

the corcoran report

1st QUARTER 2009

In collaboration with



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A comprehensive analysis
of the residential real estate
market in Manhattan.

Welcome to the Corcoran Report, our quarterly examination of Manhattan's residential real estate market. With America's attention focused heavily on the economy and the new administration's efforts to shore up the nation's financial institutions, activity in residential real estate has been at the front of everyone's mind this quarter. Recent news has been encouraging. In February, nationwide sales of existing and new homes rose by 5.1% and 4.7% respectively. Meanwhile, in the same month housing starts and single-family building permits climbed by 22% and 16%, respectively, providing hope for homeowners in comparison with the downward trends that have begun to manifest in this quarter's report.

As the grip of the nation's economic recession solidified over the last six months, its effects made their way into Manhattan residential sale closures in the first quarter. The decline in sales activity continued as total closings decreased by 52% over 2008's booming first quarter, and by 27% over the prior quarter (based on a reasonable estimate of First Quarter sales accounting for the typical lag time between a closing and its reporting in the public record). The change was most pronounced in the realm of new development properties where the diminishing pipeline of inventory resulted in a 67% drop in sales over the same quarter of 2008.

While the number of sales is down dramatically, the impact on prices so far has been mild as sellers and developers adjust their thinking to confront the shifting market. The median price for a Manhattan apartment fell just 2% to \$925,000 while average price per square foot dropped 6% to \$1,158. In resales, motivated homeowners were responsive to the economic realities of the market and their cautious pricing emerged in this quarter's metrics. With lower asking prices and greater negotiability afoot, resale prices finished lower across the board and overall by 11% in median price (now \$749,000) and 8% in average price per square foot (\$1,058).

Perhaps the most closely watched segment of the market is new development, which accounts for 60% of all condominium sales this quarter. New development properties appreciated 25% in median price to \$1.349 million, but their value in average price per square foot was unchanged over Q1 2008. However, contracts for units in new buildings are often signed eighteen months or more before they close, so their activity lags the actual market by a significant margin when compared with resales. The Corcoran Report examines activity in new development properties in a separate section presented by Corcoran Sunshine Marketing Group.

We hope you will find this edition of the Corcoran Report useful and informative, and we welcome any questions you may have regarding it.

Sincerely,

Pamela Liebman

Pamela Liebman
Chief Executive Officer

The following members of the The Corcoran Group made significant contributions to this report:

Bill Begert | Brett Harris | Douglas LaMere | Ryan Schleis | Kirsten Spanjer





Market Trends

Overall, approximately 60% fewer sales traded versus the same quarter a year ago. Median price fell by 2% and average price per square foot declined by 6% due to the current recession and financial turmoil in addition to the resale market gaining market share versus new developments. [Page 4](#)

West Side

Sales in new developments on the West Side experienced an increase in median price of 34% while resale co-op sales fell in median price by 12%. [Page 9](#)

Midtown West

New development sales in Midtown West had a 28% increase in median price and a 20% increase in average price per square foot while resale condominiums decreased by 16% in median price and 8% in average price per square foot. [Page 10](#)

Downtown

Co-op resales below 34th Street decreased in median price by 6% while condo resales decreased in median price by 8%. [Page 11](#)

Uptown

Uptown was one of only two areas of Manhattan where median prices fell in new development sales. [Page 12](#)

New Developments

In featured commentary from Corcoran Sunshine Marketing Group, we examine the activity in Manhattan's most talked about niche market. [Page 6](#)

East Side

Resale co-ops on the East Side recorded their lowest average price per square foot since Fourth Quarter 2006. [Page 7](#)

Midtown East

Midtown East saw the median price fall for all sales categories except for resale condos. [Page 8](#)



Average unit sales per square foot (SF):

- Above \$2,500 SF
- \$2,000 - \$2,500 SF
- \$1,500 - \$2,000 SF
- \$1,250 - \$1,500 SF
- \$1,000 - \$1,250 SF
- \$750 - \$1,000 SF
- \$500 - \$750 SF
- Below \$500 SF
- No SF Available

Number of unit sales per building:

- Above 20 Units
- 10 to 20 Units
- 3 to 9 Units
- 1 to 2 Units

PropertyShark.com's map of Manhattan plots sales in the First Quarter according to their numbers and their prices per square foot.

