

New York Market Insight



Q2 2023

An assessment of current conditions in New York's luxury residential market including a round-up of the latest data and trends.

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Firm fundamentals

- Against a backdrop of economic uncertainty and volatility in several asset classes, New York's steady price growth, rising rents and low purchase costs are attracting investors looking for an inflation hedge in a global and transparent market.

Manhattan's luxury market is on a firm footing. While the S&P 500 fell 19% in 2022, and estimates suggest crypto plummeted 50%, luxury homes in New York registered 2.7% average growth, despite the Federal Reserve embarking on its fastest pace of rate hikes since the 1980s.

According to Miller Samuel, the average price of a luxury Manhattan home stood at US\$1,948,603 at the end of 2021, a 2.7% increase equates to an average uplift of US\$52,612 in 2022.

Knight Frank forecasts 2% growth in 2023, higher than the city's 10-year average performance of 1.1%. Although interest rate rises, the Silicon Valley Bank's collapse and recessionary fears will temper buyer sentiment, the unsettled financial and economic environment may favour prime property in tier one cities.

Safe haven inbound capital flight is evident in New York, not surprising, given more UHNWIs reside there than

in any other global city. Data from *The Wealth Report 2023* confirms 37% of wealthy individuals in the US are prioritising capital preservation, higher than the global average of 26%.

Sales rates remain robust. Over 14,500 properties changed hands in Manhattan in 2022, 23% above 2019 pre-pandemic levels, and the city posted 244 sales above US\$10 million, more than any other global city in 2022.

With cash buyers accounting for 80% of new home purchases in Manhattan, the market is better insulated from rate hikes. Despite the wider economic uncertainty, there is a degree of optimism amongst US wealthy individuals. Some 21% saw their wealth increase in 2022, but 64% expect their wealth to increase in 2023, according to Knight Frank's Attitudes Survey.

Although the 30-year mortgage rate has fallen from a peak of 7.32 in November 2022 to 7.08 in March 2023,

2.7%

The average increase in prime residential prices across Manhattan in 2022

49%

The rise in prime rents since their pandemic low in Q1 2021

64%

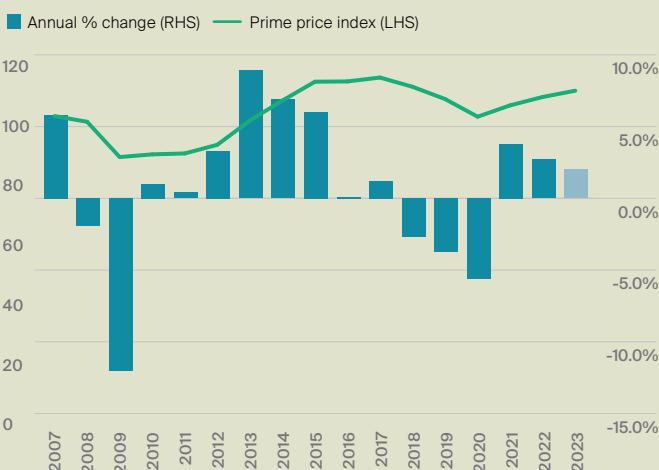
The proportion of wealthy individuals in the US that expect their wealth to increase in 2023



Kate Everett-Allen,
Head of Global Residential Research

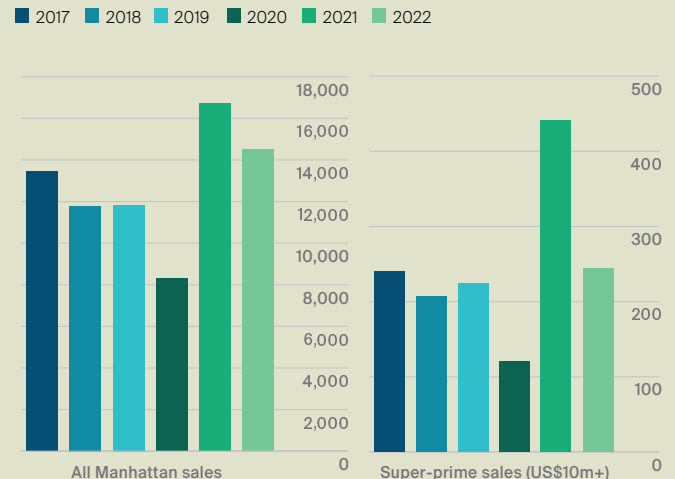
it remains high compared to historic levels. For those that are leveraged, existing homeowners are opting to stay put rather than incur a significant jump in mortgage costs, leading to reduced inventory levels. Data from StreetEasy reveals there were 7,804 homes listed

