AMERICAN MARKETER

Business at its best

Manhattan’s luxury real estate sees weakest Q4 in years

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Sales of luxury real estate in Manhattan continue to slow. Image credit: City Realty

By MICKEY ALAM KHAN

Luxury real estate sales in New York's Manhattan borough saw a 25 percent drop off in the fourth quarter of 2018 from their high in the fourth quarter of 2015, according to residential brokerage firm Stribling & Associates.

Reviewing measures including sales, contracts and inventory levels, Manhattan experienced its worst fourth quarter since 2012 when a "fiscal cliff" was dominating economic news. The borough's high-end real estate market has seen a cooldown for some time.

"Every quarter of 2018 saw a decrease in the number of sales over the same period one year ago, including the most recent quarter," said Garrett Derderian, director of data and reporting at Stribling & Associates, New York.

"The luxury market has continued to diverge from the market at-large, as we are still seeing record-setting transactions," Mr. Derderian said. "Well-heeled purchasers are able to pick up high-value assets at relative discounts and are oftentimes less influenced by outside conditions."

Stribling & Associates considers the luxury threshold the top 10 percent of sales, in this case $4.35 million for the Manhattan market.

Sales slow

Manhattan saw a 10 percent drop in recorded sales from the fourth quarter of 2017 to the same period of 2018, with a total of 1,906 sales. Nonetheless, the total sales volume in the fourth quarter of 2018 was $4.07 billion, up 1.6 percent year-over-year from $4.01 billion.

While the median sales price was down 4.4 percent year-over-year to $1,075,000, the average sales price was up 1.8 percent year-over-year to $2,021,992.

Average listing time was up 20 percent year-over-year. Image credit: Store Tours

According to Stribling, high-priced outliers at properties such as 220 Central Park South and 520 Park Avenue distract from how weak the quarter was in reality. By excluding the top 15 transactions of the quarter, sales volume dropped to $3.56 billion, which is 11.2 percent less than the fourth quarter of 2017.

Listing time increased by 20 percent from 2017, to an average of 152 days on the market. In the fourth quarter of 2012, average listing time was 154 days.

Longer marketing time often leads to many successful offers being made below asking price.

While 31 percent of inventory in the fourth quarter was priced above $3 million, only 16 percent of sales were recorded at the price or above.

The market-wide average discount from the initial ask was 7.9 percent. Due to an abundance of inventory in Manhattan's Financial District, the neighborhood saw average discounts of 10 percent.

Lower Manhattan saw the steepest discounts. Image credit: Leslie J. Garfield & Co

Increases in inventory are attributed to new development projects, especially in Lower Manhattan.

To start 2019, more than 7,000 units remain on the Manhattan real estate market. Condos make up 49 percent of inventory, and 37 percent of the total inventory in the borough is priced between $1 and $3 million.

Tale of two boroughs
Manhattan has faced real estate struggles throughout 2018.

According to Douglas Elliman Real Estate's Manhattan Sales Q2 2018 report, Manhattan saw the most second quarter inventory in seven years. However, it also saw the lowest second-quarter sales in almost a decade.

As listing inventory expanded, luxury price trends were mixed.

Listing inventory rose to 6,985, up nearly 11 percent from the same time the previous year. However, the number of sales declined by 16.6 percent to 2,629 (see story).

Despite the slight downturn in Manhattan, other areas of New York are showing growth in the luxury real estate market.

With ecommerce giant Amazon officially announcing its plans to open new headquarters in New York and Northern Virginia, the surrounding real estate markets are bracing for major changes.

Amazon plans to invest $5 billion and create more than 50,000 jobs between the two new headquarters, located in the neighborhood of Long Island City, Queens and the town of Arlington, VA.

Proximity and access via public transit, especially along the MTA's 7 subway line, will play a major role in which areas of New York see the most growth. While Manhattan has seen real estate activity steadily decline, Queens has already been experiencing double-digit price growth (see story).

"As more inventory comes online, as is forecast, sellers will need to adjust expectations to meet the market where it is," Stribling's Mr. Derderian said. "New York remains a top global market for real estate, but like the rest of the world, it can only move if the price is right."

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