

# MANSION GLOBAL

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## **Manhattan Sales Started the Year Strong Before Coronavirus Slammed the Market to a Halt**

*After two months of brisk transactions and rising prices, the pandemic caused “paralysis” in March*



*Pixabay*

After close to two years of slumping prices and transactions, the Manhattan sales market was poised for a strong resurgence in the first quarter of 2020, with steadily increasing transactions in January and February. When the coronavirus arrived in New York City in March, things changed dramatically.

“The first quarter was clearly divided into two periods,” said Garrett Derderian, managing director of market analysis at CORE, which released its Q1 2020 Manhattan Market Report on Thursday. “Prior to the onset of the coronavirus, it appeared the market was headed toward a full recovery. [...] Now with the impact of the coronavirus, the market is in a state of temporary paralysis with few deals occurring.”

### Lowered Sales Prices Meant More Deals Getting Done

Still, transaction numbers for Q1 were largely encouraging. CORE’s report showed the total number of first quarter sales up 4% year-over-year. Similarly, Douglas Elliman’s Q1 Manhattan Sales Report, released Thursday, showed the number of sales jumping 13.5% in the same period. (A first quarter Manhattan sales report from Warburg Realty, released Tuesday, also indicated “unusually strong” activity in January and February.)

In spite of brisk transactions, however, prices across the borough declined. CORE's data showed the median sales price at \$1.1 million, down 3% year-over-year, but up 9% from the fourth quarter. According to Elliman, the median sales price slipped 1.4% year-over-year, to \$1.06 million.

According to Brown Harris Stevens, which also released a report on Thursday, the average new development price fell sharply, 29% lower than a year ago, mostly due to inflated numbers in 2019 that included a record \$240 million sale. (BHS data found the number of closings rose 9% compared to 2019's first quarter.)

The disconnect between sales and prices may also be attributable to sellers lowering prices after a long period of sluggish activity.

"I think it's taken two years for sellers to get the message that the prices of old aren't achievable, and if you really want to sell, you have to be realistic," said Steven James, president and CEO of Douglas Elliman New York City. "That's one of the reasons we were so excited about Q4 2019—more sellers got the message and were willing to negotiate further down."

High-end sales continued to fare worse than the broader market.

"If you look at average prices, which are skewed by the high end, those were down 10.9%," said Jonathan Miller, author of the Elliman report and president and CEO of Miller Samuel. "The high end is still the weakest link in the market."

### The Coronavirus Effect

Even before Gov. Andrew Cuomo put "Pause" rules into effect on March 20, the arrival of coronavirus in New York City had already largely brought activity to a halt. And though quarterly reports overall don't yet reflect the pandemic's effect on the market, "you have to remember too that so many closings were to take place in early to late March," Mr. James said. "And they've not been able to do that in most cases for the obvious reasons."

Once the full effects of the coronavirus are reflected in sales data, Miller said, "next quarter, numbers are going to be far weaker. What we don't know yet is the degree" of severity.

Given the strength of market activity before New York City went into a state of crisis, experts largely expect sales to bounce back with pent up demand once social distancing rules are lifted, potentially pushing the usually-busy spring selling season into the fall.

"Every [past crisis] I've been through, once the challenges are past, there's enormous pent-up demand " Mr. James said. "Sellers who want to sell will be realistic [in pricing] because they want to get on with their lives. And I think many people will want to do things differently, which translates into: 'If I have to sequester again, I want something different.'"