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## In Manhattan's Sluggish Home Market, Cash Is Greasing the Wheels

A record share of buyers are avoiding mortgages, and sellers eager to close are jumping at their all-cash offers.

By **Jennifer Epstein**  
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Jolie, a newly built tower in the Financial District. *Source: Trinity Place Holdings*

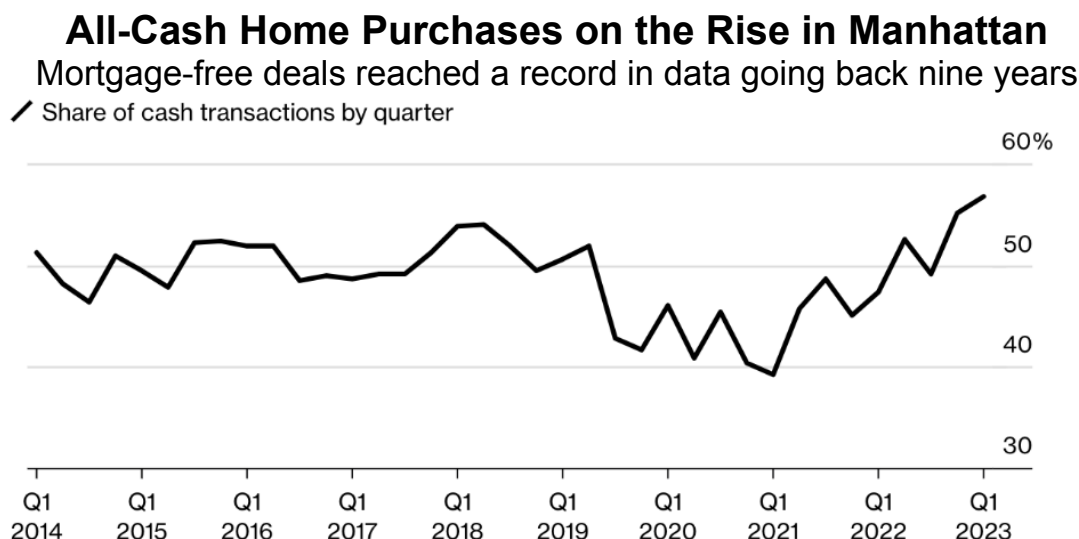
More Manhattan homebuyers are paying cash than at any point in recent history, to take advantage of deals to be had in a sagging sales market.

Nearly six in 10 purchases in the first quarter were completed without financing, from a \$700,000 Hell's Kitchen studio that a mother bought for her daughter, to a 2,900-square-foot (269-square-meter) condo in a newly converted hotel near Central Park that sold for \$10.3 million.

The transactions show it's not just ultra-wealthy investors who are dropping cash for Manhattan homes. Plenty of normal buyers are skipping mortgages as borrowing costs hover at roughly double their early 2022 levels. At the same time, sellers seeing tepid demand for their listings are seizing on opportunities to close deals quickly.

"Cash tends to always be king when a market is not feeling as fluid," said Frances Katzen, a Douglas Elliman Real Estate agent who sells in Manhattan and the Hamptons.

About 57% of first-quarter Manhattan home purchases were in cash, the biggest share since appraiser Miller Samuel Inc. and Douglas Elliman began tracking payment methods in 2014. That compares with 39% in early 2021, when mortgage rates were near record lows.



Source: Miller Samuel Inc. and Douglas Elliman Real Estate

Unburdened by interest costs, cash buyers are better positioned to squeeze value out of the slumping Manhattan market, where the median closing price in the first quarter was 9.7% lower than a year earlier and purchases declined 38%, according to the firms.

Cash may also give buyers an edge in bidding wars, and more leverage at the negotiating table, especially with sellers eager to act fast: Closings won't be delayed by a bank or stalled if a lender's appraisal falls short of the contract price.

One downside to a cash purchase is that the money gets tied up in the home, and Manhattan apartments have, on average, barely appreciated over the past decade.

When equities markets are strong and interest rates are low, buyers may choose to deploy their cash where it can earn bigger returns. But at times like these, when stocks are shaky and the economy is unpredictable, "the stability of a real estate asset and the utility of a home seem like a better allocation of those funds," said Ari Harkov, a Manhattan-based agent at Brown Harris Stevens.

Overall in the US, mortgage applications for purchases have declined from early 2022 as borrowing costs rose and sidelined many homebuyers. As rates ticked higher during the week ended April 14, a seasonally adjusted index of mortgage applications for purchases dropped 10% from a week earlier, according to the Mortgage Bankers Association.

Jeremy Kamm, an agent at Coldwell Banker Warburg, worked with a pair of lower Manhattan buyers who made that assessment after they'd already signed the contract for a \$2.995 million apartment. They had initially planned to put down roughly half of the purchase price and finance the rest, but as they considered the interest they'd be paying to borrow, they decided to liquidate some investments to be able to pay all cash at their closing last week.

“It just made more sense to them,” Kamm said.

While cash buyers come from all walks of life — parents buying for their kids, to finance and tech executives, to downsizing retirees — they’re most common in the upper tiers of the market. In the \$3 million to \$5 million range, almost 80% of first-quarter purchases were made in cash, according to Miller Samuel and Douglas Elliman. The share was 76% for transactions above \$5 million. For homes priced under \$500,000, half were cash deals.



