

Manhattan Rents Rise Faster than Sale Prices for First Time in Four Years

In Brooklyn, buying beats renting in just 3.6 years, according to the Q3 2016 StreetEasy Market Reports

NEW YORK, Oct. 28, 2016 **Key facts for Q3 2016:**

- Manhattan's median resale price increased 1.1 percent year-over-year to \$990,805, marking the 11th consecutive quarter of slowing annual price growth and the slowest pace since Q4 2010.
- Manhattan's median rent increased slightly faster than resale prices, rising 2.9 percent year-over-year to \$3,309.
- Brooklyn's median resale price increased 4 percent year-over-year to \$567,132, the slowest annual growth since Q3 2012.
- Brooklyn's median rent increased 1.8 percent to \$2,929.
- Manhattan's tipping point, which is the number of years home buyers need to own a home before they break even on their investment, is 9.2 years. Brooklyn's tipping point is 3.6 years.

The real estate market in Manhattan and Brooklyn continues to cool, according to the Q3 2016 StreetEasy[®] Market Reportsⁱ. Manhattan rents, however, are now rising faster than Manhattan sale prices. Median rent rose 3 percent over the past year, while median resale price increased by 1.1 percent, which marks the slowest pace of growth since Q4 2010ⁱⁱ.

Resale prices rose the most in the Upper Manhattan (3.6 percent) and Midtown (2.2 percent) submarkets. The most expensive submarket, Downtown, was the only submarket with declining prices year-over-year (-0.5 percent). Median rent in the borough increased 2.9 percent year-over-year to \$3,309, surpassing annual resale price growth for the first time in four yearsⁱⁱⁱ.

In Brooklyn, median resale prices increased 4 percent year-over-year, marking the slowest annual increase since Q3 2012. Prices in the South Brooklyn and Prospect Park submarkets increased the most over the past year, rising 6 percent and 5.8 percent, respectively. Median rent in Brooklyn increased 1.8 percent year-over-year to \$2,929 in the third quarter.

As rents continue to increase, this may be a good time for renters to consider buying. The StreetEasy Tipping Point^{iv} looks at how long a New Yorker would need to stay in a home before buying beats renting financially. In Manhattan, the tipping point is 9.2 years, but in Upper Manhattan the tipping point is 3.4 years, making it a sound investment for those who plan to live in the area at least three and a half years. By contrast, the Downtown submarket's more expensive housing stock stretches the tipping point to a daunting 19 years.

In Brooklyn, the tipping point fell slightly year-over-year from 3.8 to 3.6 years, nearly three times shorter than that of Manhattan. South Brooklyn had the shortest tipping point (2.8 years), followed by East Brooklyn (3.5 years) and Prospect Park (5 years).

"Uncertainty surrounding the presidential election and rising interest rates is likely having a cooling effect on the New York market," said StreetEasy economist Krishna Rao. "While people generally don't like to make big financial decisions in volatile times, it may help buyers to know where their investment will pay off more quickly. In parts of Brooklyn for example, a home buyer could break even in under three years."

Over the next year, Manhattan rents will continue to outpace resale prices, with rents rising 3.9 percent compared to sales rising 1.2 percent, according to StreetEasy's forecast^v. Upper Manhattan's median rent is expected to increase the most at 5.5 percent.

Brooklyn's median resale price will increase 3.7 percent over the next year. The biggest gains will be seen in Prospect Park (8.1 percent), while North Brooklyn and East Brooklyn are expected to see resale prices drop by 0.6 percent and 3.8 percent, respectively. Median rent price in Brooklyn will increase 3.0 percent with North Brooklyn's median rent rising the least at 1.1 percent.

The complete StreetEasy Market Reports for Manhattan and Brooklyn with additional analysis, neighborhood data and graphics can be viewed at streeteasy.com/blog/market-reports.

