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Manhattan apartment prices are finally going flat

Posted by: Prashant Gopal on October 07

Manhattan apartment prices, which have soared quarter after quarter, are finally flattening out, according to a report today from the [Real Estate Board of New York](#).

“The trend from the beginning of the year forward, is flat or slightly downward,” Michael Slattery, the Real Estate Board of New York’s senior vice president, told me today. “We’re starting to feel the impact of economic conditions.”

The median price for a Manhattan apartment (condos and co-ops) rose just 2.8% to \$845,000 and sales transactions dropped 20% in the third quarter compared to the same period a year ago. Median home prices — including co-ops, condos, and houses — dropped in every other borough (down 9% in Brooklyn, Staten Island, and the Bronx, and down 17% in Queens).

This is a dramatic change. In the first quarter of this year, the median price for a Manhattan home jumped 18%, to \$872,000, compared with the same period a year ago. The housing market benefitted from the city’s relatively strong economy and the weak dollar, which has attracted foreign buyers.

But the pressures on the city’s home prices are likely to increase. The third-quarter report, which accounts for the three months ending September 30, doesn’t fully reflect buyer sentiment in the wake of last month’s investment bank meltdown.

And there’s an inherent lag in real estate data. A buyer typically signs a sales contract three months before closing on a property, and as much as a year before closing on a new home. So, we’ll see the real impact of the Wall Street layoffs in the months to come.

Another thing to watch out for. Builders, rushing to meet a June 30 tax abatement deadline, applied for an astounding 17,000 new construction permits in June, more than the first five months of the year combined, Slattery said. The permits required that the builders had already poured the foundation for the buildings, meaning that most of those units will likely be built, he said.

It remains unclear how many of these permits are for condos or for rentals. And Slattery said he expects fewer permits to be issued in coming months.

But it seems to me that the flood of new supply could cause serious problems for Manhattan’s condo market. Sales for condos are already off by 37% in Manhattan compared to a year ago. Co-ops, by comparison, which are in limited supply, are actually up 4% compared to a year ago.