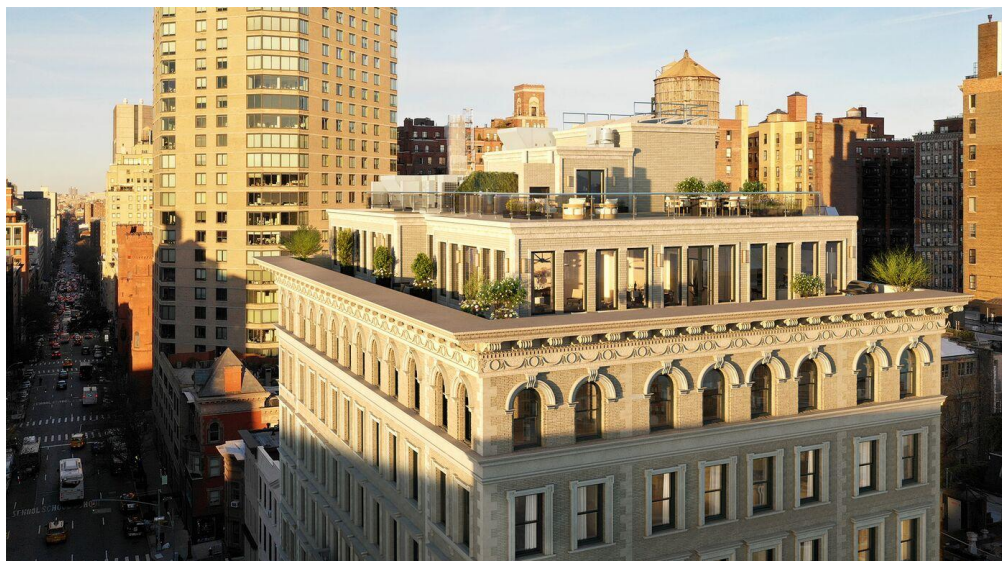
Jolie, a newly built tower in the Financial District. *Source: Trinity Place Holdings*

Some buyers who pay cash are fresh from selling another property. Nancy Molesworth, the owner of a party-planning business, was able to schedule two closings for the same day, using most of the cash proceeds from the sale of her Upper West Side apartment to pay for her condo at Jolie, a newly built tower in the Financial District. In talks for her 29th floor unit, “the cash helped a little bit,” said Molesworth, 57. “It definitely helped me close quicker.”

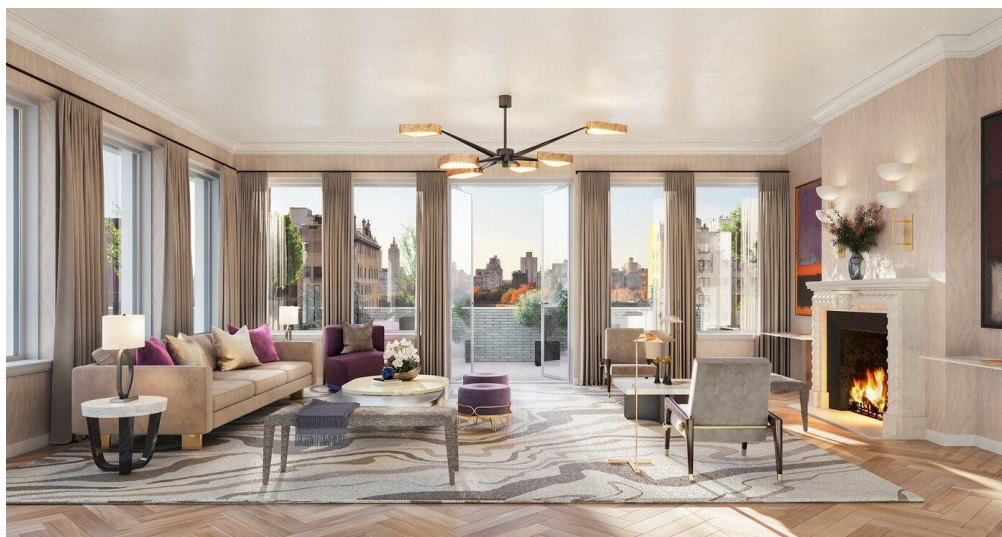
She also negotiated for a wall to be knocked down in the living room, and paid just over the \$3.45 million list price.

The Wales, a conversion of a prewar hotel into condos on the Upper East Side, has had cash buyers.

“The buyer is clearly stressed by the world at large — inflation, interest rates — which hurts portfolio net worth,” said Matthew Adell, whose Adellco developed the 21-unit building. “But at the same time, they’re clearly liquid enough or can become liquid to close all cash.”



Renderings for the Wales, a conversion of a prewar hotel into condos on the Upper East Side. Source: *VMI Studios*



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In a resale, whether cash will win out depends on the seller’s priorities. Some are “happy to take the cash because it’s easier to close, it’s quicker,” said Katzen, the Elliman agent. But if a mortgage buyer makes an offer without a financing contingency, there are “many owners who are willing to take a finance deal if they get a higher price,” she said.

Buyers in non-competitive situations may expect an that all-cash offer will get them a price cut, but it rarely works out to more than 1% or 2%, according to Harkov of Brown Harris Stevens.

“People tend to think, ‘I’m going to get this big discount because I’m going to come in with my checkbook.’ The answer is usually they get very little discount if any at all,” he said. “Is the \$3 million apartment going to sell for \$2.8 million because you have cash? No, that’s not going to happen. Could it sell for \$2.95 million because you have cash? Yeah, maybe I could see that.”

*(Updates with information on mortgage purchase applications in 10th paragraph. A previous version corrected details on Jolie condo work in 14th paragraph and cash buyers in 15th paragraph.)*

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