



**Westchester-Putnam Multiple Listing Service, Inc.**

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**2006 THIRD QUARTER  
 RESIDENTIAL REAL ESTATE SALES REPORT**

October 30, 2006

The national real estate correction or recession, as one may prefer, got a firm grip on the spring market in the Westchester – Putnam area this year. Its effects were quite noticeable in third quarter closed transaction volumes that were well below last year’s in both counties and in all of the property types tracked by the Multiple Listing Service. The 2,718 closed transactions reported for Westchester County were 17% fewer than last year. In Putnam County the falloff was 35%.

Type Of Property	NUMBER OF SALES				Change 05-06	
	3rd 03	3rd 04	3rd 05	3rd 06	Amount	Percent
<b>Westchester County</b>						
Single Family Houses	1,990	2,108	2,002	<b>1,592</b>	(410)	-20.5%
Condominiums	415	414	425	<b>395</b>	(30)	-7.1%
Cooperatives	545	624	620	<b>551</b>	(69)	-11.1%
2-5 Family Houses	136	201	231	<b>180</b>	(51)	-22.1%
<b>Total</b>	<b>3,086</b>	<b>3,347</b>	<b>3,278</b>	<b>2,718</b>	<b>(560)</b>	<b>-17.1%</b>
<b>Putnam County</b>						
Single Family Houses	387	343	362	<b>228</b>	(134)	-37.0%
Condos & Co-ops	49	64	49	<b>38</b>	(11)	-22.4%
<b>Total</b>	<b>436</b>	<b>407</b>	<b>411</b>	<b>266</b>	<b>(145)</b>	<b>-35.3%</b>

The diminished third quarter postings followed from listing and marketing activity that took place largely during March, April and May. At that time many parts of the country were reporting a scarcity of buyers and an abundance of inventory, and the Westchester-Putnam market also was evidencing a cooling off. Mortgage interest rates were tracking upwards by a half-point or more, to nearly 7% on 30-year conventional loans; the springtime increase followed upon a longer upward rate swing that had commenced in September of 2005.

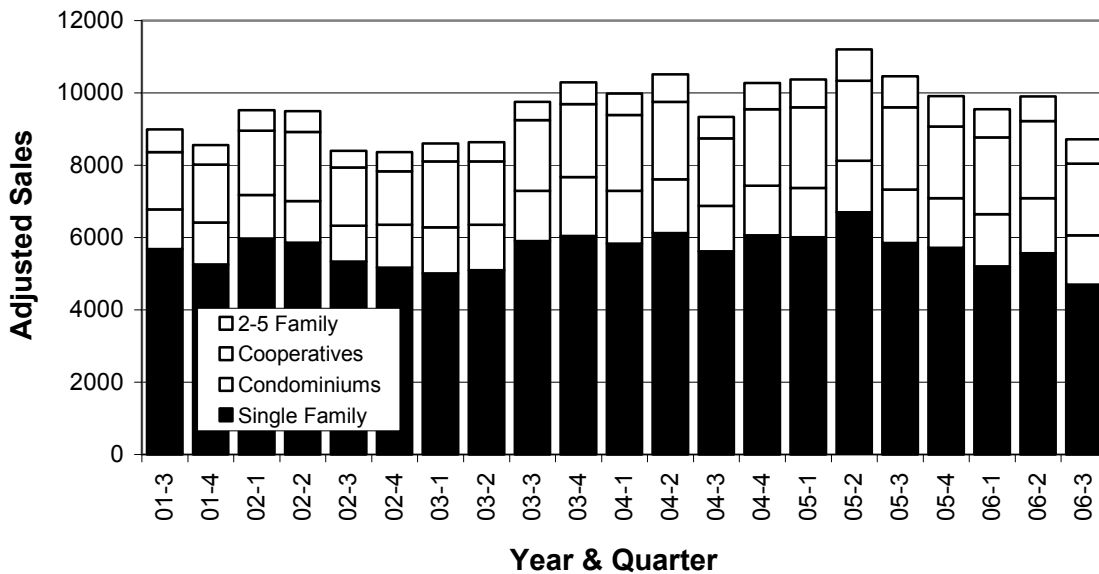
Also during the spring marketing season, gasoline soared to \$3 per gallon nationally and much higher than that in our metropolitan area, in a very short space of time. Further, stock market investors were experiencing a pronounced correction in that investment vehicle at the time. No single one of these factors drove the real estate market retrenchment, but taken together with reports of collapsing over-built and investor-driven markets on the west coast and parts of Florida, and factoring in our region’s high price structure, the overall negative environment discouraged potential buyers here as well.

