Prime price recovery

Luxury rents still rising

Super-prime sector resilient

Douglas Elliman | Knight Frank
RESIDENTIAL

knightfrank.com/research

New York Market Insight

Q4 2022

MOMENTUM IN MANHATTAN

New York's safe haven attributes come to the fore as global uncertainty ramps up

Prime price growth strengthens

Prime prices increased 5.2% in the year to September 2022, up from -0.4% a year earlier. The Q3 data marks a slight slowdown compared to Q2, when annual growth peaked at 7.1%, the highest rate for eight years.

This growth stems from the start of a new property market cycle, with real estate in New York providing a safe haven in uncertain economic conditions.

The strength of the US dollar, driven by the Federal Reserve's aggressive monetary tightening, has amplified global interest. Investors are keen to have a foothold in one of the world's most transparent and liquid of property markets. Investors whose currencies are dollar-pegged, such as Middle Eastern and Asian-based buyers, remain notably active.

Nonetheless, with inflation nudging 9% and mortgage rates doubling to around 7% in the US, we expect the rate of price growth to slow in 2023. However, prime price growth is likely to plateau rather than decline, propped up by New York's strong labour market and its global appeal. For several Asian markets, travel restrictions have only recently been relaxed post-Covid-19, allowing potential buyers to return.

Luxury sales resilient

Following a resurgent 2021, New York's residential market has seen steady activity in 2022. The first half of 2022 saw 8,390 luxury sales complete in Manhattan, on a par with 2021.

New York's super-prime sector (US$10m+) has seen similar resilience. After a record-breaking year in 2021, momentum has continued with 146 sales agreed above US$10m in the first half of 2022. Of the ten super-prime markets tracked by Knight Frank, this represents the highest total.

Investors are active, spurred on by strong rental demand and a return to the city by office workers. According to the Metropolitan Transportation Authority, New York's subway ridership reached 70% of pre-pandemic levels in September 2022, compared to just 37% in San Francisco.

Inventory levels slowly rising

Inventory levels are starting to tick upwards with supply edging above the 10-year average for Manhattan.

KEY FINDINGS

Prime prices increased by 5.2% in the year to September 2022

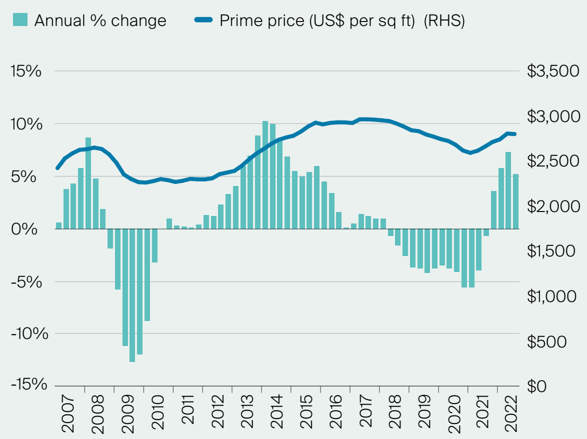
Investors are active, motivated by strong rental demand

Out of 10 global cities, New York registered the highest number of super-prime sales (US$10m+) in the first half of 2022

The strength of the dollar has amplified, not weakened demand, as overseas buyers look to increase their exposure to the dollar's resurgence

