

- A price recalibration is underway in Manhattan and Greenwich.
- Real estate volume in Manhattan hit a 9-year low in 2Q2018.
- Greenwich saw a 2% increase in number of transactions while average sale price declined 3%, when excluding the \$10 million-plus segment.
- Volume in the \$10 million-plus market surged in Greenwich.
- Greenwich's strong balance sheet, lower mill rate and property taxes are important factors to buyers.
- Value is the buyer's mantra; opportune time to trade up.

Manhattan Real Estate Tepid During 2Q18...

The residential real estate market in Greenwich is generally linked to the health of Manhattan's market. Though this continued to remain true, we saw some divergence during the quarter. According to a consensus of industry sources, Manhattan experienced a 14% drop in the number of sales (hitting a 9-year low) and a 6.5% decline in median price in 2Q18 versus the same period last year.

During the same time frame Greenwich posted a 2% increase in number of transactions and a 3% decline in the average price (if you exclude the atypically large volume of \$10m+ sales). A closer look at the current pipeline of deals reveals trades are happening 5-10% below 2017 levels. Supply (inventory levels) rose 11% in Manhattan and similarly in Greenwich.

The slowdown in Manhattan is being attributed to multiple factors, including new tax laws, higher interest rates, a pullback in foreign investment, stock market volatility and bulging new supply—forces influencing Greenwich to some degree as well. However, Greenwich has a couple of things going for it that are unique.

- Manhattan's total housing stock is comprised of approximately 60-65% rentals, with the balance being owner-occupied via condos and co-ops. Therefore, the "lifestyle" and product offerings for renting or owning in the city are very similar. Finances aside, it is as easy to rent a luxury apartment as it is to buy a luxury condo in Tribeca, therefore demand is more elastic in NYC than in Greenwich.
- However, buyers in Greenwich are investing in not only a home but a true lifestyle. People also stay in their homes longer than they do in NYC. With only 10-20% of Greenwich's housing in the rental pool, often the desired product is just not available to rent. Furthermore and possibly more important, the Town of Greenwich has been successful in maintaining a strong balance sheet, a very favorable mill rate and lower property taxes relative to our suburban neighbors.
- When Congress passed the new tax laws at the end of 2017, the paradigm shifted, creating uncertainty on homeowners' balance sheets. Combine this with rising interest rates and a re-engineering of financial services jobs, affordability (and confidence) have been impacted.

...While Better Weather Brought Better Sales In Greenwich

Greenwich saw sales momentum pick up in the second quarter of 2018 after a dreary (literally and figuratively) first-quarter when residential closings (single family and condo/co-op) declined 24% (Table 1).

Table 1. Closing Activity—Single Family & Condo/Co-op

	Second Quarter			Year To Date		
	2018	2017	% Chg	2018	2017	% Chg
# Closed	223	214	▲ 4%	356	382	▼ -7%
Total Value (\$M)	\$481.6	\$432.0	▲ 11%	\$777.4	\$788.5	▼ -1%
Avg Price (\$M)	\$2.160	\$2.019	▲ 7%	\$2.184	\$2.064	▲ 6%

Source: Closed sales from 04/01 to 06/30 as reported to GMLS.

- During 2Q2018, the number of closings rose 4% to 223 transactions versus 214 a year ago, while dollar volume totaled \$482 million, up 11% and with an average price per transaction of \$2.16 million, up 7%.

- Despite the momentum in the quarter, year-to-date activity is still below the same period in 2017, with the number of transactions off 7% and total transaction volume off slightly at \$777 million.
- The \$10 million-plus segment has propped up the market stats this year. Excluding this segment, total dollars transacted would be down 9%. There were only 7 transactions over \$10 million, but they totaled \$89 million (up from 2 transactions totaling \$32 million in 2017's first half).
- At the quarter's end, there were 89 pending sales, totaling \$247 million (based on listing price) and another 61 contingent contracts totaling \$82 million in sales waiting to close.

A Buyer's Market

Today, buyers study the market, are educated on pricing and have become extremely value oriented. Value being the balance of quality (i.e., product, location, amenities) with price. Any flaw in a property is being magnified in today's market. Furthermore, buyers are willing to patiently wait for the market to come to them.

Mansion Sales Propped Greenwich

There has been a fundamental shift in the residential market but the effect has not been uniform (Table 2).

- The \$2.0 million-and-under market ended the first half of the year off 9% in number of transactions. This was a significant improvement from the 29% drop in the first quarter. Transaction volume totaled \$246 million, off 7%, so average transaction price actually rose. This segment is sensitive to affordability factors such as taxes and higher interest rates.
- The \$2-3.0 market has experienced a pullback. These buyers are also sensitive to after-tax home ownership costs.
- The \$3-5.0 million segment had a nice rebound from 1Q2018's decline of 21% and was virtually flat with year-to-date results.
- The \$8.0-\$9.9 market remains lackluster.
- The greatest increase in sales was the \$10 million-plus price segment—small in numbers but large in dollars. As mentioned, the 7 sales over \$10 million tallied to \$89 million.

