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Manhattan Real Estate Drops Spur Talk of Recession



*Tourists enjoy the sunny weekend in front of the Brooklyn Bridge and the skyline of Manhattan on Aug. 24, 2019.
(Johannes Eisele/AFP/Getty Images)*

NEW YORK—Third-quarter reports say sellers have continued to lower the prices of their Manhattan properties, striking talks of recession—but a more than a century-old firm is calling the consistent drops in the nearly past four years an opportunity.

Some are pointing fingers at an uptick in taxes, such as the mansion tax, which went in effect on July 1. That tax applies to homes valued at \$1 million or more.

But Frederick Peters, CEO of Warburg Realty, said that although the tax hikes do have an inhibiting effect, the reason prices are settling between 10 to 20 percent below their 2015 highs is part of a larger trend.

“It’s been my experience over the fairly long arc of my career that prices can get to a point in which they just don’t entice the buyer anymore,” Peters said in an interview with NTD News. “And I think we got there in 2015.”



*Buildings with residential apartments stand in the newly developed and exclusive Hudson Yards neighborhood in Manhattan, New York, on September 13, 2019.
(Spencer Platt/Getty Images)*

And lengthening that trend, Peters said, was the 2016 election and the State and Local Tax (SALT) deduction limit introduced in 2018. SALT capped returns for single filers at \$10,000. He said New Yorkers in his marketplace have been paying far more than that in taxes.

Halstead Real Estate CEO Diane Ramirez told Forbes that the mansion tax led to “higher-than-usual activity in high-end sales last quarter.” Ramirez said the hike pushed both buyers and sellers to make a deal before it went into effect.

Peters added, “It may actually knock prices down a little more, but it doesn’t keep pushing them down.”

An Opportunity Amid Talks of Recession

A representative from CORE Real Estate described the third quarter’s drop in market prices to Fox News as “a near free-fall.” The news station also said experts believe “the trend could be indicative of a potential future recession.”



The skyline of midtown Manhattan in New York City is seen from the United Nations headquarters in New York City, July 20, 2018.

(Reuters/Brendan McDermid)

Peters, however, said that he has seen multiple bids on well-priced properties this year—but only on properties whose sellers have accepted the changes in marketplace and priced accordingly.

“The market has more or less arrived at a floor,” he said. “There will be some bumps.

“I think many sellers are still struggling to arrive at the floor of understanding the level at which deals are going to be made—but some have.

“Today’s buyers have an opportunity,” Peters said.