

Manhattan Luxury Market Booms Despite Mayor Mamdani's New Tax on Second Homes



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Despite New York City's first ever pied-à-terre tax on upscale properties worth over \$5 million, the city's luxury real estate sector remains unbowed—in fact, it is booming.

The tax championed by Mayor **Zohran Mamdani** went into effect July 1, but Manhattan's luxury market continues to outperform, with \$20 million-plus properties recording a 25% annual increase in signings (8 total), according to a Compass second quarter luxury market report. And sales activity in the \$10 million to \$20 million segment surged 38.6% (51 closings) in the second quarter from the same period last year.

"The introduction of the pied-à-terre tax appears to have had only a limited impact, with some buyers opting to purchase primary residences instead of second homes," concludes the report.

The luxury condo sector skyrocketed, rising 54.5% in activity for the \$10 million to \$20 million price range and up 33.3% for price points above \$20 million, with the latter seeing a 13.9% increase in asking price, according to the report.

While most Americans struggle with affordability, inflation, and elevated interest rates, those shopping in the ultrahigh-end of the residential market seem relatively immune to buying woes thanks to stock market highs and generational wealth transfers.



This three-bedroom luxe condo at Fifth Ave is priced at \$11,995,000 and would be subject to the tax if it isn't the buyer's primary home. TIM WALTMAN, EVAN JOSEPH PHOTOGRAPHY/THE KATZEN TEAM

"Record equity markets, strong Wall Street bonuses, generational wealth transfers, and major liquidity events from recent IPOs have put capital directly in the hands of the buyer pool competing for these assets," Compass broker **Christine Miller Martin** says in the report.

And there are only so many trophy homes to go around. Inventory at the very top of the market remains constrained, with fierce competition for one-of-a-kind properties.

"At this level, buyers are seeking something rare—they're buying provenance and irreplaceability, not just square footage," says Martin. "Most aren't asking what a property will be worth next year; they're investing for the long term. New York continues to be the world's capital, and Manhattan real estate continues to be seen as a stable store of value amid geopolitical volatility—tangible, durable, and multi-generational."

But what of all the rich people who were supposed to flee the city with the election of progressive socialist Mamdani, who has made good on some of his promises for a more affordable city: A rent freeze on one- and two-year leases for rent-stabilized units and the wealth tax on second homes?



The iconic view from 641 Fifth Ave shows a city that refuses to sleep even as a pied-à-terre tax kicks in. TIM WALTMAN, EVAN JOSEPH PHOTOGRAPHY/THE KATZEN TEAM

"The negative predictions of a year ago have not come to fruition," Compass agent **Tony Sargent** says in the report. "The ultra-wealthy continued confidence in New York as evidenced by their continued purchasing above \$4 million to \$20 million-plus, is going to lead the market."

The Real Deal's luxury market report backs up the notion that there are two markets—one essentially flat and one soaring.

While the median sales prices of all co-ops and condos in the city of \$1.25 million—which has set a record with year-over-year gains extended into a sixth-straight quarter—is up a mere 4.2%, it's a different story at the top end.

One- to three-bedroom family townhomes, with a median sticker price of \$6,100,000, saw a 28.4% increase in values. Meanwhile, inventory is down a whopping -39.9%, squeezing upward pressure on prices. Days on market plummeted from 191 to 132.

And new developments with a median sales price of \$3,436,397 have soared 28.4% in price since last year.

While closings are down -6.3% year over year, this appears to be a lack-of-inventory problem, not a desirability problem.

So what happened to all the wealthy people who were supposed to head for lower-taxed pastures like Florida and Texas?

"It's not that they don't care," StreetMatrix director of marketing **Jonathan Miller**, who crunched the numbers for the Real Deal report, tells Realtor.com® of the pied-à-terre tax. "It's just not enough to significantly impact the decision to buy or not buy."



Sales of luxury condos—such as this \$12 million three-bedroom, 2.5 bath—at 641 Fifth Ave remain strong. TIM WALTMAN, EVAN JOSEPH PHOTOGRAPHY/THE KATZEN TEAM

The implementation of the tax will happen in phases over two years, and at the very highest tier for properties over \$25 million, it amounts to a tax rate of just 1.3%—apparently not enough to send the ultrarich scurrying for tax havens.

"It's underwhelming in terms of what will be collected," says Miller, pegging the amount at \$500 million, not much help when there was a \$5 billion budget gap.

"That's always been a super dumb narrative," he says of the idea that the wealthy would abandon the Big Apple. "Every time there's a major event like 9/11, we don't have a massive exodus. And, in fact, the city continues to grow. Why is that? Because of what it offers. The wealthy don't move strictly based on taxes."

"The luxury market operates under a different set of rules than the broader housing market," Douglas Elliman agent **Frances Katzen**, who specializes in the NYC luxury market, tells Realtor.com.

She points to the elite neighborhoods of the Upper East Side and Upper West Side, and select downtown neighborhoods like Tribeca and the West Village as areas where the affluent prefer to put down roots.

"They're buying because they want access to New York's culture, education, business opportunities, and long-term value proposition," she says.

"Real estate is a lifestyle purchase and a wealth-preservation strategy as much as it is a financial investment."