**YEAR TO DATE SALES (Jan - Sep)**

Property Type	2003	2004	2005	2006	Change 05-06	
					Amount	Percent
<b>Westchester County</b>						
Single Family	4,097	4,727	4,722	<b>3,933</b>	(789)	-16.7%
Condominiums	970	1,077	1,054	<b>1,064</b>	10	0.9%
Cooperatives	1,384	1,641	1,653	<b>1,535</b>	(118)	-7.1%
2-5 Family	371	535	619	<b>521</b>	(98)	-15.8%
<b>Total</b>	<b>6,822</b>	<b>7,980</b>	<b>8,048</b>	<b>7,053</b>	<b>(995)</b>	<b>-12.4%</b>
<b>Putnam County</b>						
Single Family	821	836	830	<b>661</b>	(169)	-20.4%
Condos+Co-ops	122	142	147	<b>107</b>	(40)	-27.2%
<b>Total</b>	<b>943</b>	<b>978</b>	<b>977</b>	<b>768</b>	<b>(209)</b>	<b>-21.4%</b>

On a year-to-date (January through September) basis, Westchester's closed transactions were about 12% below last year's level. However, that nine-month average masks a deceleration that intensified each quarter after the peak record-setting second quarter of 2005 and that is better observed in the seasonally adjusted<sup>1</sup> data. On a seasonally adjusted basis, the 2006 third quarter sales were equivalent to an annual sales rate of 8,720 units, a decrease of 12% from the prior quarter and 22% below 2005's peak rate. The most recent third quarter rate is in the same league with rates experienced in 2002 and 2003 when there was a slight lull before our local market resumed its upward track to its peak in 2005.