Interactive map online at

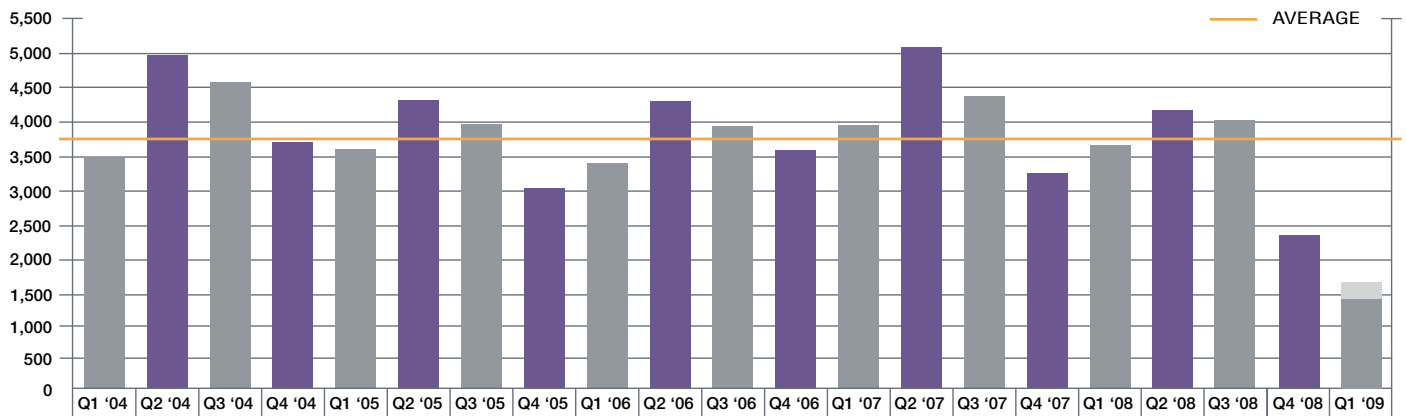


propertyshark.com/maps

Manhattan Market Trends

The number of sales fell significantly in Manhattan during First Quarter 2009. The ongoing recession and economic turmoil are clearly having an adverse effect on sales volume. Due to the seasonality of the market, the first quarter typically experiences an increase in sales volume compared to the fourth quarter, but this year there was a 27% decline in sale volume from Fourth Quarter 2008 to First Quarter 2009. Versus First Quarter 2008 we estimate that sales are down approximately 52%, making this the sixth straight quarter of year-over-year sales declines (based on a reasonable estimate of First Quarter sales accounting for the typical lag time between a closing and its reporting in the public record).

Five Year Trend of Sales Activity (Number of Sales)



With the economy in recession and sales down sharply, prices fell in Manhattan. Overall, median price is down 2% and average price per square foot fell 6%. The only unit type to experience an increase in median price was three-plus bedrooms, rising 22% year-over-year. This increase is mainly attributed to increasing demand for larger residences, especially in new developments. When new development is eliminated from the data set, the price declines in the current market become even more evident. Overall, the median price of resale units decreased 11% and average price per square foot decreased 8%. Two-bedroom resales had the largest decline of any resale unit type, dropping 12% from a year ago.

