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Manhattan Home Sales Get Short-Term Lift on Mansion Tax Hike



The lower Manhattan skyline in New York, U.S. Photographer: Jeenah Moon/Bloomberg

Manhattan home sales perked up in the second quarter from a prolonged slump, as buyers raced to close deals ahead of a July 1 tax increase on higher priced properties.

Sales of co-ops and condos jumped 12.5% in the three months ended June 30, marking the first time in seven quarters that deals climbed from the previous year, according to a report Tuesday by appraiser Miller Samuel and brokerage Douglas Elliman Real Estate. The median price of the 2,957 apartments that changed hands set a record at \$1.22 million.

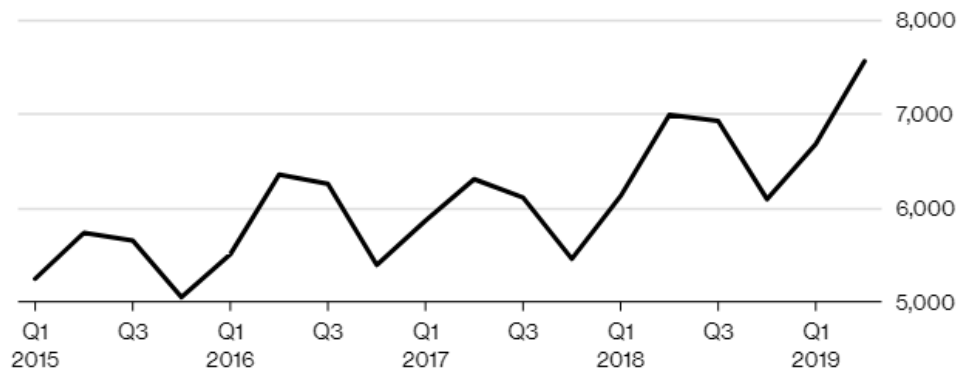
But those gains are probably fleeting. The increase in sales was offset by a surge of listings - to the most since early 2012, the firms said. There were 7,558 apartments on the sales market at the end of June, a figure that's 20% higher than the 10-year quarterly average.

"That's why we can't proclaim that we're in recovery mode," said Jonathan Miller, president of Miller Samuel. "There's still some time in front of us before we're going to see a stronger housing market."

Even More to Choose From

Manhattan listings reached their highest level since 2012

Apartments on the market in Manhattan



Source: Miller Samuel Inc. and Douglas Elliman Real Estate

New York state's revised "mansion tax" -- which took effect July 1 -- proved to be a powerful motivator to sell in a market where shoppers have been waiting for prices to fall. The tax, which previously applied a 1% levy to all homes that sold for more than \$1 million, now charges an increasingly higher rate to homes above \$2 million.

The added closing costs -- ranging from 1.25% to 3.9% -- motivated sellers to lower prices now, for fear that buyers would demand further reductions after the new tax structure took effect. Fifty-four percent of homes that sold in the quarter did so below the asking price, according to Miller Samuel and Douglas Elliman. Another 40% sold at the asking price, though many of those had been reduced earlier, Miller said. Combined, the number of homes selling at or below the price the seller was seeking was the greatest since the end of 2010.

"At all price points, all markets and locations, buyers want to negotiate. They want to feel like they got a good deal," said Garrett Derderian, managing director of market analysis at brokerage Core. "No one wants to be caught at the top paying a premium when we still have so much inventory coming online and there's still a question as to how long it will take for all this high-priced inventory to be absorbed."

The average discount on homes that closed in the quarter averaged 9%, Core said in its report. Thirty eight percent of homes that found buyers in the quarter took over 180 days to sell, a sign that owners of lingering properties had become more motivated.

Signed contracts fell 1% to 3,083, brokerage Corcoran Group said in its own report, an indication that the volume of completed sales will be more muted later this year.

Daughter's Apartment

All this wasn't much help to lawyer John Zavitsanos in his effort to persuade his 23-year-old daughter to stay close to home, in Houston. Anastasia Zavitsanos was seeking to move to New York to pursue an acting career, and her father saw an opportunity to invest in Manhattan real estate -- and fail.

"I was hoping that I'd be so aggressive with my negotiating so that people would turn me down, and I could honestly go to her and say 'Sorry, I tried,'" Zavitsanos said.

Working with Brown Harris Stevens broker Ellen Devens, the father and daughter toured several condos on the Upper West Side, looking for something close to the subway that didn't require much renovation and had an old New York feel. They homed in on a two-bedroom unit at the prewar Ansonia, at 73rd and Broadway, seeking \$1.995 million.

The seller accepted Zavitsanos' first offer -- \$1.8 million in cash. Then he insisted he wanted to finance the deal. The seller eventually agreed to the new terms, and a price of \$1.875 million. The purchase closed a month after entering contract.

"Greek families, if you see pictures of them, they're always wide-angle because everyone always lives together forever," Zavitsanos said. "We didn't want our daughter to move so we negotiated very aggressively. It turns out the seller was more motivated than I was."