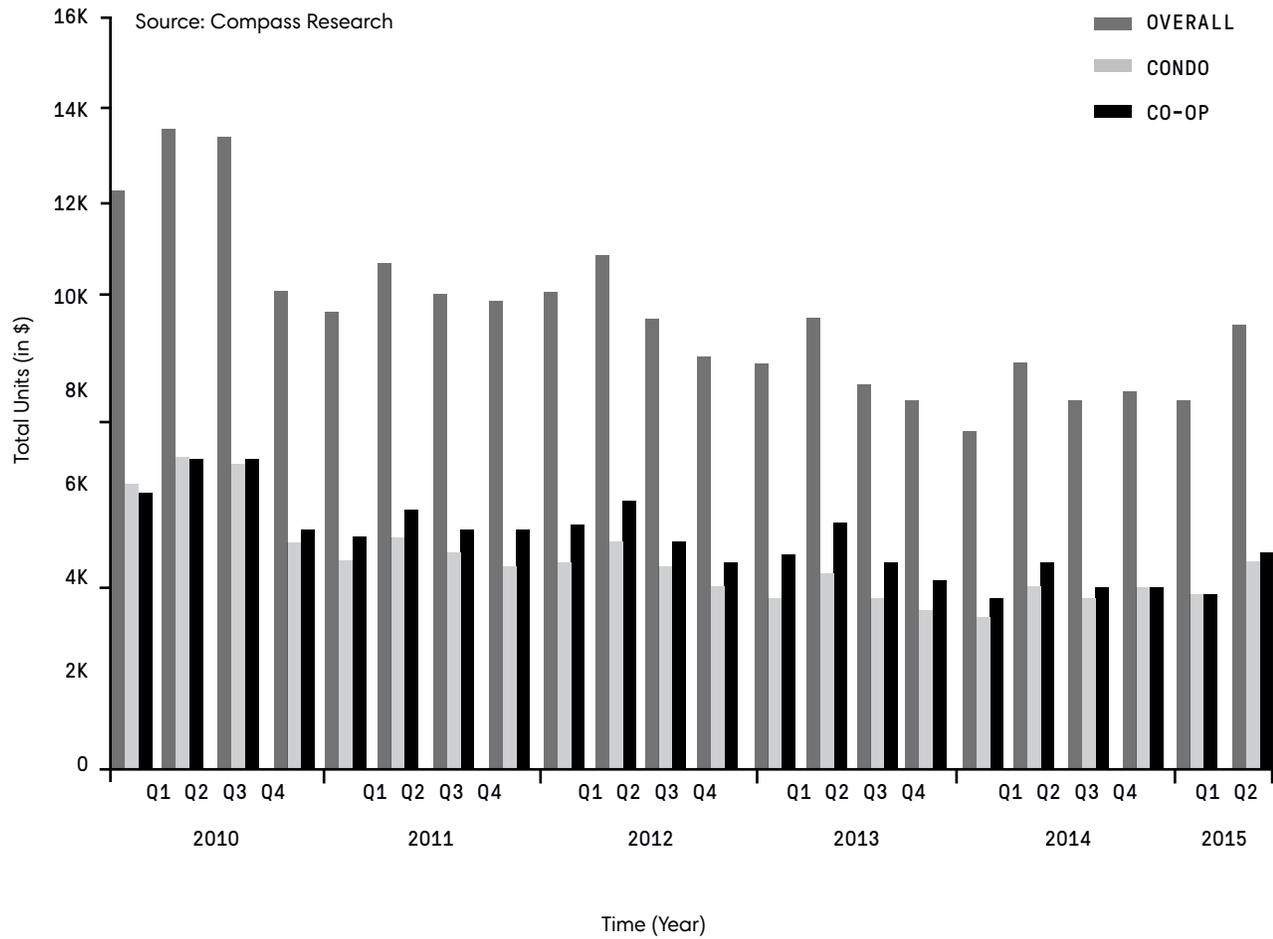
Q2 Listing Surge Offsets Decreasing Inventory

Since the recession inventory peak in Q2 2009 where total available inventory in Manhattan swelled to its largest level observed at 13,673 total listings, inventory has been on the decline. This decline culminated in the smallest available inventory in Q1 2014 with only 7,354 listings available, marking a 46.3% decrease since the market-low. Since this market's lowest point, inventory levels have begun to slowly increase again with an average quarterly increase of 5.7% since Q1 2014 to its current level of 9,390, representing a 20.8% increase since last quarter and a 8.1% increase since the same time last year.

