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Mansion tax surged townhouse sales in Manhattan and Brooklyn, for now



Bloomberg

Townhouse sales in Manhattan and northwest Brooklyn surged to the highest level in ten years, according to a mid-year report released by CORE.

The report, which covers one-to-three family home sales in the New York City two areas, found a significant increase in sales and contracts, as well as a decline in inventory.

"Prices have softened considerably, and changes to the mansion tax, which took effect July 1, motivated buyers to close deals by June 30," said Garrett Derderian, managing director of market analysis at CORE in a statement.

The first half of 2019 had 278 sales market-wide—that's 18% more than the previous year. "Changes to the mansion tax remains one of the greatest headwinds for the luxury space, where most of the townhouse market is priced," Derderian said about looking ahead.

Downtown Manhattan in particular saw a record-breaking mid-year, with a 41% increase in annual sales. The average sale price in Downtown Manhattan increased 1% to about \$8.92 million, and the median sales price decreased 5% to \$7.8 million.

Northwest Brooklyn also saw an uptick in deals, with a 19% increase in sales, resulting in 172 sales in the market.

One neighborhood that saw considerable change was the Upper East Side where annual sales were down 50% at the end of 2018. The neighborhood saw the number of sales remain flat year-over-year, however, the average price and total dollar volume both surged 15% this year, pointing to a greater level of high-priced transactions, according to Derderian.

Despite the number of sales increases, discounts still remained abundant.

“With the number of contracts and sales increasing, we may have reached a turning point where sellers understand the need to discount their homes,” said Derderian. “Buyers are purchasing if the price is right.”

The average market-wide discount was 12% off the initial asking price, up from 9% in the first half of 2018.

Midtown East had the greatest discount rates, averaging at 27%. The Upper Manhattan discount rate had the greatest percentage increase, up 139% year-over-year to 16% off the initial ask. Downtown Manhattan’s average discount was 19%.

All the while, active inventory is down from past years. Inventory declined in every submarket apart from Downtown Manhattan.