Market Wide

All Sales	Average Sale Price	Median Price	Avg Price per sf	Studio	Median Price		
					1 BR	2 BR	3+ BR
2009	1.560M	925K	1,158	438K	750K	1.350M	3.513M
Change	-6%	-2%	-6%	-14%	-3%	-7%	+22%
2008	1.653M	941K	1,230	510K	775K	1.450M	2.880M

Market Wide Resale

All Resale	Average Sale Price	Median Price	Avg Price per sf	Studio	Median Price		
					1 BR	2 BR	3+ BR
2009	1.372M	749K	1,058	425K	673K	1.197M	3.200M
Change	-8%	-11%	-8%	-4%	-3%	-12%	+19%
2008	1.491M	839K	1,150	445K	695K	1.355M	2.695M

Co-ops	Median Price	Avg Price per sf	Studio	Median Price		
				1 BR	2 BR	3+ BR
2009	649K	863	375K	587K	994K	2.680M
Change	-7%	-13%	-5%	-5%	-19%	+9%
2008	699K	987	395K	615K	1.230M	2.450M

Condos	Median Price	Avg Price per sf	Studio	Median Price		
				1 BR	2 BR	3+ BR
2009	1.040M	1,269	543K	825K	1.403M	3.600M
Change	+4%	-2%	+5%	+3%	-11%	+24%
2008	1.000M	1,294	515K	799K	1.575M	2.900M

Townhouses

Very few townhouses were sold in First Quarter 2009. Those that did sell were at much lower prices than a year ago, with the exception of the East Side. The median price of a townhouse on the West Side decreased 48% year-over-year. Uptown and Downtown median prices decreased 12% and 39%, respectively. On the other hand, the East Side showed a large increase in median price, rising 53% in First Quarter 2009. Townhouse sales in every neighborhood were down 80% or more.

All Sales	East Side		West Side		Downtown		Uptown	
	Average Price	Median	Average Price	Median	Average Price	Median	Average Price	Median
2009	13.784M	13.730M	2.833M	2.700M	4.511M	3.410M	1.348M	1.195M
Change	+17%	+53%	-51%	-48%	-59%	-39%	-8%	-12%
2008	11.740M	9.000M	5.800M	5.200M	11.135M	5.625M	1.458M	1.364M

Lofts

The loft market experienced mixed results with median price decreasing 3% but average price per square foot increasing a modest 1% to \$1,189. Lofts between 1,000 and 1,500 square feet fared better than larger lofts, increasing a steady 2% over a year ago. Lofts larger than 2,500 square feet experienced significant declines in median price, decreasing 19%. Lofts experienced a slightly smaller sales decline than the market overall.

All Sales	Average Sale Price	Median Price	Avg Price per sf	1,000-1,500 sf		1,500-2,000 sf		2,000-2,500 sf		2,500+ sf	
				Average Price	Median Price	Average Price	Median Price	Average Price	Median Price	Average Price	Median Price
2009	2.190M	1.400M	1,189	1.347M	1.295M	1.963M	1.790M	2.680M	2.395M	6.526M	3.819M
Change	+4%	-3%	+1%	+1%	+2%	-13%	-7%	-4%	-13%	+29%	-19%
2008	2.096M	1.450M	1,178	1.335M	1.265M	2.259M	1.930M	2.785M	2.750M	5.044M	4.725M

Luxury Market

Manhattan's luxury market, defined as the top 10% of all co-op and condominium sales, had a large price per square foot decline. The median price of luxury co-op sales actually increased 18% versus a year ago, but average price per square foot declined 11%. Luxury resale condominiums experienced declines in median price and average price per square foot of 9% and 6%, respectively. The luxury new development market saw a 4% increase in median price but an 18% decline in average price per square foot.

All Resale	Average Sale Price	Median Price	Avg Price per sf
	2009	5.763M	3.998M
Change	-7%	-8%	-10%
2008	6.189M	4.325M	2,187

