

New York Market Insight



Q2 2024

An assessment of current conditions in New York's luxury residential market.

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Gaining ground

► All eyes are on the Federal Reserve as rate cuts approach

By the end of 2023, several trends that held the residential real estate market back for much of the year— inflation, high mortgage rates and low inventory—had begun to ease.

In December, US borrowers were given a reprieve as the 30-year fixed rate mortgage fell below 7% for the first time since August 2023.

However, the publication of robust economic indicators in the first quarter of 2024 may push the talk of rate cuts into the second half of 2024, despite the Federal Reserve signalling in January that it expected to cut rates on at least three occasions this year.

GDP in the US is projected to grow by 1.47% in 2024 according to the IMF, unemployment remains low at 3.7% and equities are climbing ever higher, with the S&P500 up 4% in the first two months of 2024 after rising 24% in 2023.

Prices displayed more resilience than sales volumes. Luxury prices dipped 2% in 2023 with prime sales declining 28% in 2023 on an annual basis, according to data from our residential partners in the US, Miller Samuel and Douglas Elliman.

Of all Manhattan buyers, 68% paid cash for their home in the fourth quarter of 2023, up from 55% a year earlier, as wealthy investors looked to the city as a safe haven, combining opportunities for diversification and wealth preservation.

As borrowing costs ease in 2024, we can expect an increase in mortgaged transactions and inventory levels to tick up as more sellers are motivated to sell.

RENTS

Although still a landlord's rather than a tenant's market, the rate of rental growth in Manhattan is easing. Knight Frank's latest Prime Global Rental Index revealed a 0.3% fall in luxury Manhattan rents in 2023, although they still sit 45% above their pandemic low in January 2021.

Affordability is a key factor with wages failing to keep pace with rents. Plus, with limited choice tenants are signing up to longer leases, reducing the frequency of rent reviews and opportunities for hikes.

Stock levels are now improving, in part due to the implementation of a ban on short-term lets that came into effect

KEY FINDINGS

-2%

The average increase in prime residential prices across Manhattan in 2023

45%

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

36%

US ultra-high-net-worth individuals as a percentage of the global total in 2023



Kate Everett-Allen, Head of International & Country Research

in September 2023, leading some landlords to relist their holiday let as a long-term tenancy.

Expert View



Jonathan Miller, the President and CEO of Miller Samuel Inc. and compiler of Douglas Elliman's keenly followed market reports since 1993 gives us his perspective on the outlook for the market

What effect will lower interest rates have on New York's luxury residential market?

After the Fed pivot in December, which conveyed that they will be cutting rates by 75 basis points sometime in 2024, there was an uptick in new signed contracts of residential sales by more than 14% year-on-year.

How will the market perform in the run up to the US presidential election in November?

In our research going back to 1990, a federal election year sees no impact to price trends, but it does

slow sales more than usual from the July 4th holiday through to the November election, but quickly overcompensates over the following several months. There is no apparent impact from the party or candidate that wins.

How much do you expect rents to decline in 2024?

I reckon between 5% and 7%.

If you had to pick one New York neighbourhood that will outperform in the next 1-2 years, which one will it be and why?

Lenox Hill: Located in the northern end of the Upper East Side, known for large family-sized apartments and some of the best private schools in the city, the neighbourhood saw some of the largest price gains and has the potential for more growth in 2024.

Has the strong dollar led to weaker overseas' demand for New York's luxury homes?

The strong dollar has essentially removed investors' "currency play" for the past five years.

What impact do you think AI will have on the luxury residential sector?

On the margin, it will enable a very small segment of the market to acquire more super luxury properties, similar to the trends we saw during the crypto bubble.

If you had to choose one risk and one opportunity for New York real estate, what would they be?

The commercial office market remains a significant risk due to the 'work-from-home' phenomenon but that is unlikely to have a significant adverse impact on the overall economy. New development product, given the lack of inventory, has more potential upside than it had over the past decade.

What one tip would you give an overseas purchaser considering acquiring a foothold in the New York market?

Look at the market from a long-term perspective. New York has a rich and powerful history of resilience during times of economic uncertainty.

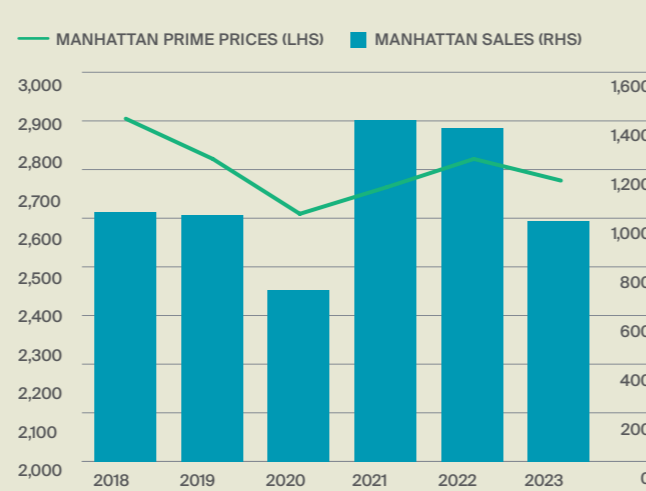
To sign up to Jonathan's weekly newsletter head to [Miller Samuel.com/housingnotes](https://miller-samuel.com/housingnotes)

