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Manhattan home prices are “near free-fall” as mansion tax kicks in

Median sale price drops below \$1 million for the first time since 2015

Manhattan home prices are cratering as the city’s new “mansion tax” saps demand.

The median sale price in the third quarter dropped 17% from a year ago to \$999,950, the first time it’s been below \$1 million since 2015, according to a report on Tuesday from CORE, a New York brokerage. Sales of condominiums and cooperatively owned apartments, or co-ops, fell 6% to 2,299.

It was the first quarter to register the impact of new taxes on high-end sales that kicked in on July 1. The previous 1% fee on sales of \$1 million and above – known as a “mansion tax,” though it applies to all types of homes, not just townhouses – was increased to 1.25% for properties priced above \$2 million and 3.9% for a sale of \$25 million or more. The transfer tax increased from 0.4% to 0.65%.

“Market prices have gone from what was once described as the kindest, gentlest correction to a near free-fall,” said Garrett Derderian, CORE’s managing director of market analysis. “The last time conditions were described in such a way was in the height of the recession.” Some of the data was impacted by the timing of purchases to avoid paying the new tax, according to the report.

“Many buyers moved their closings up to Q2, prior to the tax taking effect, robbing the third quarter of those deals,” the report said.

About 9.7% of third-quarter sales were properties priced above \$3 million, down from 15% a year ago. The last time the share was that low was in 2012, the report said.

Sales of homes priced under \$500,000 jumped 35%, while sales of properties costing \$20 million and more tumbled 33%, the report said.

“The trend is increasingly sharp, signaling a buyer pool shifting interest from the luxury space to more affordable properties,” Derderian said.

In addition to the state's mansion tax, the new federal tax code that went into effect last year continued to impact the market. It capped deductions for state and local taxes, known as SALT, at \$10,000. That had the effect of making it more expensive to own homes in states like New York, New Jersey, Connecticut and California that have high-priced real estate coupled with hefty property taxes.