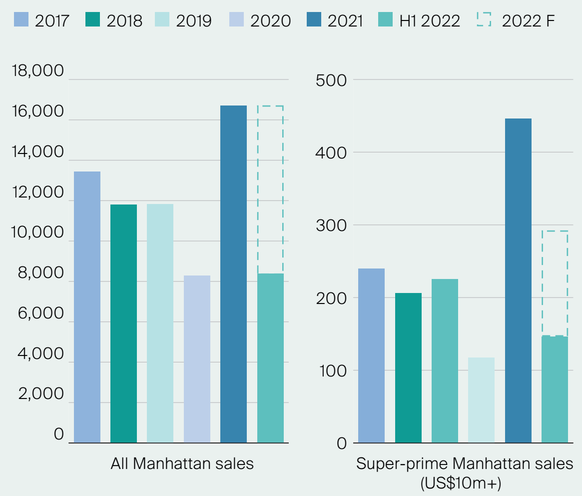
KATE EVERETT-ALLEN,
HEAD OF GLOBAL
RESIDENTIAL RESEARCH

1 | New market cycle emerges as New York prices strengthen



Source: Knight Frank Research, Macrobond, StreetEasy

2 | Prime and super-prime sales resilient in 2022



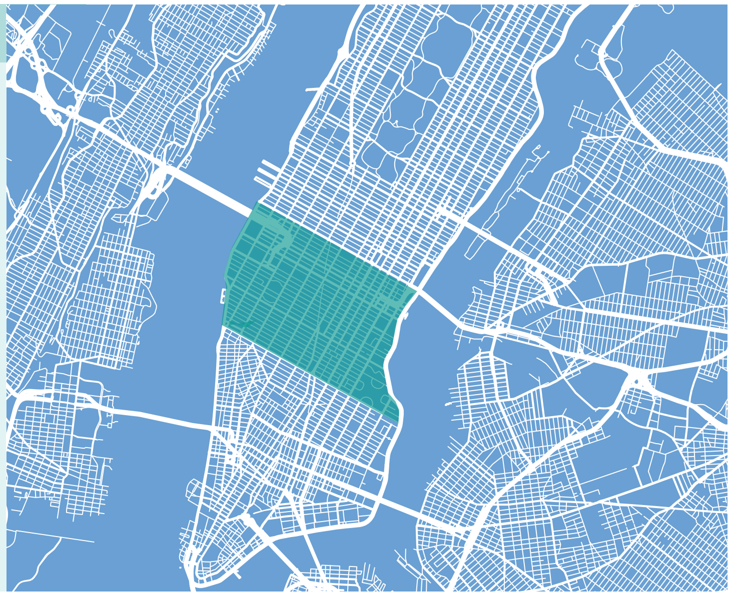
Source: Knight Frank Research, Macrobond, StreetEasy, Douglas Elliman

ONE TO WATCH: MIDTOWN

With the highest concentration of iconic buildings and businesses, Midtown is arguably one of Manhattan's most popular neighbourhoods. Extending from Hell's Kitchen in the West to Tudor City in the East, Midtown is home to world-class architecture, restaurants and museums, incorporating landmarks like Grand Central Station, Times Square, the Rockefeller Center and the Chrysler Building.

Central Park is on the doorstep providing 2.5 miles of green space as well as world-class sporting and concert venues.

Housing stock in the area is comprised mainly of prime and super-prime units, in either co-ops or condos, often with enviable views of Manhattan's skyline and in some cases Central Park. A two-bed apartment in a branded residence in the area starts at US$5.5 million, while a larger four-bedroom property starts at US$18.5 million.



New York's prime rental market has witnessed a surge in new leases, accelerating rents and depleted stock following the pandemic-induced slump back in 2020.

Prime rents hit an all-time high in September 2022, rising by 39% year-on-year and average rents broke the US$5,000 per month threshold for the first time in June 2022, and now sit at US$5,287.

The demand/supply imbalance widened significantly in the last 12 months, but stock constraints are likely to ease as some sellers opt to become temporary landlords in the coming months and avoid taking on a new mortgage at a higher rate.

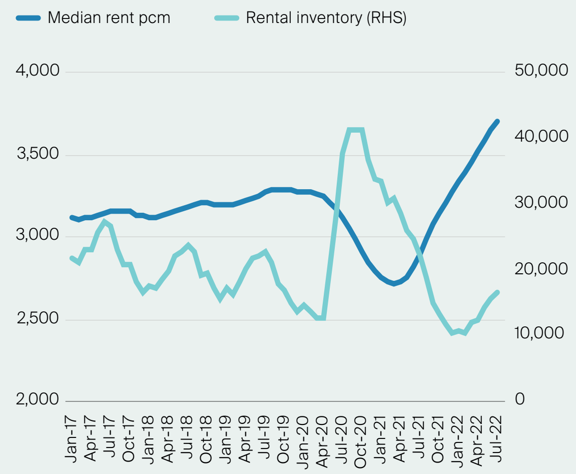
Demand is likely to remain robust. The latest data shows a jump in two-year leases as renters look to lock in for longer and put their purchase aspirations on hold.