This is the direct result of increased levels of new inventory flooding the market. With average increases of

8.7% each quarter since Q1 2014 and Q2 2015 achieving the highest new inventory level since Q3 2010 with 5,115 new listings, there has been a 36.5% increase since last quarter and 4.1% increase since the same period last year. This marks the single largest Q1-to-Q2 quarterly increase in new inventory ever. The slow increase in inventory levels marks the natural correction of the Manhattan marketplace as sellers look to take speculative advantage of uncharacteristically high prices. It is expected that the general trend of increasing inventory, inclusive of seasonality considerations, will only continue throughout 2015 until increased levels of supply will invoke a deflation of prices to more sustainable levels.

Total Available Inventory



The chart depicts the total available inventory for each quarter from Q1 2010 to Q2 2015. Total inventory in Q2 2015 reached 9,385 - a 21.0% increase from last quarter and 8.4% increase from Q2 2014.

Time on Market

Time on market (TOM) this quarter has fallen dramatically to a mere 40 days, with an increase in median price to \$930,000. TOM was 39 days at the same point last year, however, the median sales price during that time was only \$885,000. This general reduction in days spent on market represents a larger trend where listings are regressing towards a 30-59 TOM period.

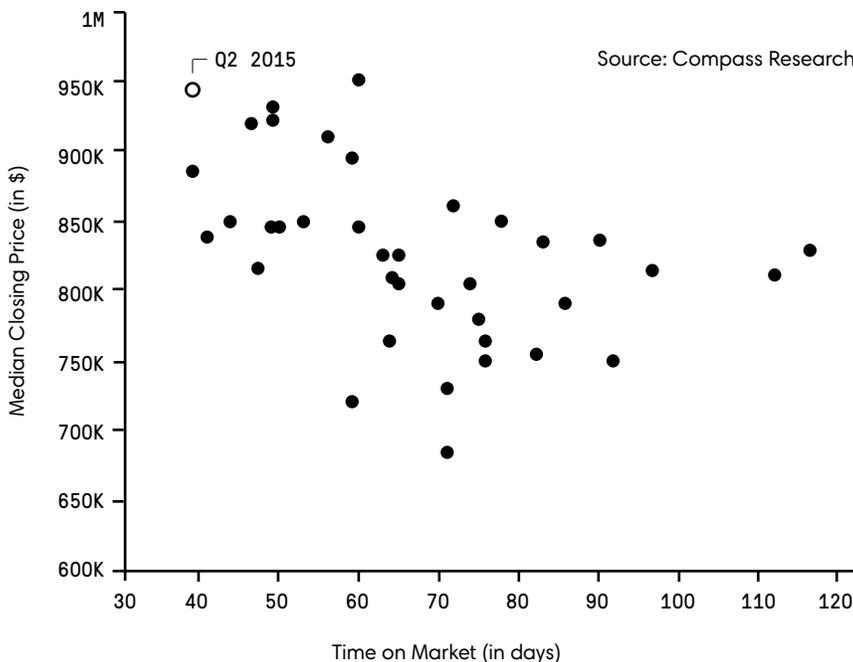
	FIGURE	YoY
TIME ON MARKET (DAYS):	40	+2.6%

BY PRICE CATEGORY (DAYS)		
LESS THAN \$500K:	41	-4.7%
\$500K-1M:	35	-2.7%
\$1M-3M:	40	+8.1%
\$3-5M:	49	+11.4%
\$5-10M:	89	+12.7%
MORE THAN \$10M:	111	+65.7%

BY PROPERTY TYPE (DAYS)		
CONDO:	45	+15.4%
CO-OP:	37	-2.6%

BY BEDROOM TYPE (DAYS)		
STUDIO:	41	+2.5%
1BR:	37	-5.1%
2BR:	39	+8.3%
3BR:	49	+14.1%
4BR+:	67	+17.6%

Time on Market



The chart depicts median days on market and median closing prices for all quarters between Q1 2006 and Q2 2015 and details Q2 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 mere 40 days while at the same time witnessing median sale price reach \$930,000.

