

Study finds tepid home prices may reflect waning interest in New York City

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Is living in the New York metropolitan area losing its appeal? It's entirely possible, say researchers at Florida Atlantic and Florida International universities who have studied more than 40 years of repeat

home sales transactions.

New York City's average [home](#) price has slipped over the past quarter at an annualized rate of -1.2 percent while the [metro](#) area's values over the past year are growing at a sluggish rate of 2.5 percent, according to economist Ken H. Johnson, Ph.D., and Denise Gravatt, D.B.A., both of FAU's College of Business, and Eli Beracha, Ph.D., of FIU.

Homes in the New York metro area have appreciated in value at just below 6 percent for the past 44 years, the researchers noted. For purposes of the study, they used the Office of Management and Budget boundaries for New York City – the nation's largest metro area.

Record-low mortgage rates and a shortage of available homes for sale or rent are driving prices well above their long-term trends in Miami, Dallas, Houston and many other areas across the country despite the COVID-19 pandemic. But in New York City's metro area, the average property price is only 1 percent above its long-term trend.

Johnson said he is concerned that home values there remain so tepid.

"This might be the beginning of a fundamental shift, with weather, taxes, COVID-19, history of terrorist attacks and current civil unrest conspiring to make metro New York City a less desirable place to live," he said. "Essentially, we could be seeing a structural break in the demand for homeownership in the nation's largest metro area. It could be that this is the straw that has finally broken the back of the metro New York housing market."

The researchers noted that the Federal Reserve eventually will end its open market operations, signaling a rise in mortgage rates.

"As it stands that could be a major drag on New York home prices over

the long term, making it very hard for the area to recover," Gravatt said.

Still, the New York City metro area remains the U.S. center of business and culture, and it would take a lot for the metro area to lose that distinction, according to Beracha.

"This could be just a temporary downturn, and New York City will rebound like it has so many times before," he said. "But this flattening of [prices](#), given the performance of other housing markets around the country, is a major surprise and definitely bears watching."

More information: New York Metro Housing Market: Not Sharing in Real Estate Pricing Surge: business.fau.edu/departments/f...ng-pricing-surge.php

Provided by Florida Atlantic University

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