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New York Real Estate Market Tumbles In Third Quarter After Mansion Tax Hike

The real estate market in New York City trended downward significantly in the third quarter of 2019. In the wake of an increase in the mansion tax that went into effect on July 1, sales in the city have dropped precipitously, with higher-priced properties being the hardest hit.

According to Forbes, market reports released by the likes of Compass, CORE, and Halstead show major drops in third-quarter sales on the island, ranging between 6 to 16% from the same time last year. CORE reported that sales over \$3 million were down close to 15%, while sales over \$5 million fell a much steeper 48%. Overall, the third quarter marked the least sales of over \$3 million in four years.

“Increases in transfer and mansion taxes starting July 1 pushed buyers and sellers to close before the end of June,” Halstead CEO Diane Ramirez said. “Unsurprisingly, this led to higher-than-usual activity in high-end sales last quarter. Third-quarter data reflects a more accurate snapshot of the current market—continued price correction.”

The mansion tax said to be the cause of this decline imposes a sliding-scale tax on homes priced higher than \$1 million, ranging from 1-4.15 percent. The city also increased the transfer tax, a one-time fee typically paid by sellers for properties over \$2 million, ranging from 0.4-0.65 percent.

Fox Business reported that the median price for NYC properties fell to \$999,950 in the third quarter — a 17% drop. Condominium sales dropped 8%.

Experts have guessed that the downturn in sales may also be due to buyers’ fears of a looming recession.

“Many look back to 2008 and want to avoid purchasing at the wrong time, so even with low mortgage rates, buyers are appropriately re-evaluating their price range and opting for something slightly less expensive,” Rory Golod and Elizabeth Ann Stribling-Kivlan of Compass said. “Declines in overall average price and average size but limited reduction in average price per square foot support this.”



*An aerial view of scenes around Manhattan from a Royal Navy helicopter on October 19, 2018 in New York City
Photo: Christopher Furlong/Getty Images*