

*Sales surge*

*City exodus reverses*

*Rental recovery gathers pace*



# New York Market Insight

Q1 2022

[knightfrank.com/research](https://knightfrank.com/research)



# NEW YORK MARKET INSIGHT

*New York's property market reached new heights in 2021 as relaxed Covid-19 restrictions led to rising confidence levels*

Apartment sales in Manhattan reached 3,559 in the three months to the end of December 2021, the highest of any final quarter in 30 years, according to Miller Samuel/Douglas Elliman, Knight Frank's residential partner in the US.

Brooklyn's performance was equally strong in the fourth quarter, with the median sales price rising 7.5% year-over-year to US\$941,000, setting a record for the fifth straight quarter and hitting 17.6% above the same period in 2019, prior to the pandemic.

Robust levels of economic growth in the US along with record low interest rates helped fuel this recovery. The IMF estimates the US economy grew by around 6% in 2021, the strongest rate since 1984 and a significant reversal from the 3.4% contraction in 2020.

The US stock market's strong performance meant record Wall Street bonuses led to a surge at the top end of the property market, with the city registering at least eight sales above US\$50 million in 2021.

With sales on the increase inventory levels are slowly adjusting. There were 25% fewer homes on the market at the end of 2021 than a year earlier, although still higher than pre-pandemic averages.

### Where next?

We expect the pandemic-induced uptick in demand to endure in 2022, with prime prices forecast to increase 5% in Manhattan despite the headwinds of rising inflation and interest rates.

The US Federal Reserve is expected to raise interest rates four times this year, meaning mortgage rates will rise from their historic lows.

The relaxation of travel rules will assist overseas buyers, some of whom have been waiting on the sidelines since early 2020. A number are looking to maximize their exposure to US real estate as they seek to diversify their assets and manage their risk profile. Non-US dollar denominated buyers are looking to expedite plans before the dollar strengthens on the back of higher interest rates.

## KEY FINDINGS

In 2021, Manhattan registered the strongest increase in luxury prices since 2015

The final quarter of 2021 saw apartment sales in Manhattan at their highest level for 30 years

Prime prices in Manhattan are forecast to rise by 5% in 2022

◆◆  
**With luxury price growth gaining traction, the city's economy strengthening and international demand resuming we expect strong sales activity in 2022**  
◆◆



KATE EVERETT-ALLEN,  
HEAD OF INTERNATIONAL  
RESIDENTIAL RESEARCH

## ONE TO WATCH: CHELSEA

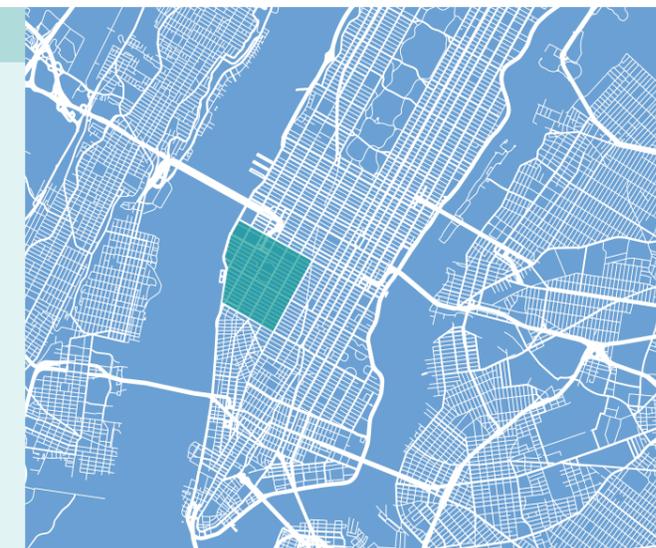
Vibrant Chelsea is a lively neighbourhood that grows ever-popular thanks to the modernisation of the piers on its western edge.

Google is planning to open a 320,000 square foot office at Pier 57, just a few streets away from the Hudson Square building it bought in one of the largest-ever office deals at US\$2.1 billion.

Besides modern offices, the piers provide a host of activities for residents, from the multi-sport complex and Sky Rink, through to the green spaces of Chelsea Waterside Park and Hudson River Park.

Its connectivity is a key draw for new residents, offering easy access by train, subway, road, ferry and even helicopter.

A slew of modern properties have emerged in the area, with Maverick on 215 West 28th Street, and Förena, on Sixth and 14th, being just two of the notable developments in the area.



## Reverse exodus

New York's appeal as a property safe haven endures. The exodus from the city was well documented in 2020 but evidence suggests a reversal is underway.

From March 2020 to June 2021, 254,500 households left the city, but since July 2021, net migration has improved according to the New York authorities with a net gain of over 6,000 new arrivals, with areas such as Chelsea and Midtown seeing some of the largest increases.

