

MANSION GLOBAL

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New Mansion Tax Rates Hinder Brooklyn Sales, But Prices in Queens Hit Record Highs

Property prices and transactions across Brooklyn fell in the third quarter of 2019



*Prices and transactions have fallen in Brooklyn
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Property prices and transactions across Brooklyn fell in the third quarter as the borough's real estate market continues to come back down to earth, in part pulled by newly introduced tax rates, according to reports from several New York City brokerages released Thursday.

The median sales price in Kings County declined for the second time in three quarters, dipping 2.2% to \$790,000, according to Douglas Elliman.

“Across the region, we’re seeing straightforward results that are very similar to the Manhattan market,” said Jonathan Miller, chief executive of appraisal firm Miller Samuel and author of the report. “With sales drifting lower and prices starting to soften, it’s clear that sellers are starting to price more in line with buyer demand. These markets are coming down from a robust period, and despite the lower sales and price trends, it still wouldn’t be accurate to call them soft.”

Luxury prices, defined by Douglas Elliman as the top 10% of the market, were hit a little harder than the rest of the market, decreasing 6.2% year on year to \$2.34 million, the report said.

The price drops were to be expected since many potential third-quarter high-end sales were pushed forward to avoid the introduction of new and higher transfer tax rates on July 1, according to a separate result from brokerage Halstead.

The rush in quarter two resulted in a record-setting number of closings over \$2 million, but the haste left quarter three lacking.

The new citywide property tax rules effectively raised the cost of buying a home over \$2 million.

The rates changed from a general 1% tax on home sales over \$1 million to a progressive tax of 1.25% on sales between \$2 million and \$3 million, and up to as much as 3.9% on sales of homes of \$25 million or more. The tax on homes sold for between \$1 million to \$2 million remained at 1%.

Transactions also took a hit, with closed sales down 5% to 1,447 in the third quarter compared to the same period last year, a report from Corcoran said.

But in Brooklyn, the market was impacted far less than neighboring Manhattan, according to a report from brokerage CORE.

In Manhattan during the third quarter, sales fell 14.2% compared to the same period last year, Mansion Global previously reported.

“The changes to the mansion tax start at \$2 million. As a result, only 19% of inventory was immediately impacted, while 7% of sales were above that same threshold,” Garrett Derderian, managing director of market analysis at CORE, said in the report. “Lower mortgage rates supported sales and contract activity to a much greater extent than Manhattan, as fewer deals are all cash.”

It was a different story in neighboring Queens, where prices hit new highs in quarter three, despite seeing sales decline 7%, according to Douglas Elliman.

Both the median and average sales prices set record highs this quarter, rising 4.5% to \$600,000 and 2.5% to \$651,216 year over year, respectively.

“Queens seems to be a standout quarter after quarter since it enjoys the spillover from Brooklyn as buyers seek out greater affordability,” said Steven James, president and CEO of Douglas Elliman New York City, in the report. “Market uncertainty and potential homebuyers’ search for affordability are challenges facing all the markets in the New York City metro area right now, and we’ll have to see how sellers adjust going forward.”