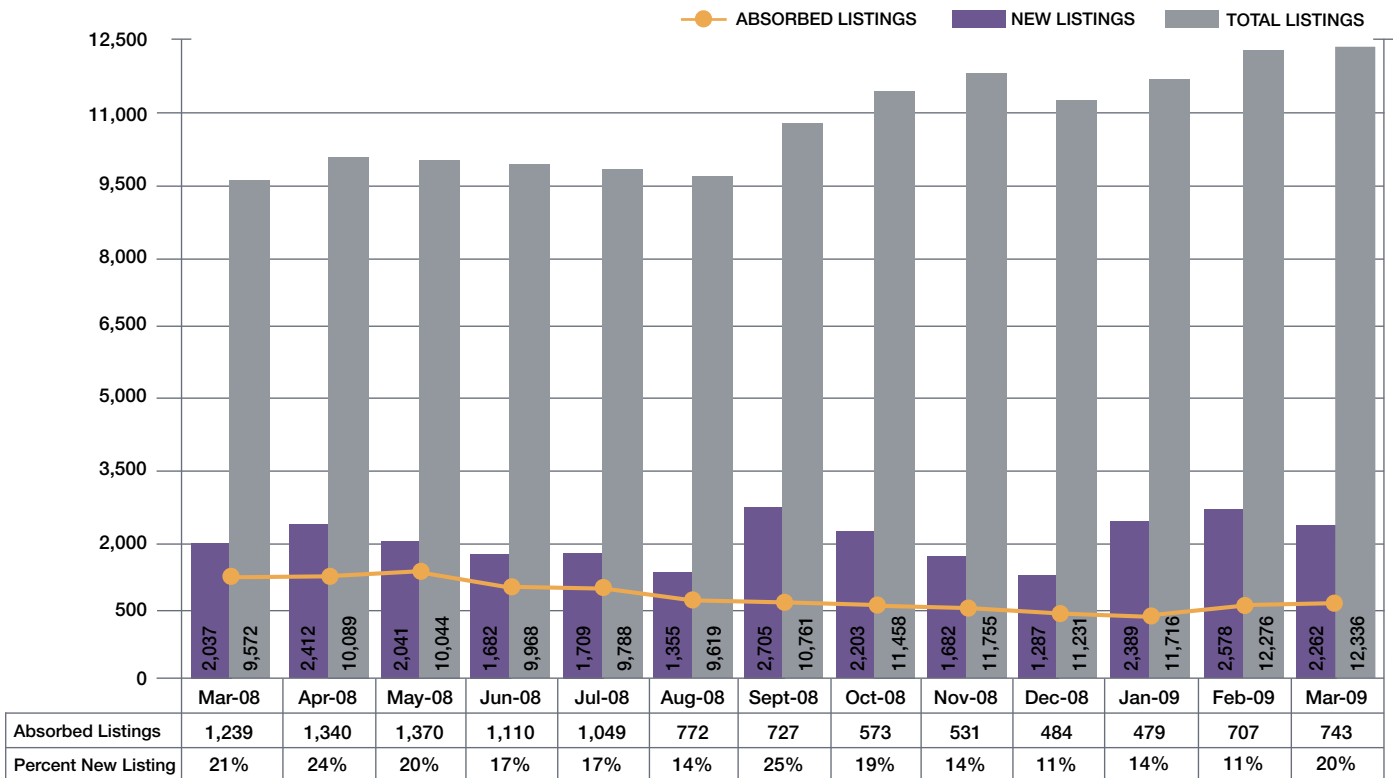
Co-ops	Average Sale Price	Median Price	Avg Price per sf
	2009	5.490M	3.925M
Change	-13%	-7%	-22%
2008	6.305M	4.200M	2,005

New Developments	Average Sale Price	Median Price	Avg Price per sf
	2009	5.906M	5.100M
Change	-22%	+4%	-18%
2008	7.616M	4.900M	2,505

Condos	Average Sale Price	Median Price	Avg Price per sf
	2009	5.965M	4.149M
Change	-3%	-9%	-6%
2008	6.119M	4.568M	2,259

Manhattan Absorption vs. New & Total Listings

As global economic conditions worsened, sales activity significantly decreased during First Quarter 2009. Inventory is at its highest level in more than eight years and has increased 29% over the last year. Absorption has actually improved in the first three months of 2009, increasing 55% from January to March. Sellers were compelled to readjust their price expectations as inventory increased over the past eight months. Recently, buyers have begun to look for deep discounts as motivated sellers are trying to unload properties.