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Region	Q3 2016 StreetEasy Price Index	Annual Change	Q3 2016 StreetEasy Rent Index	Annual Change	Q3 2016 StreetEasy Tipping Point
Manhattan	\$990,805	1.1%	\$3,309	2.9%	9.2 years
Downtown	\$1,221,895	-0.5%	\$3,737	3.2%	19 years
Midtown	\$862,880	2.2%	\$3,430	3.0%	6.9 years
Upper West Side	\$1,079,134	1.0%	\$3,194	2.1%	6.8 years
Upper East Side	\$994,968	1.9%	\$2,787	2.4%	10.6 years
Upper Manhattan	\$632,356	3.6%	\$2,417	4.0%	3.4 years
Brooklyn	\$567,132	4.0%	\$2,929	1.8%	3.6 years
North Brooklyn	\$879,108	1.6%	\$3,161	-0.5%	5.2 years
Northwest Brooklyn	\$846,338	2.1%	\$3,105	3.1%	5.9 years
Prospect Park	\$813,915	5.8%	\$2,885	2.8%	5 years
South Brooklyn	\$426,067	6.0%	\$1,777	2.0%	2.8 years
East Brooklyn	\$456,632	1.5%	\$2,517	3.9%	3.4 years

About StreetEasy:

StreetEasy is New York City's leading local real estate marketplace on mobile and the web, providing accurate and comprehensive for-sale and for-rent listings from hundreds of real estate brokerages throughout New York City and the major NYC metropolitan area. StreetEasy adds layers of proprietary data and useful search tools to help home shoppers and real estate professionals navigate the complex real estate markets within the five boroughs of New York City, as well as Northern New Jersey and the Hamptons.

Launched in 2006, StreetEasy is based in the Flatiron neighborhood of Manhattan. StreetEasy is owned and operated by Zillow Group (NASDAQ: Z and ZG).

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ⁱThe StreetEasy Market Reports are a monthly overview of the Manhattan and Brooklyn sales and rental markets. Every three months, a quarterly analysis is published. The report data is aggregated from public recorded sales and listings data from real estate brokerages that provide comprehensive coverage of Manhattan and Brooklyn, with most metrics dating back to 1995 in Manhattan and 2005 in Brooklyn. The reports are compiled by the StreetEasy Research team. For more information, visit <http://streteasy.com/blog/market-reports/>. StreetEasy tracks data for all five boroughs within New York City, but currently only produces reports for Manhattan and Brooklyn.

ⁱⁱ Median resale prices are measured by the StreetEasy Price Indices. Also referred to as the StreetEasy Manhattan Price Index (MPI) and StreetEasy Brooklyn Price Index (BPI), the metrics are monthly indices that track changes in resale prices of condo, co-op, and townhouse units. Each index uses a repeat-sales method of comparing the sales prices of the same properties since January 1995 in Manhattan and January 2005 in Brooklyn. Given this methodology, each index accurately captures the change in home prices by controlling for the varying composition of homes sold in a given month. Data on sales of homes is sourced from the New York City Department of Finance. Full methodology here: <http://streteasy.com/blog/methodology-streteasy-price-indices/>

ⁱⁱⁱ <http://streteasy.com/blog/methodology-streteasy-price-indices-2/>

^{iv} The StreetEasy Tipping Point is the number of years it would take for the accumulated costs of renting a home to equal or exceed the costs of buying a comparably sized home in the same area. StreetEasy calculated the tipping point for all five boroughs and across nearly 300 neighborhoods by comparing the costs and benefits of homeownership in an area to the costs and benefits of renting using recorded sales data collected from the city and asking rent data on StreetEasy. The tipping point for an area is the median tipping point for all homes where the above calculation is possible. The current tipping point values are based on 2016 recorded sales and asking rent data. The StreetEasy Tipping Point is updated on a quarterly basis.


^v The Manhattan Price Forecast and the Brooklyn Price Forecast predict the change in resale prices 12 months out from the current reported period. Each forecast incorporates the Price Index for each borough as well as a mix of fundamental market factors including: historical recorded sales price, household income, population, and taxes.

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