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Pricey Manhattan home sales dropped nearly 40% in Q4

More than 95% of resi units that sold were priced under \$5M



Lower Manhattan (Credit: iStock)

In real estate — as in life — multimillion-dollar outliers are often touted as a bellwether. But that didn't hold water in Manhattan last quarter.

While sales for properties priced at over \$5 million tumbled about 38 percent year over year, properties below that threshold accounted for more than 95 percent of the fourth quarter's transaction volume and saw sales rise by 1.6 percent, according to appraiser Jonathan Miller, author of Douglas Elliman's latest sales report.

The number of sales recorded between \$7 million and \$20 million were down almost 50 percent. Meanwhile, sales recorded between \$3 to \$4 million and \$4 to \$5 million saw more than 15 percent year-over-year increases.

"It truly was a tale of two cities as 2019 came to close," said Steven James, Elliman's New York City CEO and president.

Both James and Miller attributed the discrepancy to the slew of new taxes passed in 2019 — be it the new transfer and mansion taxes, and even the changes to the state rent laws. All of which, they said, piled on top of the federal cap on state and local tax deductions to create a "highly polarized market" where pricey pads were hurting for buyers, while lower-priced apartments buoyed by low interest rates continued to sell.

Miller's report also noted that the final quarter of 2019 had the lowest overall share of cash buyers in five years.

Overall, Manhattan sales slipped only 1.2 percent to 2,404 transactions and the average sales price dropped 7.5 percent to \$1.8 million, compared to the same period in 2018.

It's not just Manhattan's priciest listings that took a tumble, though. New development sales were diminished with the average square footage for a sale falling to 1,401 square feet — the smallest average sale size in seven years and a 20 percent dip from the fourth quarter of 2018, Elliman's report found.

According to CORE's new development report, two-bedroom units accounted for 36 percent of the quarter's recorded sales, while one-bedrooms were 31 percent. Across the report's sample of units, three and four-bedroom homes saw the biggest drop average price per square foot with a 21 and 18 percent drops, respectively.

That comes amid a flood of supply. Halstead Development Marketing's year-end new development report pegged inventory for the borough at 7,050 units. Under the Big Apple's current absorption rate, that powderkeg of homes will take 74 months to sell.

Yet the new development sales market share increased year over year for a third quarter to 12.9 percent, according to Miller. The quarterly decade average is 14.5 percent.

"The product of new dev that closed is skewed to the lower end of the price range, it's not the super high-end unit," the appraiser explained.

But it's not all doom and gloom. Frederick Peters of Warburg Realty predicts that 2020 will be a better year for residential real estate than its last. He pointed to slipping sales prices and noted that the bar isn't high considering 2019 "really bad" first quarter, but he's optimistic.

"As seller prices have been revised to reflect the marketplace more, there just is an increasing sense that buyers are willing to step into the market," said Peters.

He did sound a cautionary note, however. "There are so many question marks in any election year," he said, though he noted that in spite of political uncertainty he expects "less uncertainty about value."