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Despite Some Record-Breaking Sales, Luxury Market Slows in New York

The first half of 2019 saw a significant drop in sales of high-end co-ops specifically

Luxury sales in New York slowed in the first half of 2019, according to CORE. Andrew Burton/Getty Images

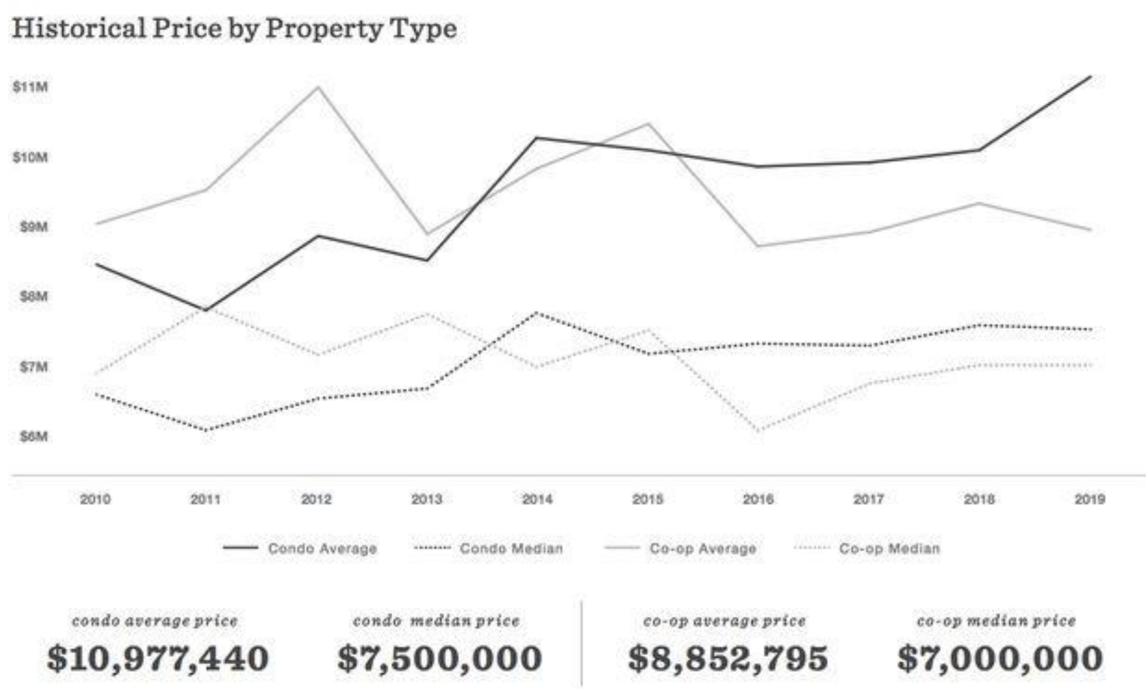
While there were several record-breaking headline luxury sales in New York during the first half of 2019, the overall top-tier market, with a starting price point of $5 million, was considerably bleak, dampened especially by the co-op market, according to a report released Thursday.

Hedge fund billionaire Ken Griffin's record-breaking purchase of a $240-million residence at 220 Central Park South, as well as Amazon chief Jeff Bezos buying a $80-million trophy penthouse at 212 Fifth Ave., created the illusion of a strengthening luxury market in New York. However, the mid-year report by CORE, a New York boutique brokerage firm, showed no such evidence.

During the first six months this year, there were 396 sales at or above $5 million in Manhattan and Brooklyn—the two boroughs with the most luxury sales activity. The figure was 5% less than the same period a year ago.

Luxury condo sales edged up 1% year-over-year, largely buoyed by legacy contracts signed three or more years ago. Meanwhile, the number of sales in luxury co-op buildings dropped to 84, down 21% year-over-year.

“Very few people want to buy high-priced co-ops,” said Garrett Derderian, managing director of market analysis at CORE. “The sales level is the lowest since 2013; while the annual decline is the highest in the past 10 years.”



The weakening luxury market in the first half of this year came despite a new mansion tax that was expected to encourage people to buy before it went into effect on July 1, Mr. Derderian said.

“We did see a rush in June, where luxury buyers wanted to either move into or close contracts,” he said. But even with that, the numbers are still down, Mr. Derderian said.

The median sales price for homes $5-million-and-up reached $7.5 million, falling 1% from the same period in 2018. The average price, skewed by record-breaking mega sales, hit $10.98 million, surpassing the $10 million mark for the second time in the last decade. The only other time that happened was in 2014.

The luxury market will likely experience more downward pressure in the second half of the year, considering a glut of inventory, the impact of the newly implemented mansion tax, and slowing demand, according to CORE.

In the first six months, there were 291 condo, and 93 co-op contracts signed at or above $5 million, down 19% and 17% year-over-year respectively.

There are 15.4 months of supply of luxury homes, many of which are super-prime “shadow inventory,” or units in new developments yet to come onto the market.

“Buyers are keenly aware of this and all negotiating at all price points,” Mr. Derderian said.

Nevertheless, there are still buyers in the market. “Pricing is the key,” he added.