This is the manhattan minimum spanning tree problem, which can be solved in  $O(n \log n)$  time using segment tree.

An alternative  $O(n \log n)$  solution by computing the O(n) edges in the Delaunay graph (which is guaranteed to contain the MST) and run MST: [1].

## References

[1] Der-Tsai Lee. Two-dimensional voronoi diagrams in the lp-metric. Journal of the ACM (JACM), 27(4):604-618, 1980.