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Past indicates little on home price future

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It's the question on every homeowner's or potential homeowner's mind: How far will the housing market fall?

But a look at the last two housing busts in the city suggests there's no easy answer this time around.

Past performance during a downturn won't tell you how far a neighborhood's housing prices will fall during the current downturn, suggests a study by New York University's Furman Center for Real Estate and Urban Policy.

"We didn't find the answer to the $100,000 question that everyone wants to know—what's going to happen in my neighborhood?" said Ingrid Gould Ellen, co-director of the Furman Center. "If a neighborhood fared poorly in the 1970s, it didn't mean it fared poorly in the bust of the early 1990s."

The **report**, "State of New York City's Housing and Neighborhoods 2008," examines more than 30 years of sale-price data to identify trends that might be useful to residents and city officials as they cope with the current downturn. It identifies two great real estate upturns (from 1980 to 1989 and 1996 to 2006) and two big real estate downturns (from 1974 to 1980 and 1989 to 1996).

Citywide, real estate prices declined 12.4% between 1974 and 1980, then jumped 152% between 1980 and 1989. They fell 29.3% from 1989 to 1996 and increased 124.2% from 1996 to 2006. Overall, prices skyrocketed 250% from 1974 to 2006, when they began to level off across the city as the latest real estate boom ended.

Local gains during the recent boom were strongest in the Manhattan neighborhoods of East Harlem (sextupled between 1996 and 2006), Morningside Heights (quintupled) and Washington Heights (quadrupled).

Interestingly, a neighborhood's performance during the 1974-1980 housing bust had little relationship to how that neighborhood fared in the next downturn, the report shows. And high-income neighborhoods were not insulated from busts and did not always perform best in upswings.

In the 1970s downturn, prices declined 16% in the Bronx, 14% in Queens, 13% in Brooklyn and 8% on Staten Island. They actually increased 29% in Manhattan.

During the 1989-1996 downturn, some of the poorest neighborhoods in the Bronx and Brooklyn fared relatively well. Prices actually rose in three neighborhoods in the Bronx and in two in Brooklyn, and the neighborhoods that avoided the worst were ones that had seen huge drops during the 1970s downturn. From 1989 to 1996, prices fell 33% on Staten Island, 32% in Manhattan, 31% in the Bronx, 29% in Queens and 26% in Brooklyn.

City investment in renovation, rehabilitation and new construction of housing helped stabilize home prices in the 1990s downturn, according to the report.

All of the 10 neighborhoods that held up best during the early 1990s downturn received well-above-average public investment in its housing stock, while the areas that saw the biggest declines received little or no investment from the city, the report shows.

"Investment could help, particularly as we see neighborhoods blanketed by foreclosures that are vulnerable to vacancies and decline," Ms. Ellen said. "Strategic investments in attacking the blight spots can really help to protect neighborhoods."

While past downturns are not a reliable predictor of future changes in home prices, the report indicates the neighborhoods that fared best during the upswings are likely to do well again when things turn around.

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