

MANSION GLOBAL

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Despite Record-Breaking Deals, Manhattan's Luxury Market Stalled in 2019

Transactions plunged and prices fell



Manhattan's high-end market had a sluggish year./ GETTY IMAGES

Despite a handful of headline-grabbing sales last year, Manhattan's luxury real estate market stalled in 2019, according to a report Thursday from estate agency CORE.

Transactions plunged and prices fell across the borough, the report said, which analyzed the performance of high-end condo and co-op sales across the year.

"It is no secret the super-prime market has been suffering," Garrett Derderian, managing director of market analysis at CORE, said in the report. "While there were several record-breaking headline sales, 2019 market conditions were more discouraging."

Last year, there were 646 contracts signed for luxury properties—defined as those priced at \$5 million and above—a 21% drop from 2018 and the steepest year-over-year decline in a decade, the report said.

Signed contracts are the best indicator of current trends and reflect activity that occurred within the year, according to Mr. Derderian.

"Uncertainty surrounding the growing supply of homes, coupled with the multitude of changes to the tax laws and geopolitical tensions, caused many would-be buyers at the luxury level to take a pause," Mr. Derderian said.

One of the tax changes that drastically affected the enthusiasm of potential buyers was an increased transfer tax on New York City's high-end homes.

On July 1, the state upped the “mansion tax,” which 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 and \$2 million remained at 1%.

In response, the number of contracts signed on pricey homes in the city took a nosedive.

Unlike contracts, the number of sales are less of a reflection on recent activity.

Completed sales, especially those in new developments, could have been agreed upon a number of years ago, but don't close until the buildings are completed.

For example, there were a number of closings last year at 220 Central Park South, including a record breaking \$239.9 million sale to hedge funder Ken Griffin, but many of those deals had their contracts signed as early as 2015, when the market was far stronger, Mr. Derderian said.

There were 759 luxury sales in Manhattan during 2019, down 5% from 2018, according to the report.

Condo sales, underpinned by those legacy contracts, increased 1% to 611, according to the report. The median sale price for condos dipped 2% compared to 2018 to \$7.5 million.

Co-op sales plunged 22% to 148, the lowest level since 2011, as privacy-seeking buyers shift toward condo ownership, where the buying process is less invasive, the report said.

The median sale price for a co-op apartment in 2019 fell 7% to \$6.5 million, a decade low.