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REAL ESTATE

New York real estate enters 2021 on the rebound

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View from penthouse condo at the Baccarat Hotel & Residences in Manhattan. Image credit: Douglas Elliman

By SARAH RAMIREZ

Manhattan's luxury real estate market closed out an unpredictable 2020 by continuing to send mixed signals during the fourth quarter.

Quarterly reports from brokerage firms Douglas Elliman and Compass both show that residential property sales have begun recovering since the market's nadir in the spring at the onset of the COVID-19 pandemic. Nonetheless, the real estate recovery still lags behind 2019 levels.

Douglas Elliman's Q4 2020 Manhattan report defines the luxury segment as homes with listing prices of $3 million and up. Compass' Q4 2020 Manhattan report categorizes united priced at $20 million and up as luxury.

Turning the corner

A year ago, New York's luxury real estate market had closed the decade on a disappointing note, as sales under $5 million were on the rise during the fourth quarter of 2019 while sales of pricier properties plummeted (see story).

Within weeks, however, the COVID-19 had thrown the real estate market off-kilter as lockdowns became a way of life and many high-net-worth New Yorkers left the city for more spacious settings.

Both firms report that Manhattan inventory during Q4 2020 was up double-digits year-over-year, with marketing time also increasing.

Buyers are hoping to capitalize as sellers look to leave the city. Image credit: Douglas Elliman

However, the average sales price also nudged up between 2 and 3 percent year-over-year, depending on data set, to north of $1.8 million. While the median sales price was a lower $1.1 million, it still marked an increase from Q4 2019.

The average sales price for a Manhattan condo was $2.6 million. According to Douglas Elliman, condos priced above $5 million saw a significant increase in sales year-over-year.

For properties above the $5 million threshold, Douglas Elliman reports average sales price stayed about flat while the median sales price increased by 16.7 percent y-o-y. The market was about evenly split between new development and re-sales.

Meanwhile, Compass reports that condos and co-ops priced at $20 million and above accounted for less than 1 percent of units sold.

The average prices for a condo and co-op in that ultra-luxury segment are $34.1 million and $32.1 million, respectively. However, this represents an average price increase of 4 percent for condos and an average price drop of 14 percent for co-ops, underscoring the complexities of the New York real estate market.

Pandemic fallout

Manhattan's luxury real estate market had been losing momentum prior to the pandemic, which has further impacted real estate in major cities while leading to a boon elsewhere particularly as the wealthiest have primarily been shielded from the economic severity of the pandemic.

While cities still face real estate slowdowns due to wealthy buyers fleeing to suburbia to escape lockdowns, Manhattan, Los Angeles, San Diego and San Francisco remain the most expensive markets in the United States. However, stark differences divide one luxury property market from the next, according to a recent report (see story).

The move to suburbia and a de-urbanization in the U.S., coupled with remote working and schooling, will have lasting effects on the prime real estate landscape for years to come.

Expansive single-family homes in locations that offer more space, freedom and less population density will likely remain highly attractive to high-net-worth and ultra-high-net-worth individuals (see story).