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NEW YORK SUPER-PRIME REVIEW

2017

Welcome to the New York Super-Prime Review 2017.

This report looks in detail at New York’s super-prime, or trophy, residential market and sits alongside our latest study on London’s upper market segment.

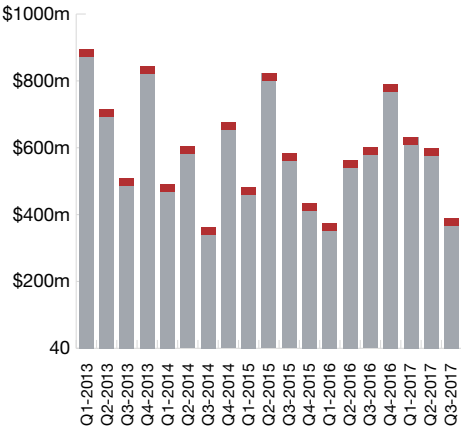
Both the New York and London markets are experiencing interesting market conditions. Following a period of strong price growth in the years up until 2015, the top end of the world’s most desirable property markets have experienced more sober conditions in the last two years. Buyers are becoming more discerning, even in this rarefied market.

Andrew Wachtfogel, Douglas Elliman’s Senior Vice-President of Research and Analytics, and Jonathan Miller, CEO of Miller Samuel, provide their views on how the top 1% of the market looks set to evolve.

The key themes to watch over the next 12 months include: -

- The impact of international demand on the super-prime markets globally – and especially in New York
- Growing competition from developers to position product, specification and services to justify super-prime price tags
- The impact of currency shifts. The dollar has nudged downwards in the last few months, further declines will strengthen global interest in New York real estate.

FIGURE 1
Manhattan New Development Signed Contracts over \$10m
Q1-2013 to Q3-2017



Source: Douglas Elliman

Manhattan’s Super-Prime Developments

220 Central Park South

Developer	Vornado Realty Trust
Architect	Robert A.M. Stern Architects
Sales Start Date	2015
No. of Units	90
PPSF Range	\$5,117-\$12,054
Average PPSF	\$8,989 ^{1,3}

Central Park Tower

Developer	Extell
Architect	Adrian Smith + Gordon Gill
Sales Start Date	2017
No. of Units	178
PPSF Range	\$2,653-\$11,362
Average PPSF	\$7,024 ^{1,4}

520 Park Avenue

Developer	Zeckendorf Development / Park Sixty / Global Holdings
Architect	Robert A.M. Stern Architects
Sales Start Date	2014
No. of Units	34
PPSF Range	\$3,500-\$10,489
Average PPSF	\$6,804 ^{1,5}

432 Park Avenue

Developer	CIM Group / Macklowe Properties
Architect	Rafael Vinoly Architects
Sales Start Date	2012
No. of Units	105
PPSF Range	\$3,197-\$10,619
Average PPSF	\$6,426 ²

111 West 57th Street

Developer	JDS Development Group / Property Markets Group
Architect	SHoP
Sales Start Date	2015
No. of Units	60
PPSF Range	\$2,500-\$9,000
Average PPSF	\$5,753 ¹



70 Vestry

Developer	Related Companies
Architect	Robert A.M. Stern Architects
Sales Start Date	2016
No. of Units	46
PPSF Range	\$3,068-\$8,325
Average PPSF	\$4,813 ¹

53W53

Developer	Hines / Pontiac Land Group / Goldman Sachs
Architect	Jean Nouvel
Sales Start Date	2015
No. of Units	159
PPSF Range	\$2,172-\$10,857
Average PPSF	\$4,759 ¹

215 Chrystie

Developer	Ian Schrager / Witkoff
Architect	Herzog & de Meuron
Sales Start Date	2014
No. of Units	11
PPSF Range	\$2,976-\$5,465
Average PPSF	\$4,104 ²

Baccarat Hotel & Residences

Developer	Starwood Capital Group / Tribeca Associates
Architect	Skidmore, Owings & Merrill
Sales Start Date	2013
No. of Units	59
PPSF Range	\$2,826-\$5,765
Average PPSF	\$3,886 ²

Madison Square Park Tower

Developer	The Continuum Company
Architect	Kohn Pedersen Fox Associates
Sales Start Date	2014
No. of Units	81
PPSF Range	\$2,300-\$6,830
Average PPSF	\$3,849 ²

1. Average PPSF based on asking prices for all sponsor units priced in latest Offering Plan Schedule A.
2. Average PPSF is a blend of actual sponsor sale prices for closed units, and sponsor asking prices for in-contract and unsold units based on latest Offering Plan Schedule A.
3. Does not include price for one penthouse which was excluded from latest Schedule A.
4. Does not include pricing for three penthouses which were excluded from latest Schedule A.
5. Does not include pricing for two penthouses which were excluded from latest Schedule A.

