



New York

City Overview and Residential Buyer Guide

2019 Edition

New York Market Overview





New York Market Overview

New York City, one of the most famous cities in the world, is renowned for a plethora of reasons. With the world's largest urban economy, equating to almost double London's GDP at US\$1.7 trillion in 2017, the city is integral to the global marketplace. This is reaffirmed by New York's position as the world's largest financial hub, with the New York Stock Exchange (NYSE) and Nasdaq accounting for 40% of the total global market capitalisation.

New York's international financial prominence, combined with its location, makes it a city where professionals aspire to be. This is reinforced by the fact that New York has been named as the world's second largest tech hub, with over 7,000 start-ups.

With access to three large airports, Newark, John F. Kennedy and LaGuardia, the city is incredibly well connected. Its ubiquitous subway system acts as an inexpensive and convenient

method to navigate around the city when its infamous yellow taxis are unable to provide assistance. However, the most popular way of traversing New York City's five boroughs – the Bronx, Brooklyn, Manhattan, Queens and Staten Island – is by foot. A word to the wise: non-locals would do well to walk fast and with a purpose if they want to fit in!

Home to over 8.5 million residents and visited by 62.8 million tourists in 2017 alone, the city is a hub of activity. New York offers its visitors an unrivalled arts scene – home to the Museum of Modern Art (MoMA), The Whitney and the Metropolitan Museum of Art, as well as the global musical theatre epicentre, Broadway. Night life in New York is also prolific, hence it being dubbed the original 'city that never sleeps'.

From the luxurious penthouse apartments on the 57th Street Corridor; otherwise known as 'billionaires' row', to brownstones in Gramercy and lofts in TriBeCa,

the city has a lot to offer. New York's versatility means that it caters to a high density of ultra-high net worth individuals, as well as being home to hipsters in the East Village and creatives in NoLIta.

Considering the multitude of opportunities the city offers, its formidable status is understandable. With a number of top-tier universities, such as Columbia and New York University (NYU), the educational opportunities are vast. This, combined with the internationally renowned shopping facilities spanning the illustrious Fifth Avenue and its top restaurants, make it unsurprising that New York led Knight Frank's City Wealth Index 2018, which is based on measures of wealth, investment, lifestyle and future.

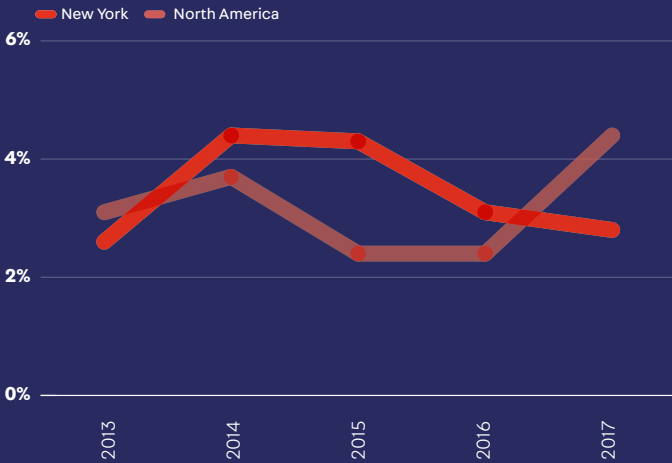
Key Facts

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Below, Knight Frank highlight some of the key economic trends in New York over the past five years, including GDP growth and number of households.

GDP Growth

Nominal GDP growth for New York and North America, annual percentage change



Source: Knight Frank Research, Macrobond, Oxford Economics, IMF

New York's economy has seen steady growth, with an average annual growth of **3.4%** over the past five years. This is slightly above the average of **3.2%** across all North America over the same period.

Unemployment Rate

The unemployment rate for the United States, September 2018

3.7%

Unemployment in the United States has seen a steady decline from a high of **10%** in 2009 to the current **3.7%**. This is the lowest unemployment rate the United States has seen since the 1960s.