Listings Move Faster and Are More Expensive

The median days on market in Q2 2015, 40, nearly matches the previous Manhattan record for lowest observed days in Q2 2014. Although this figure remains unchanged from the same time period last year, it represents a 28.6% drop from Q1 2015. In addition to this quickening pace, there has also been a rise in median price to \$930,000. This comes in direct response to the Manhattan marketplace entering into Q2 with unusually low levels

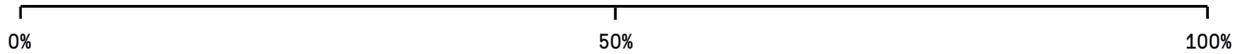
of inventory, as described earlier in the Inventory section of this report. Even with the increased new inventory levels, which have helped to offset the continuing trend of increasing prices, the suppressed levels of overall supply has evoked buyers' willingness to pay higher prices for any particular listing. This purchasing trend has subsequently generated a frenzy in which the market is consuming these listings at a faster rate than before.

Larger Units Trend Towards More Days

Larger units traditionally take longer to sell, and this trend has become particularly apparent this quarter. 42.2% of 3BR listings and 54.1% of 4BR+ listings came off the market after only 60 days, whereas shares of total listings transitioning to off-market in the smaller bedroom categories fell within a share range of 30.3% to 32.4%. This became more pronounced with listings that transitioned off-market after 120 days where Studios, 1BRs, and 2BRs each held 11.9%, 12.4% and 15.7% shares,

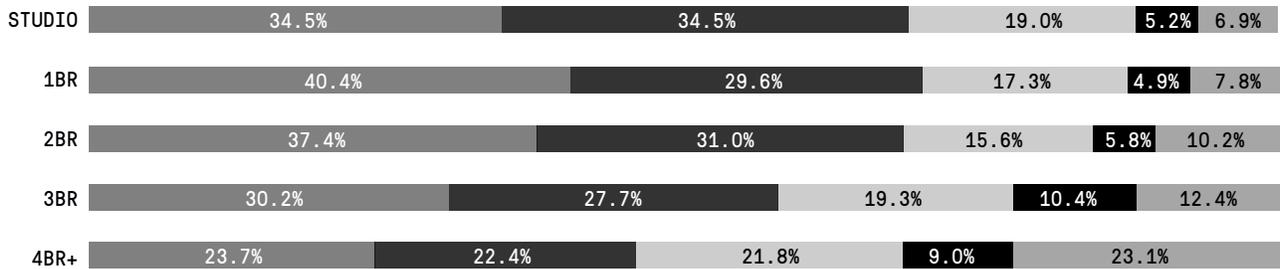
respectively in comparison to the 21.6% and 28.6% shares observed in the 3BR and 4BR+ categories. When comparing figures in Q2 2015 to those from Q2 2014, the total share of listings taken off-market in less than 30 days decreased by 4.5% and 6.8% in the 3BR and 4BR+ categories, respectively, while these same categories witnessed increases in all time on market segments longer than 30 days.