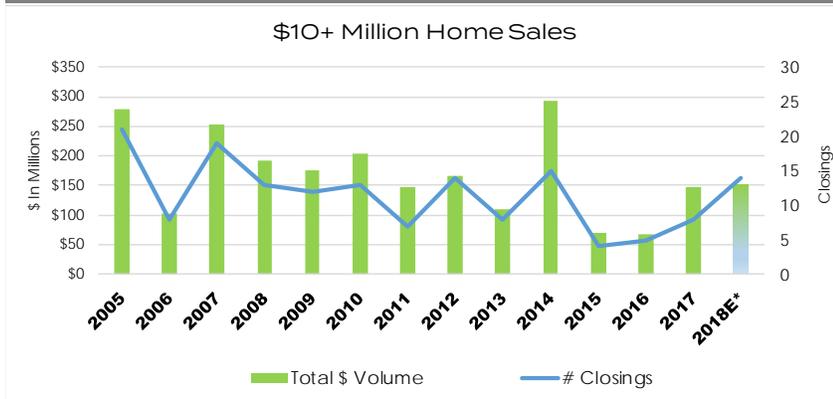
Table 2. Activity By Price Point

2018 Closings	#	Total Value	Avg Trans Size	DOM	Sold P\$ /Orig \$
Up to \$2.0 M	225	246,169,082	1,094,085	159	92%
\$2+ to \$3.0 M	54	133,545,300	2,473,061	239	90%
\$3+ to \$5.0M	50	188,906,380	3,778,128	287	89%
\$5+\$7.99M	19	110,763,000	5,829,632	395	85%
\$8.0 to \$9.99M	1	9,525,000	9,525,000	NA	NA
\$10.0+ M	7	88,525,000	12,646,429	429	89%
Total	356	\$777,433,762	2,183,803		

2017 Closings	#	Total Value	Avg Trans Size	DOM	Sold P\$ /Orig \$
Up to \$2.0 M	247	263,822,719	\$1,068,108	133	93%
\$2+ to \$3.0 M	59	145,593,555	\$2,467,687	225	89%
\$3+ to \$5.0M	49	186,239,250	\$3,800,801	253	88%
\$5+\$7.99M	22	133,818,998	\$6,082,682	339	86%
\$8.0 to \$9.99M	3	26,300,000	\$8,766,667	307	88%
\$10.0+ M	2	32,750,000	\$16,375,000	71	83%
Total	382	\$788,524,522	\$2,064,200		

Source: GMLS

Chart 1. Home Sales of \$10M+



As shown in the side chart, 2005 was a peak in number of transactions, but 2014 had the greatest volume with the help of one \$120 million waterfront sale. Annualizing first half results, 2018 could beat 2017's results.

Again, we attribute the boost in activity to a growing number of astute sellers getting the message and recalibrating expectations on pricing, while savvy buyers have identified the value and stepped up.

Market Absorption Up Slightly

As mentioned, the delay in the spring market has moved the "busy" season out. Typically by the 4th of July, the market enters a summer hibernation, but anecdotally, agents are still seeing activity. By August, we expect demand will begin its cyclical retreat with vacations and summer plans taking priority. However, this may also be an opportune time for buyers.

Strictly looking at the numbers, as of July 2, there were 820 active listings on the Greenwich MLS, up from 733 at the beginning of April and 644 at the end of 2Q2017.

Based on trailing 12-month closing activity, market absorption is running at approximately 13 months, up slightly from 11 months last quarter. With the exception of the \$2 million-and-under segment, absorption is running over 20 months in every price segment with the \$8-\$9.9 million segment running at 96 months due to a dearth of activity overall.

Not surprising, absorption in the \$10+ million segment improved to 33 months, versus 41 last quarter and 76 months a year ago.

An indication of the recalibration is to look at a few re-trades that have taken place at the top end of the market.

Table 4. Some Interesting Re-Trades

Address	Sold	Price	Sold	Price	Sqft	Yr Built	Acres	Area	Notes
207 Byram Shore	05/30/18	\$17,000,000	02/29/00	\$16,400,000	12,788	1916	3.28	Byram	Substantially renovated
25 Lower Cross	11/21/17	\$21,000,000	08/01/04	\$45,000,000	8,038	1904	80.00	N Parkway	Maintained
9 Sabine Farm	11/20/17	\$25,000,000	11/16/04	\$23,000,000	12,238	1910	19.47	S Parkway	Maintained
6 Meadowcroft	08/01/17	\$13,065,000	07/22/14	\$12,875,000	10,533	1928	8.07	S Parkway	Substantially renovated
11 Skyridge	01/18/18	\$11,100,000	02/01/12	\$13,000,000	11,229	2000	4.99	N Parkway	Updated
2 Deerpark Meadow	05/15/18	\$11,100,000	06/22/10	\$11,100,000	11,115	2008	2.02	S Parkway	Updated

Source: GMLS

Table 3. Absorption By Price Point

	Closed Sales*	Actives	Sales/Per Month	Est Mo Supply
Up to \$2.0 M	496	335	41	8
\$2+ to \$3.0 M	99	163	8	20
\$3+ to \$5.0M	100	171	8	21
\$5+\$7.99M	44	91	4	25
\$8.0 to \$9.99M	3	24	0	96
\$10.0+ M	13	36	1	33
Total	755	820	64	13

*Trailing 12-month closings including SFH and Condo/Co-op.

Source: GMLS



2 Deerpark Meadow Road | Closed \$11,100,000 05/2018

207 Byram Shore Road | Closed \$17,000,000 05/2018

For additional information or complimentary Market Valuation, please contact:

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