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## Easing Apartment Pain

Sale Prices in Manhattan Are Lowest Since 2004, After Adjusting for Inflation

By JOSH BARBANEL

To live in Manhattan is to believe that never before have apartment prices been so expensive.

But a new 10-year review of trends in apartment prices raises a few questions and footnotes over the rights to brag and moan about the high cost of getting a place to live in Manhattan: The median apartment price in 2012 was \$835,000, but adjusted for inflation, it was the lowest since 2004.

That figure, the result of roughly flat prices in Manhattan since the collapse of the housing market in 2008, shows that despite some marquee sales to billionaires at home and abroad, overall apartment prices may not be quite so bad as they seem.

Of course, some Manhattan brokers are now warning of listing shortages and potential price increases this year, as the inventory of co-ops and condominiums on the market are at the lowest level in a decade.

But moans and groans about the high costs of Manhattan apartments are nothing new. A

1916 New York Times article titled "Great Scarcity in Apartments" said that "never before has there been such a scarcity of apartments on Manhattan Island."

The review of sales in the last decade being released on Thursday by Douglas Elliman showed that both median and average prices in Manhattan were off slightly last year from 2011, with average price close to \$1.42 million in 2012.

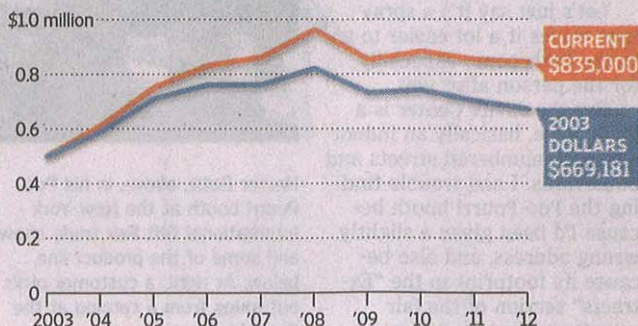
But adjusting figures cited in the report for inflation, showed deeper declines. The median price for a two-bedroom apartment of \$1.26 million in 2012 was the lowest since 2004 in constant dollars, as was the \$385,000 for a studio.

The median price of a three-bedroom apartment of \$2.37 million was the lowest in more than a decade, while the median price of a four-bedroom apartment of \$4.75 million was the lowest in nine years. Only one-bedrooms, with a median price of \$650,000, were higher than the previous year.

Jonathan Miller, an appraiser and president of Miller Samuel

### Depends on How You Count

Median Manhattan apartment prices, in current and inflation adjusted figures



Source: Miller Samuel Inc.

The Wall Street Journal

Inc., said that when prices were adjusted for inflation, the result "isn't in sync" with "the consumer perception" of what is happening in the market. Mr. Miller prepared the report for Douglas Elliman.

But he said such misperceptions and complaints about shortages and high prices have been staples of the Manhattan real-estate market for 100 years. In the 1920s, he said, there were

reports of an influx of international buyers and the importance of Wall Street to the market.

"My takeaway," he said, is that over generations, "everybody thinks it is probably more expensive than it is."

Tiffany Pratt, who is shopping for a scarce one-bedroom apartment for her son, a private tutor, on the far Upper East Side or in East Harlem, begs to differ. "I

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## Easing Pain of Manhattan Apartment Prices

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think that prices are very high and I think they always were," she said.

Ms. Pratt, a real-estate broker in Westchester and Dutchess counties, once owned a large two-bedroom co-op in the East 80s. She sold it for prices far below asking prices on small one-bedroom apartments now. "It makes me sad. I could never afford to buy it today, and I am in much better financial shape now," she said.

Her broker, Malcolm Carter, said that people have been complaining about real-estate prices since he first moved to New York

in 1970. "Complaints about prices are as endemic as complaints about taxi fares, subway service and strollers on the Upper West Side," he said.

What makes these complaints about high prices more poignant is that many people live side by side with someone who paid a lot less than current prices for something similar, as Manhattan has passed through boom and bust cycles

As a result, just about everyone who either lives in Manhattan, or who couldn't afford to move there, knows someone who bought at the bottom. In the mid-1970s, townhouses and park-

view co-ops now worth millions often sold for under \$100,000 or sometimes far less.

Prices tumbled again in the late 1980s and early 1990s and didn't bounce back for many years. New York's last real-estate boom began later than the bubble in the rest of the country, and lasted longer, until 2008, kept aloft by Wall Street bonuses.

Dolly Lenz, a top broker at Douglas Elliman, said that at the luxury end of the market, prices were simultaneously "cheap" and "absolutely undoubtedly at a peak," whatever the market reports say.

She said international buyers, who are familiar with the more-expensive markets in London and Hong Kong, "look at property in New York and think it is cheap."

At the same time, she said, "compared with the rest of the U.S., New York seems absurdly expensive, on a price-per-square-foot basis or on almost any other metric."

Mr. Miller said the market may be stronger now than it was during the boom years, when prices were higher. He said during the real-estate boom, sales were driven up by "artful credit conditions, but now with tight credit, "prices are more real."