NEW DEVELOPMENTS



New development showed continued price growth in the First Quarter, however, as many of these sales were for contracts signed several months or years ago, price changes are not necessarily indicative of current market conditions. Furthermore, price metrics can be easily skewed based on which specific buildings have a significant number of closings during the quarter. Overall, median price had a large 25% increase over a year ago to \$1.35 million while average price per square foot remained unchanged. This large increase in median price was due to a shift in the proportion of units sold towards larger and more expensive residences. However, the new development market experienced a significant decline of 67% in the number of sales over last year – a larger decline than the resale market.

Market Wide	Average Sale Price	Median Price	Avg Price per sf	Studio	Median Price		
					1 BR	2 BR	3+ BR
2009	1.904M	1.350M	1,322	647K	963K	1.693M	3.755M
Change	+2%	+25%	0%	+3%	+11%	+9%	+21%
2008	1.869M	1.080M	1,320	630K	867K	1.550M	3.106M

Resale

East Side

The East Side co-op median price remained unchanged. However, average price per square foot experienced a 19% decrease, falling to \$873 per square foot, the lowest average price per square foot since Fourth Quarter 2006. Three-plus bedroom co-ops experienced the highest median price growth, with a 14% increase. In contrast, the East Side condominium resale market experienced a 16% increase in median price and only a 2% decrease in average price per square foot.

Co-ops		Median Price	Avg Price per sf	Studio	Median Price		
					1 BR	2 BR	3+ BR
	2009	892K	873	349K	579K	1.100M	3.495M
	Change	+1%	-19%	+7%	-4%	-23%	+15%
	2008	883K	1,074	325K	600K	1.430M	3.037M

Condos		Median Price	Avg Price per sf	Studio	Median Price		
					1 BR	2 BR	3+ BR
	2009	1.425M	1,358	515K	790K	1.750M	4.500M
	Change	+16%	-2%	-4%	+2%	+13%	+68%
	2008	1.231M	1,389	535K	775K	1.554M	2.686M

Average unit sales per square foot (SF):

- Above \$2,500 SF
- \$2,000 - \$2,500 SF
- \$1,500 - \$2,000 SF
- \$1,250 - \$1,500 SF
- \$1,000 - \$1,250 SF
- \$750 - \$1,000 SF
- \$500 - \$750 SF
- Below \$500 SF
- No SF Available

Number of unit sales per building:

- Above 20 Units
- 10 to 20 Units
- 3 to 9 Units
- 1 to 2 Units



Interactive map online at PropertyShark.com/maps



NEW DEVELOPMENTS

EAST SIDE

The East Side experienced a huge median price increase of 95% and an average price per square foot increase of 18% versus a year ago. Once again, the East Side had the largest percentage gain in price of any Manhattan submarket. Closings in new construction condominium buildings such as The Laurel and 170 East End Avenue fueled the significant price increases. One bedroom residences, which experienced the largest median price increase of any bedroom type, increased 61% to more than \$1 million.

East Side		Median Price	Avg Price per sf	Studio	Median Price		
					1 BR	2 BR	3+ BR
	2009	1.825M	1,533	N/A	1.049M	1.96M	4.323M
	Change	+95%	+18%	N/A	+61%	+38%	+50%
	2008	938K	1,296	503K	652K	1.428M	2.873M

Resale

Midtown East

Co-op resales in Midtown East had an 8% decrease in median price and an 18% decrease in average price per square foot. Studios were the only bedroom type to experience an increase in median price, increasing 7%. Resale condominiums, however, experienced a 30% increase in median price as a greater proportion of sales were for larger residences. Resale condominium average price per square foot decreased 2%.