**SEASONALLY ADJUSTED QUARTERLY SALES  
Westchester 2001-2006**

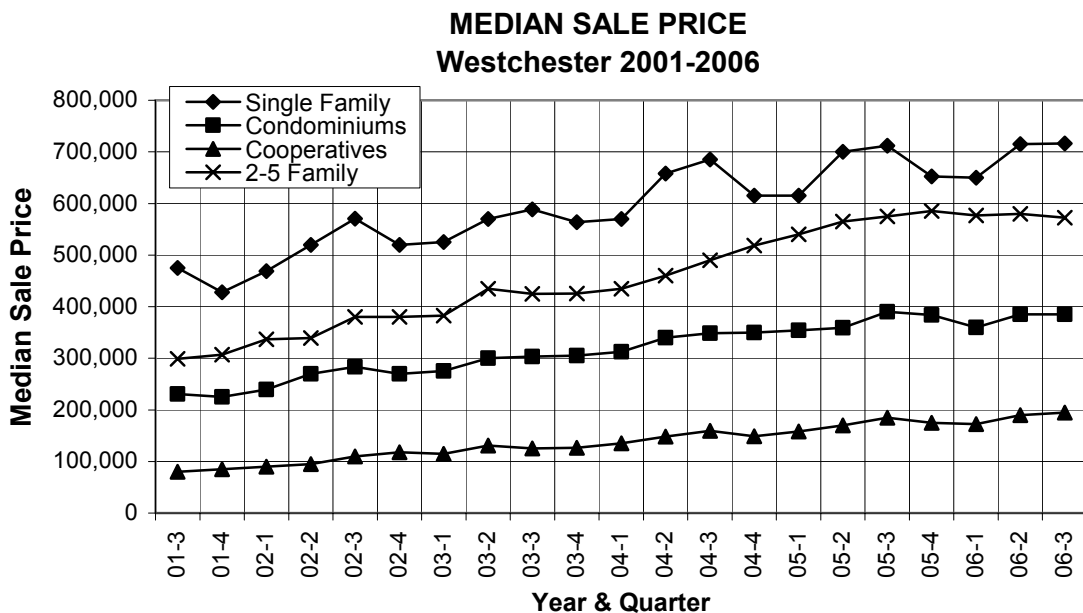


### SEASONALLY ADJUSTED QUARTERLY SALES, 2004 - 2006

Property Type	2004 3rd	2004 4th	2005 1st	2005 2nd	2005 3rd	2005 4th	2006 1st	2006 2nd	2006 3rd	%Change 2006/2- 2006/3
<b>Westchester County</b>										
Single Family	5,620	6,060	6,010	6,700	5,850	5,720	5,200	5,570	<b>4,700</b>	-15.6%
Condominiums	1,260	1,370	1,360	1,420	1,480	1,370	1,450	1,520	<b>1,360</b>	-10.5%
Cooperatives	1,860	2,120	2,230	2,220	2,270	1,980	2,120	2,130	<b>1,980</b>	-7.0%
2-5 Family	<u>600</u>	<u>720</u>	<u>770</u>	<u>860</u>	<u>860</u>	<u>840</u>	<u>780</u>	<u>680</u>	<b>680</b>	0.0%
<b>Total</b>	9,340	10,270	10,370	11,200	10,460	9,910	9,550	9,900	<b>8,720</b>	-11.9%
<b>Putnam County</b>										
Single Family	1,090	1,120	1,090	1,080	1,190	1,060	990	990	<b>740</b>	-25.3%
Condos+Co-ops	<u>190</u>	<u>200</u>	<u>230</u>	<u>240</u>	<u>150</u>	<u>160</u>	<u>180</u>	<u>180</u>	<b>130</b>	-27.8%
<b>Total</b>	1,280	1,320	1,310	1,320	1,340	1,220	1,170	1,170	<b>870</b>	-25.6%

### Sales Prices

Along with diminished sales volume, area prices ceased their unrelenting climb and in the case of condominiums they actually decreased. The third quarter median sale price<sup>2</sup> of a single family house in Westchester was \$716,125 or just over one-half percentage point higher than last year's price. In Putnam County, the median fell by nearly 5% to \$405,000. In both counties the mean sales prices<sup>2</sup> roughly tracked the medians, suggesting that for the quarter as a whole, houses in all price ranges were equally affected. In Westchester the percentage of sales in excess of \$1 million was 27% - about the same as it has been for the past several quarters.



Type Of Property	MEDIAN SALE PRICE				Change 05-06	
	3rd 03	3rd 04	3rd 05	3rd 06	Amount	Percent
<b>Westchester County</b>						
Single Family Houses	588,250	685,000	711,700	<b>716,125</b>	4,425	0.6%
Condominiums	303,000	348,250	390,000	<b>385,000</b>	(5,000)	-1.3%
Cooperatives	125,000	159,250	185,000	<b>195,000</b>	10,000	5.4%
2-5 Family Houses	424,500	490,000	575,000	<b>572,450</b>	(2,550)	-0.4%
<b>Putnam County</b>						
Single Family Houses	365,000	385,000	425,000	<b>405,000</b>	(20,000)	-4.7%
Condos & Co-ops	228,000	255,000	274,000	<b>287,250</b>	13,250	4.8%

Type Of Property	MEAN SALE PRICE				Change 05-06	
	3rd 03	3rd 04	3rd 05	3rd 06	Amount	Percent
<b>Westchester County</b>						
Single Family Houses	776,299	884,108	919,285	<b>950,005</b>	30,720	3.3%
Condominiums	340,295	376,598	440,436	<b>431,184</b>	(9,252)	-2.1%
Cooperatives	153,145	187,517	212,618	<b>219,154</b>	6,536	3.1%
2-5 Family Houses	438,547	516,328	587,013	<b>606,663</b>	19,650	3.3%
<b>Putnam County</b>						
Single Family Houses	402,441	434,824	476,398	<b>464,547</b>	(11,851)	-2.5%
Condos & Co-ops	215,698	243,314	263,109	<b>273,135</b>	10,026	3.8%

