While the housing market in New York City is performing better than in the rest of the country, it still showed signs of distress in the fourth quarter, according to a report by New York University's Furman Center for Real Estate and Urban Policy.

Sales volume dropped nearly 33% in the quarter compared with the same period last year, the report said. Meanwhile, prices were down citywide nearly 9% from a year earlier and were 28% lower than at the peak of the market in 2006.

In Manhattan, housing prices in the fourth quarter were higher than a year earlier, but were still 10% below their peak in the fourth quarter of 2008, according to the report. Queens trails all other boroughs in the house price recovery, with prices down 42% from peak levels in 2006.

"Overall, the housing market is still struggling, but there are modest signs of stabilization," says Ingrid Gould Ellen, faculty co-director of the Furman Center.

A few bright spots emerged in the past quarter: Foreclosure notices fell citywide by 32% in the fourth quarter of 2010 compared with the same period last year, as new state foreclosure rules that require lawyers to perform detailed reviews of the accuracy of all documents drove down the number of new auctions to the lowest level in years.

In Queens, foreclosure notices fell by 39% and in Staten Island notices fell by 43%.

However Bronx experienced a 78% increase in foreclosure notices in the fourth quarter, driven largely by an uptick in foreclosures in large multi-family buildings.

Demonstrating early signs of a modest recovery in outer boroughs, Brooklyn, Queens and Staten Island posted increases in new building permits by 125%, 27% and 14% respectively in the fourth quarter from the same period last year, demonstrating early signs of a modest recovery in the outer boroughs.

"The increase in building permits is surely not a large absolute increase, but one that may be a modest positive sign in a time of falling prices and sales volumes," Ms. Ellen says.

Still, new building permits were down 5% citywide in the fourth quarter of 2010 compared with the same time a year earlier.