The city's travel and tourism sector is also seeing a recovery. Data from the MTA shows subway rides up 81% in the year to

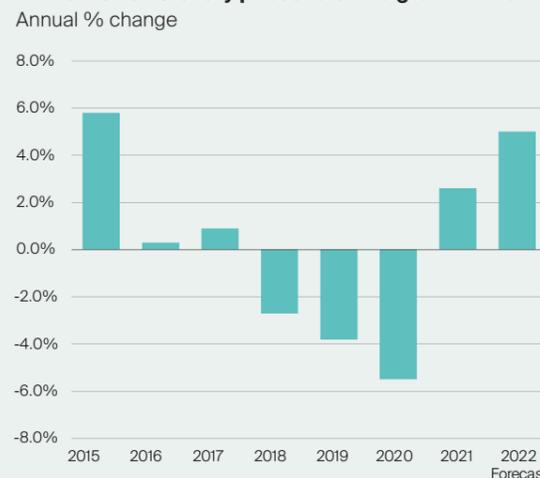
December 2021 and flights to JFK Airport up 113% over the same periods (Fig 3).

This renewed sense of confidence is influencing the luxury market, with 1,877 contracts signed at US\$4 million and above in Manhattan in 2021, totalling more than US\$15.9 billion – a record performance for the city since 2006 (Fig 4).

Much of the surge in 2021 was driven by domestic buyers. However, as international travel recovers, the fact that New York's purchase costs for non-residents are comparatively low will provide further impetus for overseas buyers.

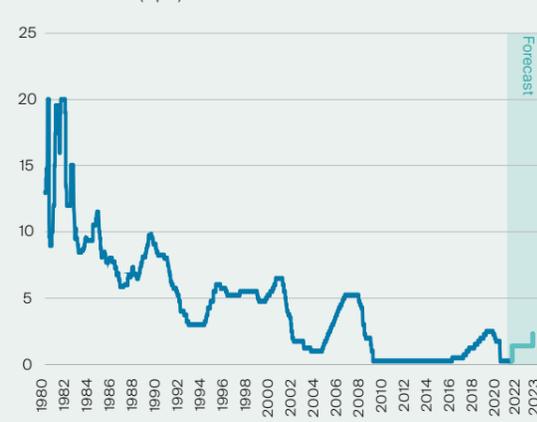
◆◆  
**New York's purchase costs for non-residents are comparatively low boosting its appeal for overseas buyers**  
◆◆

### 1 | Manhattan's luxury prices return to growth in 2021



Source: Knight Frank Research, Douglas Elliman

### 2 | US interest rates will remain low by historic standards despite four rate rises mooted in 2022



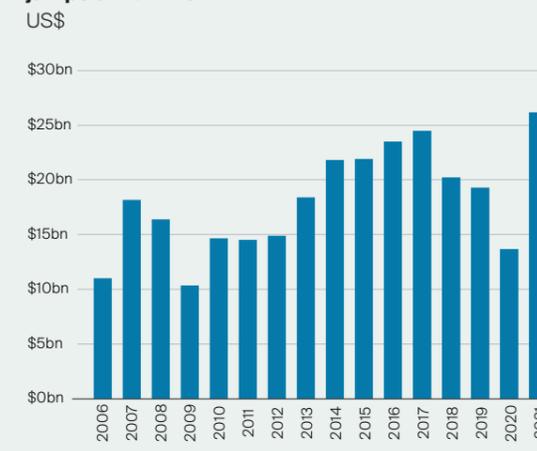
Source: Macrobond, Capital Economics

### 3 | Travel and tourism is recovering



Source: Capita Economics, MTA, JFK Airport

### 4 | Total residential sales value in Manhattan jumps 92% in 2021



Source: Miller Samuel / Douglas Elliman

# RENTAL RECOVERY GATHERS PACE

New York’s rental market 2021 was a year of two halves with a sharp jump in new leases from the summer onwards as the appeal of city living came back into focus.

Heightened demand meant inventory levels fell significantly. According to StreetEasy, available homes for rent in Manhattan fell from 41,000 in September 2020 to 10,087 by the end of 2021.

The median asking rent per month has now surged past its pre-pandemic high of US\$3,378 to US\$3,632 in December 2021.

In 2022, we expect demand to continue to outpace supply but rental growth will start to moderate as the pool of rental stock expands.

Larger apartments with roof terraces or near parks will generate a premium as a growing cohort of hybrid workers prioritise outdoor space.



## 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



### Sales

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



### Sales

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



### New York Private Office

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



### Research

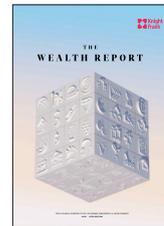
**Kate Everett-Allen**  
+44 20 7167 2497  
kate.everett-allen@knightfrank.com



### Press

**Astrid Recaldin**  
+44 20 7861 1182  
astrid.recaldin@knightfrank.com

## Recent Publications



The Wealth Report 2021



Ski Property Report 2022



Miami Focus 2021



Los Angeles Focus 2021

**Knight Frank Research Reports are available at [knightfrank.com/research](https://knightfrank.com/research)**



© Knight Frank LLP 2022. This document has been provided for general information only and must not be relied upon in any way. Although high standards have been used in the preparation of the information, analysis, views and projections presented in this document, Knight Frank LLP does not owe a duty of care to any person in respect of the contents of this document, and does not accept any responsibility or liability whatsoever for any loss or damage resultant from any use of, reliance on or reference to the contents of this document. The content of this document does not necessarily represent the views of Knight Frank LLP in relation to any particular properties or projects. This document must not be amended in any way, whether to change its content, to remove this notice or any Knight Frank LLP insignia, or otherwise. Reproduction of this document in whole or in part is not permitted without the prior written approval of Knight Frank LLP to the form and content within which it appears.