Type Of Property	DOLLAR VOLUME OF SALES (\$Millions)				Change 05-06	
	3rd 03	3rd 04	3rd 05	3rd 06	Amount	Percent
<b>Westchester County</b>						
Single Family Houses	1,544.8	1,863.9	1,840.4	<b>1,512.4</b>	(328.0)	-17.8%
Condominiums	141.2	155.9	187.2	<b>170.3</b>	(16.9)	-9.0%
Cooperatives	83.5	117.0	131.8	<b>120.8</b>	(11.0)	-8.4%
2-5 Family Houses	59.6	103.8	135.6	<b>109.2</b>	(26.4)	-19.5%
<b>Total</b>	<b>1,829.2</b>	<b>2,240.6</b>	<b>2,295.0</b>	<b>1,912.7</b>	<b>(382.3)</b>	<b>-16.7%</b>
<b>Putnam County</b>						
Single Family Houses	155.7	149.1	172.5	<b>105.9</b>	(66.6)	-38.6%
Condos & Co-ops	10.6	15.6	12.9	<b>10.4</b>	(2.5)	-19.5%
<b>Total</b>	<b>166.3</b>	<b>164.7</b>	<b>185.4</b>	<b>116.3</b>	<b>(69.1)</b>	<b>-37.3%</b>

The median sale price of a Westchester condominium fell by \$5,000 or just over 1% to \$385,000 for the quarter. The last instance of a year-to-year price decrease in this category was from 1997 to 1998, and before that, from the period 1992 to 1994. The decrease was not large in an absolute sense, nor did it appear to have been unevenly distributed among the various price ranges of condominiums, but it was nevertheless the first instance of price relaxation in Westchester in many years.

The cooperative unit market was the only sector that exhibited pricing strength, notwithstanding that co-op sales were down 11% from last year. The median sale price of \$195,000 was \$10,000 or 5% higher than last year.

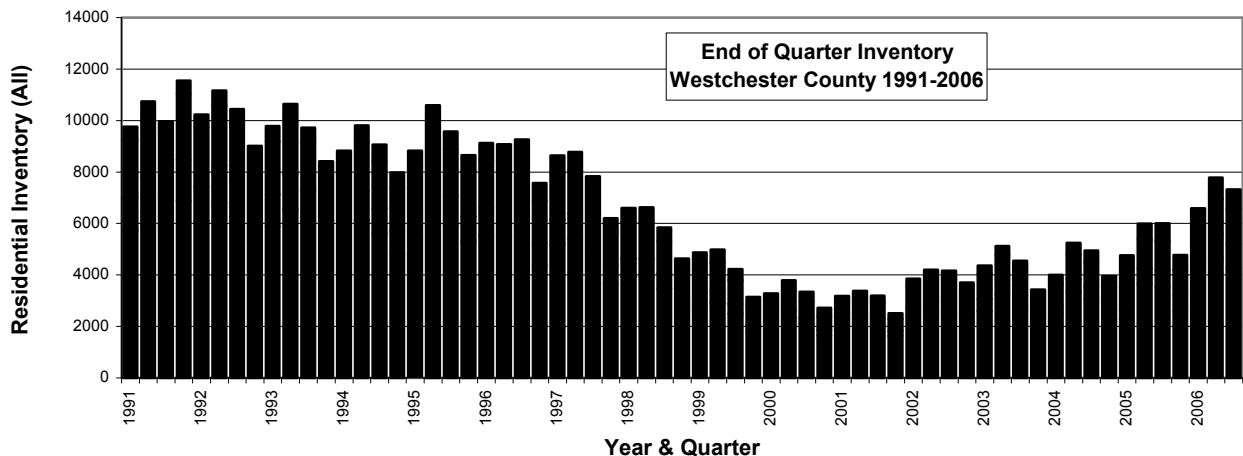
## Inventory

Westchester's recent end-of-quarter inventory of 7,326 units was 22% higher than last year's third quarter level. But the second quarter inventory had been 30% higher, and so perhaps there is an indication that inventory is stabilizing in the 7-8,000 range.