Investors are active. Many are looking to combine an asset that provides a reliable rental income, with wealth preservation and greater exposure to the US dollar. Gross residential yields for a two-bedroom property in a central location such as Midtown currently sit at around 3%.

For global buyers, New York's low purchase costs add to the city's appeal. There are no additional stamp duty costs for non-resident buyers or foreign buyer restrictions, as evident in New Zealand, and soon to be introduced in Canada.

Average rents in Manhattan broke the US$5,000 per month threshold for the first time in June 2022

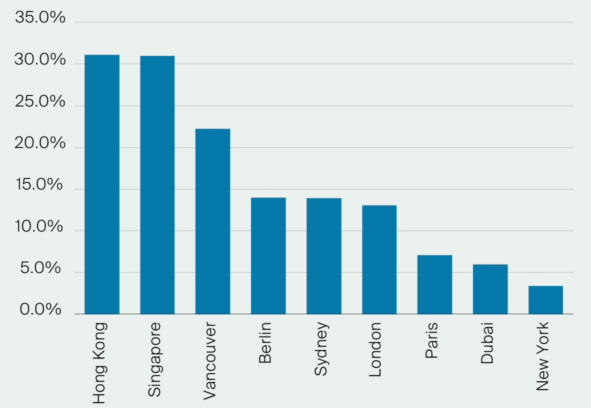
3 | Manhattan sees rents accelerate as stock dwindles



Source: Knight Frank Research, Macrobond, StreetEasy, Miller Samuel/Douglas Elliman

4 | New York purchase costs are competitive on a global stage

Based on a non-resident buyer purchasing a US$2m re-sale property for use as a second home*



Source: Knight Frank Research. *Not owned through a company structure and being used for less than nine months. Sydney: Non-residents can only purchase new-build properties, data above reflects purchase costs for a new-build property for comparison purposes only

THE APPEAL OF BRANDED RESIDENCES

New-build homes come with numerous advantages and a new class of branded residences are taking things to the next level.

From improved energy efficiency to the latest technology, the ability to be involved with the design process to the absence of any disruptive property chain, such properties offer an easier buying process.

For high-net-worth individuals, new homes offer state-of-the-art security and have the added advantage of incorporating lifestyle services in one venue, from gyms to office facilities and members' lounges.

Data from Knight Frank's Global Buyer Survey reveals that more than one in three buyers (39%) would be willing to pay a premium for a branded residence, rising to 45% and 43% in Australasia and Asia respectively.

Top amongst the key motives for purchasing a branded residence is the service provision and amenities such a development affords. Second comes the development's high-yielding potential and in third place, the building's management and maintenance proved an appealing prospect.

WHY BUY NEW?

- Ability to influence design and layout
- More energy efficient, smaller carbon footprint
- Latest technology and specification
- Simple buying process – no chain of sellers
- Connectivity and social spaces
- State-of-the-art security
- All lifestyle services under one roof e.g. gyms, business facilities & members' lounges
- Flexible deposit structures and payment plans

Source: Knight Frank Research

Please get in touch with us

If you are looking to buy, sell or would just like some property advice, we would love to hear from you.

Head of US Team

Stacey Watson
+44 20 7861 1062
stacey.watson@knightfrank.com

The Knight Frank New York Private Office at Douglas Elliman

Hugh Dixon
+1 (917) 451-1999
hugh.dixon@knightfrank.com

Resales

Jason Mansfield
+44 20 7861 1199
jason.mansfield@knightfrank.com

Research

Kate Everett-Allen
+44 20 7167 2497
kate.everett-allen@knightfrank.com

New home sales

Georgina Atkinson
+44 20 3640 7043
georgina.atkinson@knightfrank.com

Press

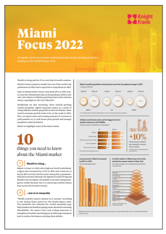
Emma Stanley-Evans
+44 20 3967 7172
emma.stanley-evans@knightfrank.com

Recent Research

The Wealth Report 2022

Ski Property Report 2023

Los Angeles Focus Report 2022



Miami Focus Report 2022

Knight Frank Research Reports are available at knightfrank.com/research

Douglas Elliman | Knight Frank
RESIDENTIAL