

Real Estate

# Home Prices Are Falling in One of America's Richest Suburbs

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August 1, 2018, 6:00 AM EDT

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- ▶ Cap on property tax deductions has put damper on buyers
  - ▶ Sellers in affluent areas are slashing prices multiple times
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Six-bedroom home on Wayside Lane in Scarsdale *Photographer: Frank Ambrosino/Digital Homes Photography*

This has become a summer of discontent for those trying to sell their homes in New York City's leafy suburbs -- in no small part because of the Trump administration.

In affluent enclaves in Westchester County, New Jersey and Connecticut, a federal cap on state and local property tax deductions has begun to bite hard. Longtime homeowners who dreamed of offloading their empty nests are finding their plans complicated by the tax bill, as would-be buyers hold back, expecting sellers to cut their prices.

The issue is especially acute in areas of Westchester, the county with the nation's highest-property taxes, where annual bills of \$35,000, \$50,000 and more are not uncommon.

In Scarsdale, median prices dropped 5 percent in the first half of the year, while Mamaroneck had a 13 percent decline. Purchases in the whole county plunged <https://www.bloomberg.com/news/articles/2018-07-12/tax-math-sends-westchester-home-sales-sliding-most-since-2011> 18 percent in the second quarter. The most vulnerable are houses in the \$1.5 million to \$3 million range, reflecting the new tax realities, agents say.

It's a far cry from the days of bidding wars, and only likely to get worse next year. That's when homeowners will file their taxes for 2018 and feel, for the first time, the impact of the \$10,000 limit on deductions for property and state and local taxes.

"We all think next year is going to be a tough year for real estate sales," said Matthew Roach, a property attorney in Yorktown Heights, New York.

## **\$50,000 Taxes**

He has a client, who works for a Wall Street firm, who recently sold his southern Westchester home. He lived in the house for 25 years and raised his children there. But when the tax bill was enacted he'd had enough, Roach said. The client pays more than \$50,000 in property taxes.

He plans to move to Brooklyn and never own a house again. His client said it makes more sense to rent an apartment for \$10,000 a month rather than be on the hook for a hefty tax burden, not to mention the house upkeep.

"The individuals who are following this -- they get it, and they're making their moves to get away from it," Roach said.

In Westchester, the number of residences on the market on June 30 jumped almost 5 percent from a year earlier, to 3,147, according to Houlihan Lawrence. For homes priced at \$2 million to \$2.49 million, inventory jumped 26 percent.

## **Price Reductions**



Some buyers are saying, “Look, I’m not going to spend more than \$35,000 in taxes,” said Angela Retelny, a broker at Compass. “Houses are just being dismissed, even though they’re superior homes, and they have to be reduced -- because their taxes are just way too high for the price range.”

The state of the market is such that you’re seeing “dramatic price reductions every single day -- every hour, pretty much,” she said.



Westview Lane Source: Angela Retelny

The owners of a 5,100-square-foot home <https://www.compass.com/listing/8-westview-lane-scarsdale-ny-10583/8690330bf923cf92e39d0321391debf6ec8f2a5/> on Westview Lane, a quiet street in Scarsdale, listed in February for \$2.7 million. In April, they cut the price to \$2.5 million, followed by another \$200,000 reduction in June. Finally, they’ve received some offers, Retelny said.

Westchester is a particularly brutal market for people who bought about a decade ago, when prices were peaking amid bidding wars. Prices have yet to surpass those highs despite increases in recent years, according to appraiser Miller Samuel Inc. These days, buyers fear overpaying and insist on good value, said Nancy Elsas, a broker with Houlihan Lawrence in Larchmont.

## **Below Purchase Price**

In January, she listed a six-bedroom home [https://www.zillow.com/homes/for\\_sale/33093214\\_zpid/41.050489,-73.722639,40.938545,-73.877821\\_rect/12\\_zm/1\\_fr/](https://www.zillow.com/homes/for_sale/33093214_zpid/41.050489,-73.722639,40.938545,-73.877821_rect/12_zm/1_fr/)

on Wayside Lane in Scarsdale that was bought by its current owners in 2007 for \$2.29 million. The asking price for the 4,600-square-foot home: \$2.37 million.

But with few lookers -- taxes are about \$35,000 -- the empty-nesters reduced the price four times to \$1.75 million. It's well below their purchase price but the house is now in contract and will probably close this week, Elsas said.

"We say, 'Yes, we know you paid this, but this is a new market and these are the statistics,'" Elsas said. "If they bought in the last crazy market of 2007, then all bets are off."

In a bid to relieve property owners in places like Scarsdale, the state of New York this year enacted a measure designed to help skirt the new federal tax laws, and authorized municipalities to do the same.

Residents can make donations to newly established charitable funds in exchange for tax credits equal to a percentage of the donations. They can then deduct the gifts on their federal income taxes.

## **Questionable Plan**

But the Internal Revenue Service has already said it's reviewing the work-around, and accounting professionals aren't optimistic that it'll pass muster. Many towns, like Larchmont, <http://villageoflarchmont.org/wp-content/uploads/2018/06/Memo-from-Mayor-regarding-NYS-charitable-contributions-6-20-2018.pdf> decided against establishing a fund because of the legal and tax questions surrounding it.

Scarsdale has gone ahead anyway and begun to accept donations. Of the \$40 million in property taxes it expects to collect this year, it's received just about \$105,000 in the form of charitable contributions as of last week.

"Our board felt that if it's legal and the state said so, we should make this option available for our residents," said Stephen Pappalardo, Scarsdale's village manager.

Some agents, who tend to see glasses as half-filled, say the current environment is a good break from when frenzied buyers placed ever-higher bids on houses that were snatched up in a day or two.

## **'Healthy Reticence'**

"We are in a time of what I'm calling a healthy reticence in the marketplace," said Owen Berkowitz, of Douglas Elliman Real Estate in Scarsdale. "So many people prior to this moment have been involved in bidding wars -- and I don't think anything that has the word 'war' in it is healthy."







Hartsdale home *Source: Douglas Elliman Real Estate*

And there are always sellers happy to cut their price because they just want to move on. Lisa Levart is selling her childhood home <http://owenberkowitz.elliman.com/westchester/566-secor-road-hartsdale-cbcalmj> in Hartsdale after the deaths of her parents, who owned it for more than 60 years. Over that time, Greta and Herb Levart expanded it in keeping with their creative aesthetic: a second floor with high vaulted ceilings, a patio that looks out to a lush garden, a koi pond.

But there were few lookers when the 2,300-square-foot house was listed by Berkowitz on May 30. So lifetime memories notwithstanding, Levart quickly cut the asking price to \$589,000 from \$649,000.

“It’s part of the healing process of letting my parents go,” said Levart, 61, a photographer. “We just don’t want it on the market for a very long time.”

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