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Manhattan co-op and condo sales dropped sharply in the third quarter, dragging prices with them



If you're a buyer, this is good news for you: The median sales price for Manhattan condos and co-ops fell 8.2 percent to \$1,025,000. iStock

If you're selling an apartment in Manhattan, the past three months must have been awfully quiet.

That's because the number of co-op and condo sales dropped sharply in the third quarter, dragging prices with them as well, according to Douglas Elliman's sales market report.

It's sort of like a delayed hangover, the aftermath of the July 1st mansion tax deadline.

Buyers had rushed to avoid paying more under New York's new, more steeply scaled tax on properties over \$1 million, which caused sales to jump in the second quarter.

Jonathan Miller, president of appraisal firm Miller Samuel and author of the report, had predicted that the mansion tax rush would "poach" sales from the third quarter, so a drop there was expected. Not so for prices.

If you're a buyer, this is good news for you: In the second quarter, the number of sales dropped 14.2 percent compared to the year-ago quarter, and the median sales price fell 8.2 percent to \$1,025,000.

The median sales price for condos declined year over year for the seventh time in eight quarters, and typically resistant co-ops were vulnerable as well. The third quarter saw the first annual decline in co-op median sales price in 13 quarters.

Miller says he was a bit surprised to see drops ranging from modest to substantial declines across all three price metrics. Still, he says, it makes sense when you consider the pattern of falling sales NYC has seen for almost two years. Unusually low mortgage rates have offset steeper declines, but he sees some continued softness in the market ahead.

"There's nothing on the near horizon that would cause the trends to change all that much," Miller says. "Inventory continues to rise and I don't see sales rising in the near term."

He says many sellers continue to be disconnected from market conditions, which prevents them from setting realistic prices. "There are actually plenty of buyers," he says.

Another area seeing softness: Buyers across all price points are relying more heavily on financing.

"The percentage of all-cash purchases is the lowest we've seen," Miller says. He says 42.8 percent of all total deals are currently all-cash. The percentage is "generally in the high 40s to low 50s," he says.

That impact is more pronounced in the luxury market, where Miller says, "a 1 percent drop in mortgage interest rates is too good to pass up."

The luxury market saw the largest percentage increase in inventory in five years, and a decline in median price year over year for the eighth time in nine quarters, according to the report.

For new development, the number of sales fell for the seventh time in eight quarters and the average size of a new development unit fell by nearly 900 square feet.

Other market reports

Halstead's third quarter 2019 market report found that resale apartment prices averaged \$1,359,654, the lowest level in almost five years.

"Increases in transfer and mansion taxes starting July 1st pushed buyers and sellers to close before the end of June. Unsurprisingly, this led to higher-than-usual activity in high-end sales last quarter.

Third quarter data reflects a more accurate snapshot of the current market—continued price correction. We remain in a buyers’ market and looking towards the end of the year, we expect sellers to price sharply and realistically to get deals done,” said Diane M. Ramirez, chairman and CEO of Halstead.

According to Compass’s report, properties priced between \$1 to \$3 million saw the greatest share of closings this quarter with 39 percent of the market. Properties spent an average of 152 days on the market, the longest average since 2012, the report said.

CORE released its Manhattan market report and its Manhattan new development report. It found that one-bedroom condos saw the greatest average price decline, down 8 percent.

Pending sales were the highest at the beginning of the quarter, according to BOND New York’s report, which says they peaked in July at 3,085, before decreasing throughout the quarter with the lowest levels occurring at the end of September at 2,574.