Type Of Property	END OF QUARTER INVENTORY				Change 05-06	
	3rd 03	3rd 04	3rd 05	3rd 06	Amount	Percent
<b>Westchester County</b>						
<b>Single Family Houses</b>	2,752	3,068	3,519	<b>4,273</b>	754	21.4%
<b>Condominiums</b>	478	473	688	<b>936</b>	248	36.0%
<b>Cooperatives</b>	940	955	1,118	<b>1,346</b>	228	20.4%
<b>2-5 Family Houses</b>	376	456	680	<b>771</b>	91	13.4%
<b>Total</b>	4,546	4,952	6,005	<b>7,326</b>	1,321	22.0%
<b>Putnam County</b>						
<b>Single Family Houses</b>	781	822	942	<b>1,095</b>	153	16.2%
<b>Condos &amp; Co-ops</b>	62	67	78	<b>109</b>	31	39.7%
<b>Total</b>	843	889	1,020	<b>1,204</b>	184	18.0%

Westchester and Putnam County inventory has steadily bulked up since the anemic levels that existed in 2000 and 2001. In the period 2000 to 2005, inventory increased because sellers were drawn into a heating, indeed feverish market. In 2006, however, inventory buildup exists on account of slowing sales rates. But on either side of the 2005 divide, and as we have repeatedly advised in these quarterly reports, the growth of inventory in the last five or six years should not - at least not at this time - be characterized as excessive overhang that is hurting the marketplace.

Inventory may have been bloated in the period 1990 through about 1995, following the stock market mini-crash of 1987 and three years of local real estate recession thereafter. Then, inventories of more than 10,000 and even 11,000 units were posted. But as the market recovered in the later 1990s the level was more often in the 6-8,000 range. That's where we are now, again.



## **A Look Ahead**

Considering that third quarter closings normally reflect peak market activity in the spring selling season and that this year's performance was lackluster, there is little reason to expect a turn-around with the fourth quarter results. Member Realtors were reporting on-again, off-again interest by purchasers in the late spring through the summer months, which, if an accurate perception, will result in a fourth quarter closing count that will again under-perform 2005's level by a significant percentage.

Prices likely will decrease, too, and by more than the usual seasonal decrease that occurs from the third to the fourth quarter of each year. In the fourth quarter we may well see the first real year-to-year decrease in the median and mean sales price of a single family house in Westchester since the 1990-91 recession. The trend line of price differences certainly suggests that will happen. In the first quarter of 2006, the median sale price was 5.7% higher than last year; that percentage fell to 2.1% in the second quarter, and was only 0.6% higher in this recent third quarter.

Another factor that bears on area prices is the relative mix of moderate and high-end properties in the sales basket. The high-end (\$1 million plus) has steadily increased its share of total sales over the last several years. If that sector weakens, the result will be a shift in sales activity to more moderately priced housing, and average prices will come down. This will not be an actual devaluation of properties but rather a statistical result, but combined with the trend line cited above it could make price decreases appear more dramatic. Interim monthly data available to WPMLS indicate that high-end activity slowed as the third quarter progressed. That is the usual seasonal pattern, but it remains to be seen whether and how this pattern trends into the fourth quarter as well.

Assuming that the national economy as a whole does not fall into recession, Westchester and Putnam are well poised to resume healthy real estate activity sometime in 2007, especially if moderating prices allow and encourage more purchasers into the marketplace. There is no evidence that our region's real estate has been unduly inflated by investor activity, and we are certainly not a victim of overbuilding for a demand that will never be realized. Mortgage interest rates have pulled back a little and are no longer threatening to make housing less affordable. The current level of inventory offers good choice to buyers. Our local economy is sound, unemployment is low, and the underlying demographic of New York City as a feeder to the suburbs is still in place. The market needs this rest time to reset to a gentler, more sustainable pace.

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<sup>1</sup>The seasonally adjusted rate is an estimate of what the full year's sales would be if, based on past experience, the customary sales share of the current quarter were projected to a full twelve months. The adjusted rate permits comparisons of seasonally unequal periods by converting each period to its equivalent annual rate.

<sup>2</sup> The median sale price is the mid-point of all reported sales, i.e., half of the sales were for more than the median price and half were for less. The median is not affected by unusually low or high sale prices. The mean sale price is the arithmetic average, i.e., the sum of all sales prices divided by the number of sales. The mean does reflect the influence of sales at very low or very high prices.