

January 3, 2020

## **Manhattan property decline worsened as Wall Street boomed**

Manhattan's property decline deepened in the last three months of 2019, with sales falling for the eighth time in nine quarters and the average price dropping 7.5 per cent from a year earlier.

Average prices of Manhattan co-ops and condos fell to \$1.8m in the fourth quarter, according to Douglas Elliman, the largest real estate brokerage in the New York City area. The price per square foot — a key metric — declined 6.1 per cent to \$1,581, and the number of sales dropped 1.2 per cent, the brokerage said.

The Manhattan property drop is in sharp contrast to the rally on Wall Street, where stock markets have hit new records.

Steven James, chief executive of Douglas Elliman, likened 2019 to "a tale of two cities", with the newly introduced New York mansion tax and President Donald Trump's federal tax law changes putting a damper on the luxury market while apartments marketed for less than \$5m were quicker to sell.

The mansion tax, which took effect halfway through the year, levied a sliding scale of charges on apartments selling for more than \$1m. Mr Trump's tax law limited the amount of state and local taxes households could deduct from their federal taxes. The latter has been blamed for spurring a flight by wealthy New Yorkers to Florida, which has no personal income tax.

The new taxes, coupled with historically low interest rates, have also scared off cash buyers. Douglas Elliman reported the lowest overall share of cash buyers in the quarter since they started recording that data five years ago.

Properties also sat on the market for the longest time since 2011, according to the real estate broker Compass, as buyers waited for prices to fall further.

New developments fared the worst, spending an average of 377 days up for sale, 102 per cent more than the rest of the market, according to Garrett Derderian, the managing director for market analysis at Core, a New York real estate brokerage. Developers have responded by offering more concessions recently.

Mr Derderian said a pullback by foreign investors and the growing supply of luxury inventory, which has flooded the market in recent years, have also hit apartment prices.

Sellers sold for an average discount from the asking price of 9 per cent, according to Core data.

"It is a positive sign sellers are adjusting their prices to meet the market, and buyers are re-engaging," Mr Derderian said. "Still, the upcoming presidential election puts a cloud of uncertainty over the market, which will probably result in a sales slowdown as we near the election."

As building costs have risen, real estate developers in recent years have focused almost entirely on the luxury end in hopes of making the biggest profit. Instead, a glut of properties has flooded the market and many of the high-end buyers they hope to attract have pulled back.

Brokers say that while the market is still competitive for lower-priced apartments, many buyers are waiting for prices to fall further. The property market at the lower end was less affected in 2019, with buyers flooding into the outer boroughs of Brooklyn and Queens, or seeking out studios and one-bedrooms in Manhattan.

That split was evident in the differing fortunes of condo sales and those of co-ops, which tend to be lower-priced. The number of condo sales in Manhattan in the fourth quarter was down 3 per cent from the previous year, while co-op sales were up 18 per cent, according to Core data. Ninety-five per cent of all co-op sales in Manhattan in the fourth quarter were priced under \$3m.