Q2 2015 Time on Market Breakdown

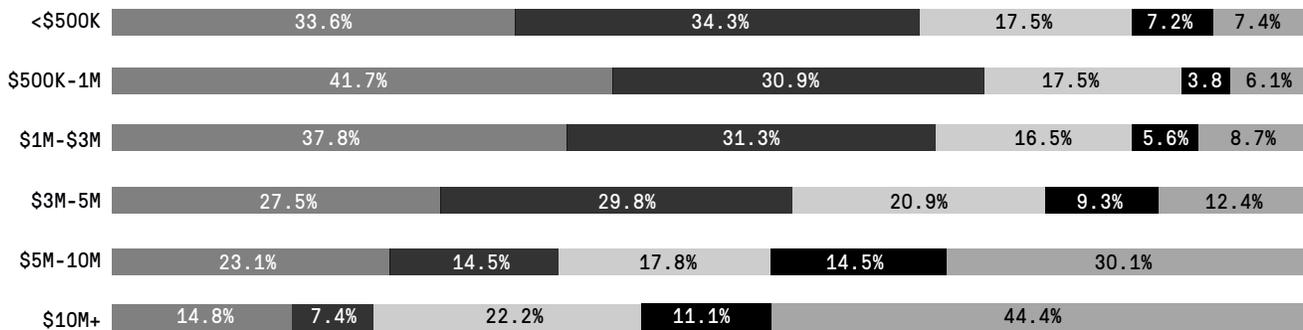


Bedroom Category

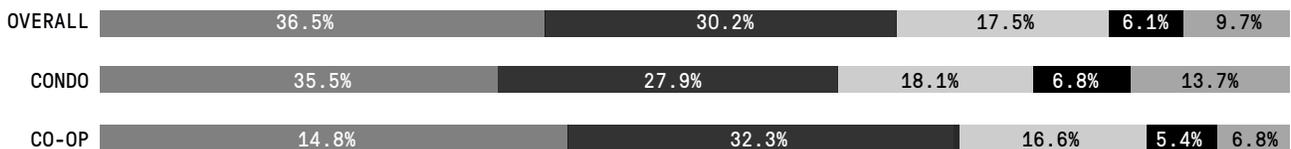
Source: Compass Research



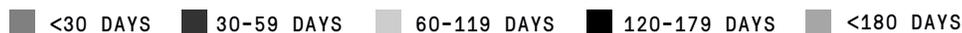
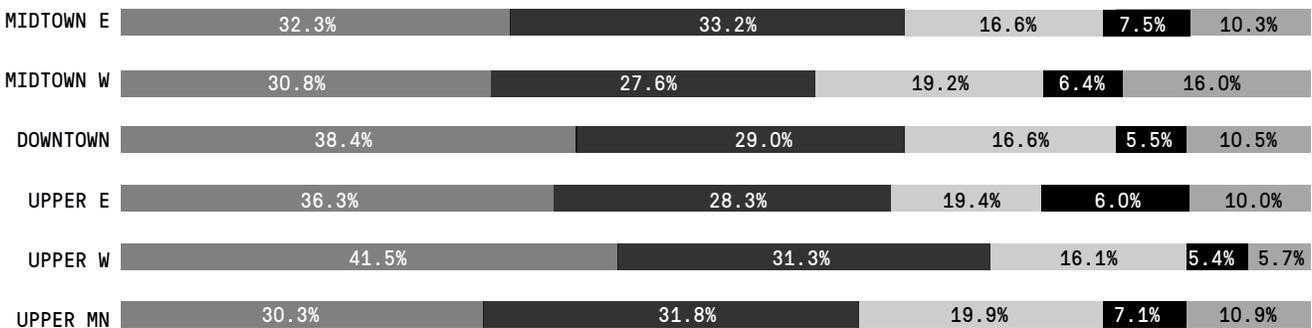
Price Category



Property Types



Major Market



All Categories Shift Toward 30-59 Days on Market

Across the board, listings are experiencing a regression toward the 30-59 day TOM segment this quarter. Property type in the 30-59 day TOM category increased across all categories. In comparison with the previous quarter, each property type increased in Q2 2015 with condo and co-ops each increasing by 9.8%, 10.1%, and 9.9%, respectively.