Fig 1: Prime prices in New York are forecast to rise 2% in 2023 Annual % change



Source: Knight Frank Research, Macrobond

Fig 2: Prime and super-prime sales resilient after 2021 post-pandemic surge



Source: Knight Frank Research, Douglas Elliman

One to watch: Park Avenue

Running parallel to the west of Madison Avenue and east of Lexington Avenue, Park Avenue is the upmarket backbone of Midtown East and home to some of Manhattan's most iconic landmarks including The Waldorf Astoria, the Pan-Am Building and Grand Central Station. The recent opening of the new East Side Access Tunnel will reduce the journey time to Long Island from Grand Central by around 40 minutes.

Located in starchitect-designed buildings, the neighbourhood is home to financial institutions such as Goldman Sachs and Citi Bank attracting global C-suite tenants and homeowners to the market.

The Park Avenue corridor around Grand Central Station has seen US\$32 billion of investment in recent years spread over 10.7 million square feet of private commercial and residential developments.

Contemporary-designed condos dominate Park Avenue with iconic skyline views. A two-bedroom residence in The Towers of the Waldorf Astoria for example starts at US\$5.6 million, while a larger four-bedroom residence starts at US\$18.5 million.



for sale in Manhattan in January 2023, down 13% from a recent high of 9,016 in May 2022. A proportion of this demand is shifting to the new homes sector instead.

Inflation and the path of interest rates remain the big unknowns and the latest mood music suggests rates will remain elevated into 2024.

RENTS CONTINUE TO CLIMB SPARKING INVESTORS' ATTENTION

The rental market bounced back strongly following the pandemic.

Luxury rents are up 49% since their pandemic low in Q1 2021, and increased 19% in 2022 alone.

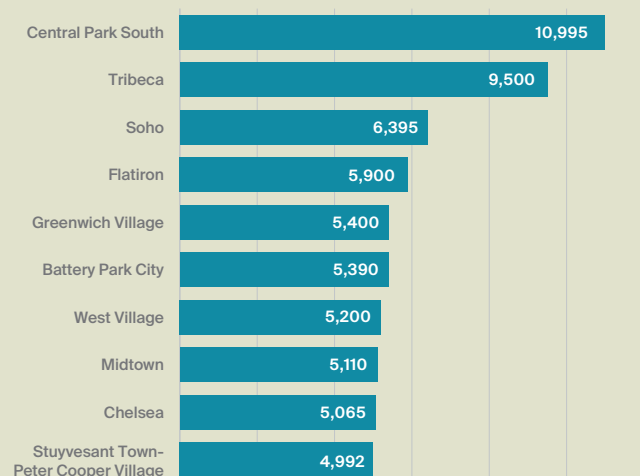
A lack of stock persists leaving tenants opting for longer leases. The number of properties available for rent in Manhattan has shrunk from a high of 41,516 in October 2020 to 14,148 in January 2023.

Tenants are looking to lock in for longer whilst mortgage costs remain elevated and rental stock constrained. Two-year leases as

a proportion of all Manhattan leases have jumped from around 16% in February 2021 to 42% in January 2023, according to data from Miller Samuel.

