



BRICK UNDERGROUND

Real Estate. Real Life. Real New York.

July, 11, 2019

Mansion tax deadline boosts Brooklyn's high end, but it can't prop up slowing sales



The increase in sales activity at the high end is not likely to continue. iStock

The new mansion tax deadline gave a boost to Brooklyn's second-quarter sales, but it didn't turbocharge the market the way it did in Manhattan

The median sales price in Brooklyn increased 4.7 percent to \$815,000, a new record high, according to Douglas Elliman's second-quarter market report for Brooklyn, Queens, and Riverdale. At the same time, the number of sales fell for the sixth, straight quarter and apartments on the market increased for the fourth consecutive quarter.

Brooklyn sales in \$1 to \$2 million and \$4 to \$10 million ranges were the only price strata to see an increase, the report said. In Manhattan, the mansion tax spurred sales to rise for the first time in seven quarters, lifting the median sales price 10.5 percent to \$1,215,000, a new record.

It makes sense that sales at the high end in both boroughs saw a burst of activity: Buyers had a financial incentive to close before the newly scaled mansion tax kicked in on July 1. Instead of a flat fee of 1 percent on properties above \$1 million, buyers now face a tax that increases incrementally as the purchase price increases, up to 4.15 percent for properties \$25,000 or more.

"The tax incentive to close before July was seen in the upper echelons of the market but it wasn't enough to prevent an overall slowdown in sales, down year over year for six consecutive quarters," says Jonathan Miller, president of appraisal firm Miller Samuel and author of the report.

The increase in sales activity at the high end is not likely to continue. Miller says the uptick in the second quarter will likely come out of sales results for the third quarter, something he also forecasted for Manhattan.

Still, the Brooklyn market is “faster” than Manhattan, according to Steven James, president of Douglas Elliman in New York City. “Even though sales declined again this quarter, they are still 22 percent above the 10-year average. The trends in this market are definitely not weak,” he says.

In Brooklyn, luxury inventory increased year over year for the fifth consecutive quarter. The luxury median sales price fell 2.7 percent to \$2,400,000. New development sales increased 23 percent, and the new development median sales price is up 3.5 percent to \$921,516.

Queens sales continued to slip but remain 2 percent above the 10-year average, and the median sales price was the second-highest on record after 13 quarters without a decline. It rose 2.5 percent to \$572,000. Listing inventory increased year-over-year for the ninth straight quarter, jumping 23.4 percent.

There were similar trends in Riverdale, which includes Fieldston, Hudson Hill, North Riverdale, and Spuyten Duyvil. Prices pressed higher for the fifth straight quarter though sales fell short of year-ago levels. The number of sales fell 29.1 percent.

“We’re seeing a general pattern of rising prices and declining sales across Brooklyn, Queens, and Riverdale,” says Miller. “Even with the continued decrease in sales, these outer borough markets are still moving at a fast pace, with Brooklyn and Riverdale both out-pacing Manhattan.”

Other market reports

Halstead's second quarter 2019 Brooklyn Market Report noted that resales were down and there was an increase in the median price of one- to three-family houses.

Compass's second quarter Brooklyn sales report saw increases in the median price for both condos and co-ops.

“I think that relatively low mortgage rates coupled with the increased mansion taxes that took effect July 1st really pushed buyers into the Brooklyn market and gave sales activity a significant boost,” says Elizabeth Ann Stribling-Kivlan, Compass's senior managing director.

“Second quarter sales prices were largely unchanged year over year, but we are experiencing the highest discount level since 2011, signifying that there is more negotiability for buyers,” she says.

According to CORE's second quarter Brooklyn market report, 33 percent of listings were priced from \$1 to \$2 million and 13 percent of contracts signed were \$2 million or higher.