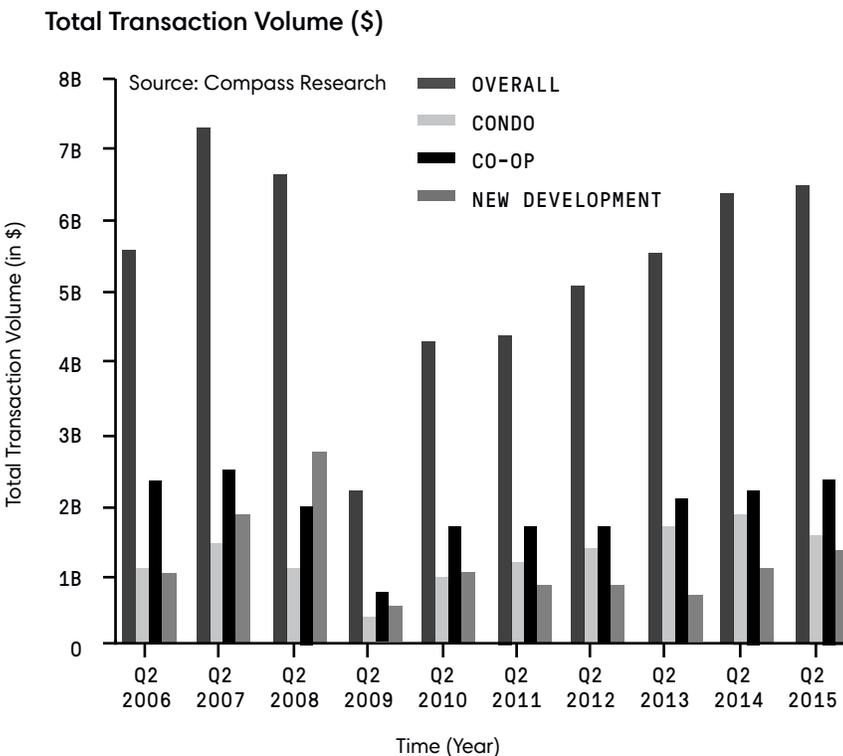
All bedroom sizes saw increases in the 30-59 day category. Q2 2015 listing shares in this category, as compared to the previous quarter, experienced double digit increases in the Studio, 2BR, and 3BR sizes with increases of

10.9%, 12.9% and 11.1%, respectively. Compared to Q2 2014 the TOM increases were less extreme, only found in the Studio, 3BR, and 4BR+ categories at 7.9%, 0.1% and 3.0%, respectively. Listing shares in the 30-59 day TOM category broken down by price saw increases in all segments, with only minor exceptions. Compared to the previous quarter, increases were found to be substantial across all price categories, with the largest of the share increases observed in the less than \$500K, \$1M-3M, and the \$3M-5M categories with each increasing by 12.9%, 9.4% and 15.1%, respectively.

Closings

Because Q2 is peak listing season, closed sales this quarter have responded to the higher levels of inventory by increasing to 3,094, up 14.0% from last quarter, but falling from 12.4% in Q2 2014. Given the high value of inventory that has come onto the market in recent quarters, and subsequently translated to higher-value closings, total transaction volume has increased to \$6.4B. Inventory has increased more than expected this quarter, and with the rate of closings decreasing relative to the same time last year, months of supply has increased to its new level of 9.2 months, up 6.0% from the previous quarter.

	FIGURE	SHARE	YoY
TOTAL CLOSINGS	3,094		-12.4%
CONDO - RESALE	948	30.7%	-9.0%
CO-OP - RESALE	1,791	57.9%	-9.4%
NEW DEVELOPMENT	244	7.9%	-29.1%
TOTAL \$ VOLUME	\$6.4B		+1.0%
MONTHS OF SUPPLY: 9.2			+23.4%



The chart depicts the total historic Q2 transaction volume in dollars (\$) of closed sales in Manhattan by property type. Q2 2015 was found to have witnessed a sizable decrease in total volume to a total amount of \$6.4B - a YoY increase of 1.0%.

Total Transaction Volume Reaches \$6.4B in Q2 2015

Total transaction volume has reached \$6.4B this quarter, representing a 14.0% increase from the previous quarter and a 1.0% increase from Q2 2014. Amongst all historic Q2s, Q2 2015 was observed to be the second highest Q2 throughout the period of observation, falling short only to Q2 2007 which achieved a total

