



October 2, 2019

NYC housing prices in near 'free fall,' conditions mirror recession era following tax hikes

The Manhattan real estate market stumbled in the third quarter of 2019, new reports show, as prices plunged and fewer buyers were willing to purchase higher-priced properties in the wake of two recent tax increases.

The median sales price for properties fell 17 percent from the same quarter last year, to \$999,950, according to new data from CORE. The average sales price dropped 12 percent, to \$1.64 million.

Condo sales fell 8 percent, logging 946 transactions. Co-op sales, on the other hand, were up a modest 2 percent year over year.

“The third quarter of 2019 was undoubtedly the most challenging quarter in recent memory, especially for condo sales,” Garrett Derderian, managing director of market analysis at CORE, said in a statement. “Market prices have gone from what was once described as the kindest, gentlest correction to a near free fall. The last time conditions were described in such a way was in the height of the recession.”

Only 9.7 percent of sales were above \$3 million, down 14.8 percent from last year. The last time sales above \$3 million were that low was in 2012.

Consequently, nearly 30 percent of inventory on the market was priced above \$3 million. It's worth noting that many buyers rushed to purchase properties before an increase in the city's mansion tax and transfer tax took effect in July.

“Third quarter data reflects a more accurate snapshot of the current market – continued price correction,” Diane M. Ramirez, Chairman & CEO of Halstead, said in a statement.

Halstead's own report released on Wednesday showed Manhattan apartment sales fell 16 percent in the third quarter – with sales above \$5 million dropping nearly 50 percent.

Properties, meanwhile, spent an average of 192 days on the market – the highest quarterly total since the final quarter of 2012.

In July, New York City increased its mansion tax – a progressive tax that applies to home sales of more than \$1 million – to a maximum of 3.9 percent, up from a flat-rate of 1 percent. The tax rates vary from 1.25 percent for \$2 million sales, to 3.9 percent for sales of

\$25 million and higher. The city also increased a one-time charge on properties worth more than \$2 million – known as the transfer tax. That fee, typically paid by a seller, varies from 0.4 percent for transactions under \$3 million, to 0.65 percent for anything above \$3 million.

As previously reported by FOX Business, more than 25 percent of new condos that have been built in New York City since 2013 remain unsold. In terms of units – of the 16,242 condos built since 2013, about 12,133 have sold. That means more than 4,100 have not. Experts have said the trend could be indicative of a potential future recession.

Falling real estate prices come as concerns mount over the new tax law's impact on high-tax states – particularly a \$10,000 cap on state and local tax (SALT) deductions. Some people have begun fleeing states like New York and New Jersey, headed for lower-tax areas like Florida and Texas.

New York was one of a handful of states dealt a blow in its bid to challenge the SALT cap this week, after a judge dismissed its lawsuit.