Fig 1: Mortgage rates peaked in October 2023
30-year fixed interest rate



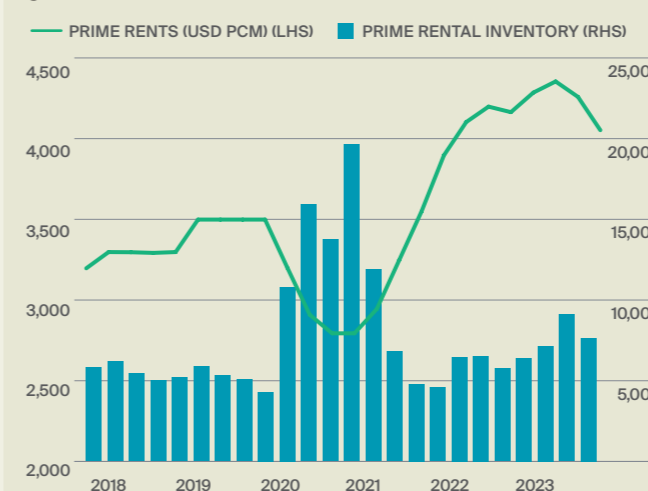
Source: Freddie Mac

Fig 2: Luxury sales dip but prices resilient in 2023
Top 10%, sales volumes vs \$ per sqft



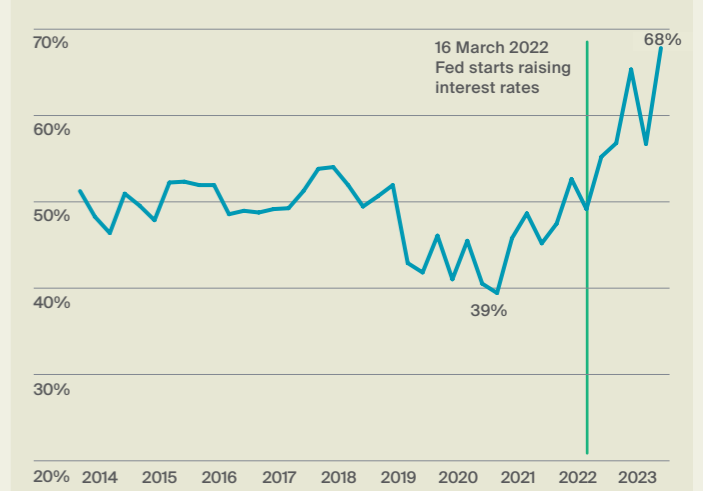
Source: Miller Samuel/Douglas Elliman, StreetEasy

Fig 3: Listings recover from pandemic lows and rental growth eases



Source: Miller Samuel/Douglas Elliman

Fig 4: Manhattan cash sales tick upwards
Cash sales as a % of total sales



Source: Miller Samuel/Douglas Elliman

The Wealth Report in numbers

A round-up of the key US statistics from *The Wealth Report 2024*



26%

The forecast rise in UHNWIs in the US between 2023 and 2028



34 sq m

The amount of prime residential space US\$1 million buys in New York

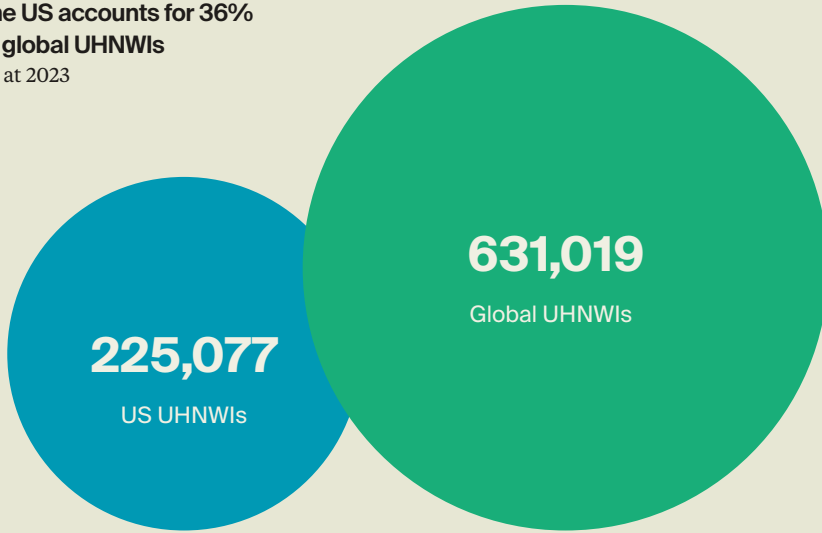


2.0%

The forecast rise in New York's prime residential prices in 2024

The US accounts for 36% of global UHNWIs

As at 2023



UHNWIs = someone with net assets of US\$30 million or more

32

The number of newly-minted UHNWIs forecast to be created each day over the next five years in the US

69%

The percentage of wealth advisors in the US who expect their clients' wealth to increase in 2024

For more insight head online to www.knightfrank.com/wealthreport

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

Recent Research



The Wealth Report 2024

Residential Sales



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