Co-ops	Median Price	Avg Price per sf	Studio	Median Price		
				1 BR	2 BR	3+ BR
	2009	518K	742	390K	553K	899K
Change	-8%	-18%	+7%	-2%	-26%	-85%
2008	563K	902	366K	564K	1.215M	9.725M

Condos	Median Price	Avg Price per sf	Studio	Median Price		
				1 BR	2 BR	3+ BR
	2009	1.212M	1,182	480K	850K	1.240M
Change	+30%	-2%	-9%	+10%	-6%	-8%
2008	930K	1,210	525K	775K	1.320M	2.873M

Average unit sales per square foot (SF):

- Above \$2,500 SF
- \$2,000 - \$2,500 SF
- \$1,500 - \$2,000 SF
- \$1,250 - \$1,500 SF
- \$1,000 - \$1,250 SF
- \$750 - \$1,000 SF
- \$500 - \$750 SF
- Below \$500 SF
- No SF Available

Number of unit sales per building:

- Above 20 Units
- 10 to 20 Units
- 3 to 9 Units
- 1 to 2 Units



Interactive map online at PropertyShark.com/maps



NEW DEVELOPMENTS

MIDTOWN EAST

New development prices in Midtown East declined in First Quarter 2009. Median price declined 26% and average price per square foot declined 6% due in large part to closings at 212 East 47th, a rental-to-condominium conversion. Midtown East had one of the largest declines in the number of sales in the report as there are very few new developments in the neighborhood.

Midtown East	Median Price	Avg Price per sf	Studio	Median Price		
				1 BR	2 BR	3+ BR
	2009	899K	1,155	N/A	613K	1.550M
Change	-26%	-6%	N/A	-11%	-21%	N/A
2008	1.210M	1,232	453K	688K	1.966M	2.561M

Resale

West Side

West Side co-ops experienced a decrease of 12% in median price and a 4% decrease in average price per square foot. In contrast, the West Side resale condominium market experienced a 2% increase in median price but a 3% decrease in average price per square foot. The three-plus bedroom category unequivocally outperformed all other unit types with a median price increase of 135% due to closings at some of the West Side's most prestigious addresses, including buildings on Central Park West.



Co-ops	Median Price	Avg Price per sf	Studio	Median Price		
				1 BR	2 BR	3+ BR
2009	700K	948	425K	610K	1.050M	2.350M
Change	-12%	-4%	-3%	-5%	-13%	0%
2008	799K	991	436K	641K	1.200M	2.350M

Condos	Median Price	Avg Price per sf	Studio	Median Price		
				1 BR	2 BR	3+ BR
2009	975K	1,437	473K	787K	1.350M	7.200M
Change	+2%	-3%	-13%	-7%	-16%	+135%
2008	958K	1,488	546K	850K	1.607M	3.069M

Average unit sales per square foot (SF):

- Above \$2,500 SF
- \$2,000 - \$2,500 SF
- \$1,500 - \$2,000 SF
- \$1,250 - \$1,500 SF
- \$1,000 - \$1,250 SF
- \$750 - \$1,000 SF
- \$500 - \$750 SF
- Below \$500 SF
- No SF Available

Number of unit sales per building:

- Above 20 Units
- 10 to 20 Units
- 3 to 9 Units
- 1 to 2 Units

Interactive map online at PropertyShark.com/maps



NEW DEVELOPMENTS

WEST SIDE

The West Side experienced mixed results this quarter, increasing 34% in median price but decreasing 3% in average price per square foot. Due to closings in a small number of luxury buildings such as The Rushmore, two-bedrooms experienced the largest median price increase of 21%, rising from \$1.558 million to \$1.888 million year-over-year.

West Side	Median Price	Avg Price per sf	Studio	Median Price		
				1 BR	2 BR	3+ BR
2009	1.867M	1,619	920K	1.057M	1.888M	3.581M
Change	+34%	-3%	+18%	+10%	+21%	-7%
2008	1.395M	1,672	780K	960K	1.558M	3.859M

Resale

Midtown West

The resale co-ops sold in Midtown West this quarter had a median price 28% below and average price per square foot 8% below those sold a year ago. Condominium resales decreased 16% in median price and 8% in average price per square foot. However, there were too few resales in Midtown West to draw significant conclusions from these figures.