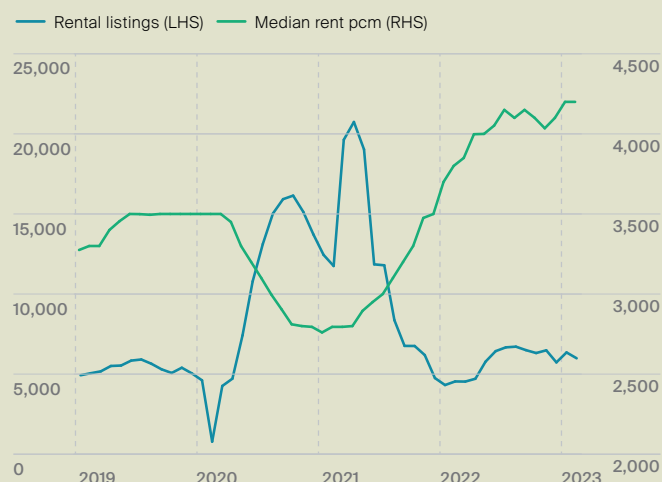
At US\$10,995, Central Park South has the most expensive median rents. The fashionable neighbourhoods of Tribeca and Soho sit in second and third place with median asking rents of US\$9,500 and US\$6,395 per month respectively.

Fig 3: New York's ten neighbourhoods with the highest median rents Jan 2023 USD pcm



Source: Macrobond, StreetEasy

Fig 4: Manhattan's rents rise as inventory shrinks



Source: Miller Samuel/Douglas Elliman

NEW YORK'S ACADEMIC PROWESS

Education is the motivation behind 8% of all prime property purchases globally, according to Knight Frank's HNW Pulse Survey. This figure rises to 12% amongst ultra-high-net-worth individuals in the Chinese mainland and 10% amongst their European counterparts.

Home to over 200 colleges, including two Ivy League Universities, Colombia and Cornell, New York is an academic heavyweight. The city accounts for 12% of all international students studying in the US. In 2022, this equated to 113,600 international students, up 6.3% on the previous year.

Over 40% of the international students in New York State originate from the Chinese mainland, a figure that falls to 31% nationally. Indian, South Korean, Canadian and Taiwanese students complete the top five rankings for New York State.

With 50 of the Fortune 500 companies located in New York, the city appeals to students seeking internships and good graduate employment prospects.

"Education remains a primary driver for property purchases in Manhattan. With borders reopening and international students returning we have seen enquiry numbers strengthen."

GEORGINA ATKINSON



113,600

The number of international students in New York in 2021/22



2

The number of Ivy League Universities in New York, Colombia and Cornell

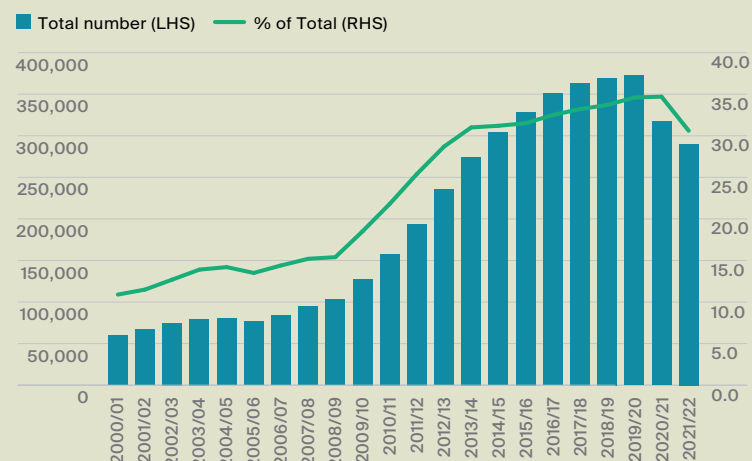


40%

Chinese students as a proportion of the total number of international students studying in New York State in 2021/22

Source: Knight Frank Research, OpenDoors

Fig 5: Chinese students studying in the US



Source: OpenDoors

We like questions, if you've got one about our research, or would like some property advice, we would love to hear from you.

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New home sales

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