

REAL ESTATE

## New York's high-end real estate may be unaffected by tax law

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Douglas Elliman listing in New York. Image credit: Douglas Elliman

By BRIELLE JAEKEL

New York sales transactions priced more than \$5 million are primarily settled in cash, which will make the upcoming cap on mortgage interest deduction in the United States' new tax law almost irrelevant to luxury real estate.

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Dictated in Douglas Elliman Real Estate's [Q4 2017 Manhattan Sales Market Report](#) the average price fell below \$2 million for the first time in almost two years and real estate activity in general has stalled, alluding to a nervous energy from buyers worried about the tax bill. Amongst the average price, apartment sales and price per square foot dropped as well.

"While the luxury market generally sees more cash' buyers than lower priced markets, 89.9 percent of sales at or above the \$5 million threshold were made with all cash," said Jonathan Miller of [Miller Samuel Inc.](#), author of the Q4 2017 Manhattan Sales Market report at [Douglas Elliman](#), New York. "Therefore the cap on the mortgage interest deduction introduced in the new tax law will have little impact on Manhattan's luxury market."

### New York sales

While there is to be a \$10,000 cap on mortgage interest deductions in the upcoming tax law, luxury real estate in New York might be avoiding its effects since high-end deals are mostly transacted in cash.



*Christie's International Real Estate listing at 795 Fifth Avenue, New York. Image credit: Christie's*

The average New York price saw a drop below \$2 million for the first time in seven quarters. Douglas Elliman believes that this is due to the clearing out of legacy contracts.

However, median prices were on the rise in the last quarter thanks to re-sales, marking this the third consecutive quarter of growth in a row. The median prices increased by 1 percent since this time last year to \$1,060,000.

Activity in the housing market as a whole for New York saw its lowest fourth quarter in the past six years. This could be due to the introduction of the upcoming tax bill, as buyers wait to see what will come of the legislation before making major decisions.



*Condo in New York's One57 building. Image credit: Sotheby's International Realty Affiliates*

Apartment sales declined over the past quarter, but townhouse sales were on the rise by 8.3 percent. The price per square foot of townhouses saw an increase of 9.9 percent but its median sale price declined by 4.5 percent and its inventory dropped by 36.4 percent.

The price per square foot in New York declined by 20.6 percent to \$1,609 and the average sale price decreased by 10.6 percent to \$1,897,503.

#### Additional New York findings

The current White House administration has had an impact on real estate not just with its tax plan but also with its polarizing first year causing a negative effect on the Trump-branded real estate properties, including New York, with a record-breaking decline.

For the first time in history, Trump-branded condos saw below-average sale prices and average price per square foot compared to the median in New York, according to CityRealty's Year-End Report. The upcoming year does not look good for New York as a whole, with CityRealty's report predicting that the city will see a slight decline for the first time since the 2009 global recession ([see more](#)).

Back in June, contracts signed on luxury properties in New York saw the largest increase in six months this May with a 41 percent jump in the number signed, according to another report from CityRealty.com.

The boom in signing numbers was pushed by new and recently developed condominium complexes in New York. However, prices of new condo developments dropped 15 percent, according to a Monthly Market Report from CityRealty.com ([see more](#)).

"My key takeaway is that buyers will find a silver-lining if they act quickly in this new year and we go back to normal after concerns over the new tax law simmer down," said Steven James, CEO of New York City at [Douglas Elliman](#), New York.

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