Co-ops	Median Price	Avg Price per sf	Studio	Median Price		
				1 BR	2 BR	3+ BR
2009	430K	751	N/A	430K	N/A	N/A
Change	-28%	-8%	N/A	-28%	N/A	N/A
2008	597K	815	330K	597K	825K	N/A

Condos	Median Price	Avg Price per sf	Studio	Median Price		
				1 BR	2 BR	3+ BR
2009	829K	1,213	592K	759K	1,475M	N/A
Change	-16%	-8%	-11%	-17%	+14%	N/A
2008	985K	1,321	662K	910K	1,295M	6,438M

Average unit sales per square foot (SF):

- Above \$2,500 SF
- \$2,000 - \$2,500 SF
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- \$1,000 - \$1,250 SF
- \$750 - \$1,000 SF
- \$500 - \$750 SF
- Below \$500 SF
- No SF Available

Number of unit sales per building:

- Above 20 Units
- 10 to 20 Units
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Interactive map online at PropertyShark.com/maps



NEW DEVELOPMENTS

MIDTOWN WEST

The Midtown West median price increased 28% and average price per square foot increased 20% compared to last year. The significant increase in price was due to half of the sales this quarter being two-bedrooms or larger and to closings in a building with Central Park views. The median price of one-bedroom residences, which experienced the largest gains of any bedroom type, increased 56% year-over-year.

Midtown West	Median Price	Avg Price per sf	Studio	Median Price		
				1 BR	2 BR	3+ BR
2009	1.371M	1,559	873K	1.453M	1.020M	3.622M
Change	+28%	+20%	+10%	+56%	-26%	+51%
2008	1.075M	1,298	795K	932K	1.370M	2.395M

Resale

Downtown

The Downtown resale co-op market experienced a 6% decline in median price while average price per square foot dropped by 14%. Neighborhoods south of 34th Street experienced median price decreases over 10% in every bedroom category with the exception of one-bedrooms. The Downtown resale condominium market decreased by 8% in median price and 3% in average price per square foot.

Co-ops	Median Price	Avg Price per sf	Studio	Median Price		
	2009	2008	2009	2008	2009	2008
2009	660K	879	363K	653K	1.200M	1.600M
Change	-6%	-14%	-20%	-3%	-11%	-37%
2008	699K	1,025	454K	675K	1.350M	2.535M

Condos	Median Price	Avg Price per sf	Studio	Median Price		
	2009	2008	2009	2008	2009	2008
2009	1.100M	1,182	655K	855K	1.625M	3.800M
Change	-8%	-3%	+34%	+4%	-10%	+31%
2008	1.200M	1,220	490K	825K	1.800M	2.900M

Average unit sales per square foot (SF):

- Above \$2,500 SF
- \$2,000 - \$2,500 SF
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- \$1,000 - \$1,250 SF
- \$750 - \$1,000 SF
- \$500 - \$750 SF
- Below \$500 SF
- No SF Available

Number of unit sales per building:

- Above 20 Units
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- 1 to 2 Units

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NEW DEVELOPMENTS

DOWNTOWN

Due to closings in several new developments such as 101 Warren and 75 Wall, Downtown new development average price per square foot increased 15% to \$1,372 and median price increased 45% to \$1.415 million over First Quarter 2008. Three-plus bedrooms experienced the largest median price percentage gain of 60% to \$3.786 million.

Downtown	Median Price	Avg Price per sf	Studio	Median Price		
	2009	2008	2009	2008	2009	2008
2009	1.415M	1,372	663K	988K	1.800M	3.786M
Change	+45%	+15%	+11%	+10%	+13%	+60%
2008	975K	1,195	600K	895K	1.600M	2.367M



Resale Uptown

The Uptown co-op market increased noticeably in median price by 9% while decreasing 5% in average price per square foot. Two-bedroom co-ops experienced significant median price gains of 14%. Every condominium resale in Uptown was in the two-bedroom category. While few sales quantify these results, two-bedroom median price declined by a small margin of 1% versus a year ago.