Expert view

We asked Andrew Wachtfogel, Douglas Elliman’s Senior Vice-President of Research and Analytics, for his view of the top end of the new development market, including what is selling and where.

How are sales volumes holding up?
Total transactions and volume for the Manhattan super-prime market (above \$10M) surged at the end of 2016; this followed a slowing of demand during the presidential election campaign. Total transactions and volumes have slowed during 2017, though average pricing in the super-prime market has remained steady.

Which neighborhoods have seen the strongest activity in 2017?
Downtown Manhattan (south of 34th Street) has attracted significant buyer attention in 2017, with seven apartments priced from \$28m to \$65m entering contract this year. This includes Hudson River-fronting new developments: 160 Leroy and 70 Vestry, which have each sold both penthouses in 2017. Four sales here had a combined asking price of nearly \$200m.

Where are the up-and-coming Super Prime neighborhoods?
The next wave of super-prime new developments set to launch through 2020 will be located in classic luxury neighborhoods, but will also continue the trend of expansion across Manhattan. Several new developments are planned along the Central Park South/57th Street corridor, Central Park-fronting Fifth Avenue on the Upper East Side, and Downtown near the Hudson River in West Chelsea’s gallery district. These new developments will provide super-prime buyers with a choice of locations and lifestyles across Manhattan.

What trends are you seeing?
Super-prime buyers continue to be attracted to branded residences within five-star hotel properties, along with iconic views of Central Park or the river. In terms of features, off-street vehicular building access via private driveways and porte-cocheres are in demand as well as robust amenity packages including swimming pools within a suite of health and wellness features, and private outdoor space with views.

Luxury real estate as the world's new currency

Jonathan Miller explains how Manhattan's Super-Prime market has evolved and where it is headed

Since the beginning of the global credit crunch in 2008, luxury real estate has morphed into a new world currency that provides investors with both a tangible asset and a cachet that cannot be found within the financial markets. It is as if these emboldened investors zoomed out of their local Google Earth view to discover the wider global perspective on luxury real estate.

How did we get here?

The US dollar weakened in the years following the collapse of Lehman Brothers in the onset of the global credit crisis. The S&P downgrade of US debt in August 2011 from its benchmark AAA rating brought a flood of investors into US financial securities. That meant that our currency allowed us to buy less abroad, and the strength of other

currencies provided international buyers with large discounts when purchasing property in US dollars. However, it went further than that.

The rise of luxury real estate as a safe haven

The volatility of global financial markets and the resulting political fallout shook investor confidence, which in turn spurred a rise in foreign buyers seeking a safe haven to protect their assets. A wave of international buyers from Europe, South America, and Asia entered the US housing market, helping set record prices and revive luxury markets including New York, The Hamptons, and Miami. Even as the dollar strengthened in recent years this did not appear to weaken demand from international buyers.

The rise of the 'trophy property'

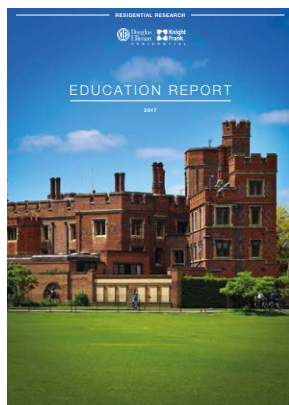
The trophy property has become a new market category that does not follow the rules and dynamics of the overall marketplace. One stratospheric price record is being set after another, and it is not only the list prices that are defining these record sales; the rarity of location, expanse of the views, quality of amenities, and the sheer size of these unique homes have all played an important part in attracting the interest of foreign buyers.

Where do we go from here?

Driven by the global credit crunch and political instability, two factors that are likely to remain unchanged for the next several years, the US luxury housing market is expected to remain a "safe haven" for foreign investors for quite some time.



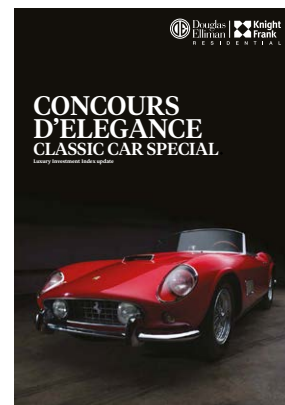
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