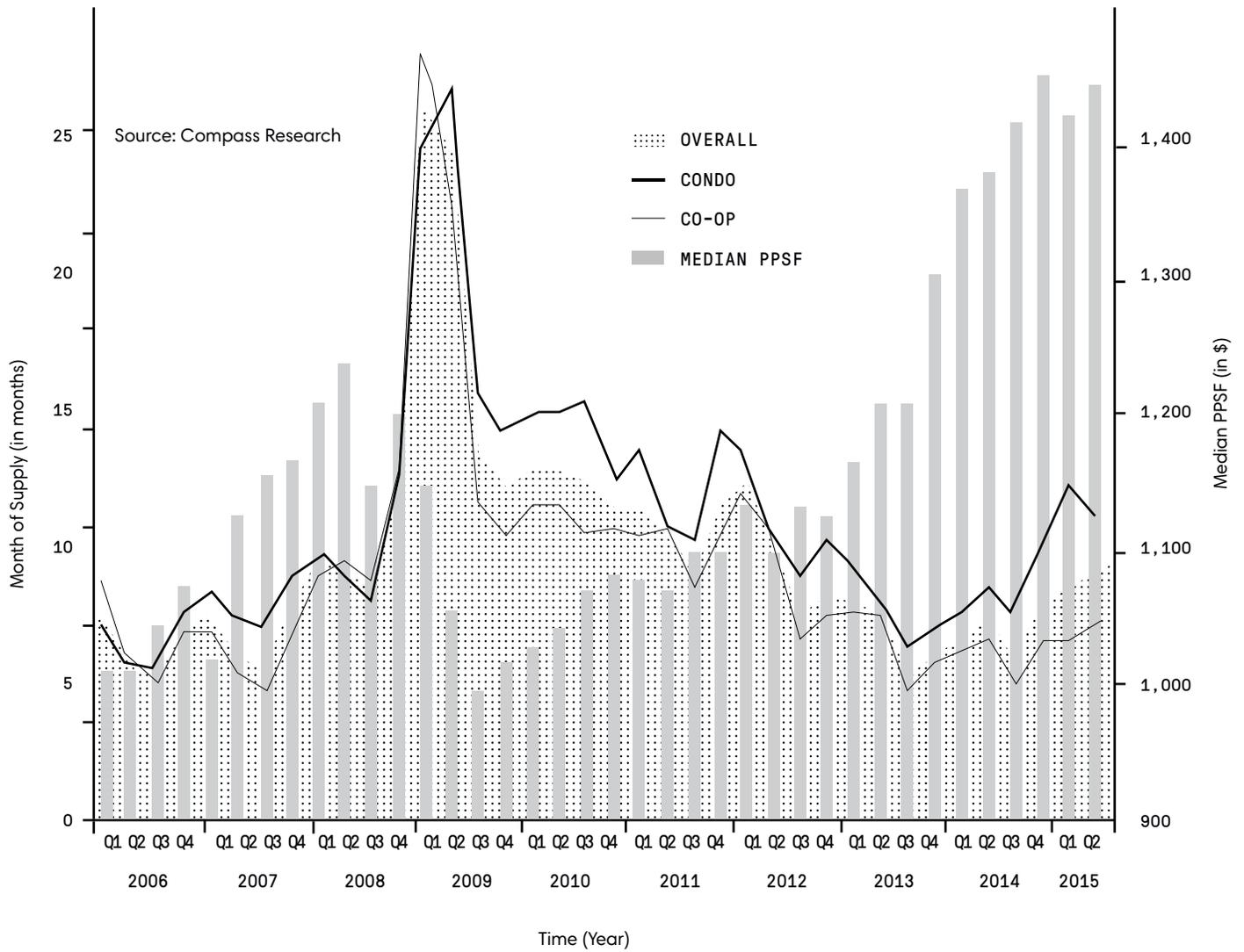
transaction volume of \$7.3B prior to the start of the recession. This value is so high due to increasing median closing prices, particularly as sales trend towards becoming more expensive overall - particularly in the top 10% of closed sales by price.

Months of Supply Increases to 9.2

Closed sale transactions increased in Q2, as is typical during this period of the year, with a total of 3,094 closed sales in Manhattan in Q2 2015. This figure represents a 14.0% increase from last quarter, a 12.4% drop from Q2 2014. This scenario is not indicative of a drop in consumption since closed sales have increased, but is due to high levels of new inventory that have come on market this quarter. In the face of

steady consumption, months of supply has slowly increased in Manhattan to 9.2 months this quarter, up 6.0% from the previous quarter and 23.4% from Q2 2014. If new inventory trends continue to increase then it is expected that as 2015 progresses that months of supply will only rise in turn. This will cause a slow return to the historic average of 9.9 months, which is currently only 93.4% of the average.

Median Closing Price By Property Type



The chart depicts historic months of supply levels in Manhattan from Q1 2006 to Q2 2015 against median PPSF for the same period. The overall supply level in Q2 2015 has now reached 9.2 months - 88.6% higher than the historic average for Manhattan and 20.5% higher than average Q2s.

