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Sales of Manhattan apartments slipped (again) in the fourth quarter, but there were signs of stability

The number of sales of co-ops and condos in Manhattan slipped 1.2 percent in the fourth quarter of 2019 over the prior year, compared to a 14.2 percent drop in the third quarter. Mimi O'Connor for Brick Underground/Flickr

The sky is falling...a little bit less? That's the takeaway from Douglas Elliman's fourth quarter 2019 sales report for Manhattan, which found while the number of sales dropped again, for the eighth time in nine quarters, they didn't drop by as much as they have in prior quarters.

Sales slipped 1.2 percent in the fourth quarter over the prior year, compared to a 14.2 percent drop in the third quarter. As for prices, the fourth quarter median for co-ops and condos was stuck at $999,000.

In addition, there was a stark divide between the number of sales below $5 million (which represents 95.6 of transactions, and actually rose 1.6 percent) and sales above $5 million, which fell 37.6 percent. There were 106 sales in the above-$5 million price strata—the lowest number on record since the first quarter of 2013, says Jonathan Miller, president and CEO of appraisal firm Miller Samuel and author of the report.

Sales activity dropped off more sharply, compared year over year, for luxury and super luxury properties. For example, sales of Manhattan co-ops and condos priced $5 million to $7 million were down 26 percent year over year, according to data from Miller Samuel for Douglas Elliman. For apartments in the $7 million to $10 million range, sales activity was down 49 percent, and in the $10.1 million to $20 million range, it was down 48 percent.

Miller attributes the pattern in luxury sales largely to a series of tax policy changes, including the new cap on state and local tax deductions, the newly scaled mansion and transfer tax, and the changes in the rent laws, which has created uncertainty for investors. With more progressive legislation on the horizon, like a revived pied à terre tax, sales are likely to remain depressed, or as Miller says, remain at "peak uncertainty."

"The top 5 percent that is having serious challenges, yet the balance of the market is moving sideways—and that's 95 percent of market," Miller says. "The development boom was a unique phenomenon that targeted a high-end niche. The balance of the market didn't get the heavy influx of supply and is relatively better shape, although still soft." And the drop in mortgage rates last year offset the impact of the SALT deduction cap, Miller says.

"With so much more activity below the $5 million mark, it's not surprising that the median sales price held steady this quarter. Inventory has been continuing to rise, so it will be interesting to see the impact it may have on luxury sales," says Steven James, president and CEO of Douglas Elliman, New York City.

Other market reports

"Opportunities abound in New York for those wise or brave enough to seize them," says Frederick Warburg Peters, CEO of Warburg Realty. According to Warburg Realty's fourth quarter report, co-op boards remain blind to what's going on in the condo market, which is plagued by oversupply. Boards "have heeded none of the warning signs of declining comparative values. Co-op values continue to diminish relative to those of condominiums," the report says.

"As we closed out the decade, we saw continued correction mode in the Manhattan market with sellers making necessary reductions to prices, putting them at appropriate levels in the fourth quarter," says Diane M. Ramirez, chairman and CEO of Halstead. "We expect to see an active start to 2020, as buyers now have a golden opportunity to make a move with the combination of low mortgage rates, competitive pricing and incredible choice in inventory." Halstead's Fourth Quarter 2019 Market Report finds that sellers received 96.6 percent of their last asking price, unchanged from 2018's fourth quarter.

"The Manhattan residential market ended the decade much in the same way it began: not with a bang, but a whimper," says Garrett Derderian, managing director of market analysis at CORE, which released a fourth quarter Manhattan market report and a Manhattan new development market report.

Derderian points out that contract activity is a better gauge to understand activity within the quarter itself. "Super-prime sales, while making a nice headline, are outliers in the current market. While some high-priced transactions occurred within the quarter itself, many deals, most notably at 220 Central Park South, entered contract up to three or more years ago and are not reflective of current conditions," he says.

The fourth quarter Manhattan sales market report from BOND New York says the pace of market has picked up—slowly. Pending sales were up 4.3 percent compared to this time last year and up 10.4 percent since the start of the year.

Brown Harris Stevens' fourth quarter market report found that resales spent 10 percent longer on the market than a year ago and the number of closings for resales was down 5 percent from the year-ago quarter.

Compass' fourth quarter market report shows that 38 percent of properties took more than 180 days to go into contract.