Co-ops	Median Price	Avg Price per sf	Studio	Median Price		
				1 BR	2 BR	3+ BR
2009	518K	566	N/A	300K	629K	1.503M
Change	+9%	-5%	N/A	-27%	+14%	+73%
2008	474K	593	290K	411K	553K	869K

Condos	Median Price	Avg Price per sf	Studio	Median Price		
				1 BR	2 BR	3+ BR
2009	489K	526	N/A	N/A	489K	N/A
Change	+61%	-5%	N/A	N/A	-1%	N/A
2008	303K	553	258K	258K	495K	758K

Average unit sales per square foot (SF):

- Above \$2,500 SF
- \$2,000 - \$2,500 SF
- \$1,500 - \$2,000 SF
- \$1,250 - \$1,500 SF
- \$1,000 - \$1,250 SF
- \$750 - \$1,000 SF
- \$500 - \$750 SF
- Below \$500 SF
- No SF Available

Number of unit sales per building:

- Above 20 Units
- 10 to 20 Units
- 3 to 9 Units
- 1 to 2 Units

Interactive map online at PropertyShark.com/maps



NEW DEVELOPMENTS

UPTOWN

Uptown new development prices were tied with Midtown East for the most significant declines of any neighborhood in Manhattan. Median price dropped 26% to \$530,000 and average price per square foot decreased 18% to \$603 per square foot. Two- and three-bedrooms experienced the largest declines in median prices, both dropping 28%.

Uptown	Median Price	Avg Price per sf	Studio	Median Price		
				1 BR	2 BR	3+ BR
2009	530K	603	295K	481K	655K	995K
Change	-26%	-18%	N/A	+4%	-11%	-8%
2008	721K	731	N/A	464K	733K	1.080M

The housing market in New York City has taken a significant downturn in the last six months. Similar downturns across the country foreshadowed a drop here, and certainly in the months leading up to September 2008, which probably marks the point at which the “bubble” burst, more and more people openly speculated that a drop was coming.



Despite anticipating it, with the drop actually upon us we feel shaken to the core. Fundamental assumptions upon which we made major, long-term life plans have been called into question. Many of us have lost jobs, seen family members and co-workers laid off, and felt a sudden drop in expectations for quality of life. I have watched my own mother have to sharply cut back her expectations for her lifestyle just as she settled into what she had planned to be a comfortable retirement.

But taking a longer perspective, New York City will survive, will grow again, and will thrive. And without diminishing the pain that many of us currently feel, the great cities of the world have suffered through much worse and their housing markets have maintained their long-term value.

An example is the history of the Herengracht canal section of central Amsterdam, whose real estate value between the years 1628 and 1974 was studied by Dutch economist Piet Eichholtz. Manhattan, settled originally by the Dutch in 1624, shares many similarities. Piet writes about Amsterdam, “it has always, throughout all four centuries, been one of the most fashionable addresses.” At the beginning of the period of the study Amsterdam was the leading economic and trading city in the world. Over four centuries it suffered economic collapse after the bursting of the tulip bubble, a plague that killed 14% of the population, conquest and occupation by Napoleon, two World Wars, and the Great Depression, just to name a few.

Nevertheless, as Eichholtz documents, home prices on the Herengracht have retained their value over four centuries. For periods they are higher, and for periods they are lower. But over the long haul the ratio between incomes and home prices has remained the same.

Robert Shiller, co-creator of the Case-Shiller Home Price Index, cites the Herengracht study in making the much more sweeping claim that over long periods of time, home prices across the US will remain stable. As early as 2005 Shiller predicted severe declines in home prices across the United States. Busts, Shiller argues, follow booms. But just as surely, he says, recoveries follow busts.

In choosing the Herengracht for the focus of his study, Piet intentionally chose a leading world city, a center of economic activity established for hundreds of years, and an area with the strictly limited geographical growth. These are not the attributes of a city like Phoenix, medium in size, relatively new, and with unbounded room for sprawl. But the parallels to Manhattan, unique among American commercial centers as an island, are clear.

You can read Eichholtz’s study at this address. Other than some sections concerning statistical methodology, it is accessible to non-academics. <http://web.mit.edu/cre/research/papers/wp86eichholtz.pdf>



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