Source: U.S. Bureau of Labor Statistics

Demand Rising

Number of households in New York

The number of households in New York has grown by over **50,000** over the past five years.



Source: Knight Frank Research, Oxford Economics

Inflation Rate

The inflation rate for the United States, September 2018

2.3%

Inflation, which stood at **2.9%** in July 2018, decreased to **2.3%** in September 2018. Inflation has remained within the target **1-3%** since mid-2016, after almost two years near to or below **1%**.

Source: U.S. Bureau of Labor Statistics

New York in Context

This map of New York City (Manhattan) shows where the major airports and top universities are situated.



New York Residential Districts

A brief description of the residential districts in New York City (Manhattan).

1 Financial District

Banks, brokers and the ringing bell of the New York Stock Exchange used to personify this district, but after the completion of one of the city's largest regenerations, the skyline and vibe of downtown is unrecognisable. One World Trade Center is the district's crowning jewel, alongside other architectural masterpieces, such as the Santiago Calatrava-designed Oculus, and the Ground Zero memorial.

2 TriBeCa

The Triangle Below Canal (Street), where the New York loft-style apartment was born, is an industrial landscape turned gentrified neighbourhood where property prices have soared along with the list of A-listers who call TriBeCa home.

3 SoHo

South of Houston (Street). Home to many artists' lofts and art galleries, most of which are included in the SoHo-Cast Iron Historic District. This district consists of 26 blocks and approximately 500 buildings and was declared a National Historic Landmark, which protects both the impressive architecture and the surrounding side streets that are paved with Belgian cobblestone blocks.

4 West Village / Greenwich Village

The TV series *Sex and the City* was played out on the tree-lined streets of 'The Village' and helped local businesses such as the Magnolia Bakery shoot to fame. Classic New York brownstone townhouses are the property de jour in this neighbourhood, with its zip codes ranking in the top 20 of Forbes 2017 Most Expensive list.

5 Chelsea / West Chelsea

Chelsea is home to the majority of the 1.45-mile-long High Line Park, an elevated linear park that was created on a disused viaduct section of the old West Side Line railway. The area attracts millions of tourists every year, and has become the canvas for many master architects, including Bjarke Ingels, Peter Marino and Norman Foster.

6 East Village

A treasure trove for vintage bargains, hipster bars and late-night merriment, the East Village has been a firm favourite of writers and bohemians for decades. Pre-war walk-up buildings with classic metal ladder fire escapes line every street. The East Village offers a strong sense of community, simplicity and authenticity, with quality eateries on every corner.

7 Lower East Side

Known as the neighbourhood that never sleeps, this district is the creative and artistic hub of NYC. The district's fast pace is also witnessed with the quick turnover of bars, restaurants and shops, which commonly stay for only a couple of years. However, some institutions have stood the test of time, namely Katz's Deli, Russ & Daughters and the Tenement Museum.

8 Gramercy

Centrally located but less chaotic than many other neighbourhoods in the city, Gramercy has played host to many historical political figures over the years. You'll find large spacious brownstones with well-maintained stoops around every corner. Despite the very residential vibe, there are plenty of great happy-hour options for after-work drinks.

9 Upper East Side

This is a tale of two neighbourhoods, where Lexington Avenue runs north to south and divides the neighbourhood in half. West of Lexington you'll find ultra-luxury apartment buildings and palatial townhouses built from old oil and steel money. Meanwhile the eastern half of the neighbourhood, despite its aristocratic reputation, is luring the under-40s, largely driven by the Second Avenue subway expansion.

10 Upper West Side

Known for its great schools, generous real estate and greenery, there is something for everyone on the Upper West Side. Starting at Columbus Circle in the south and following the Park as far north as it stretches, you'll find the American Museum of Natural History, Lincoln Center and top-notch restaurants. Not known for its party scene, it's a place to enjoy a quieter pace of life.

11 Hell's Kitchen / Clinton / Midtown West

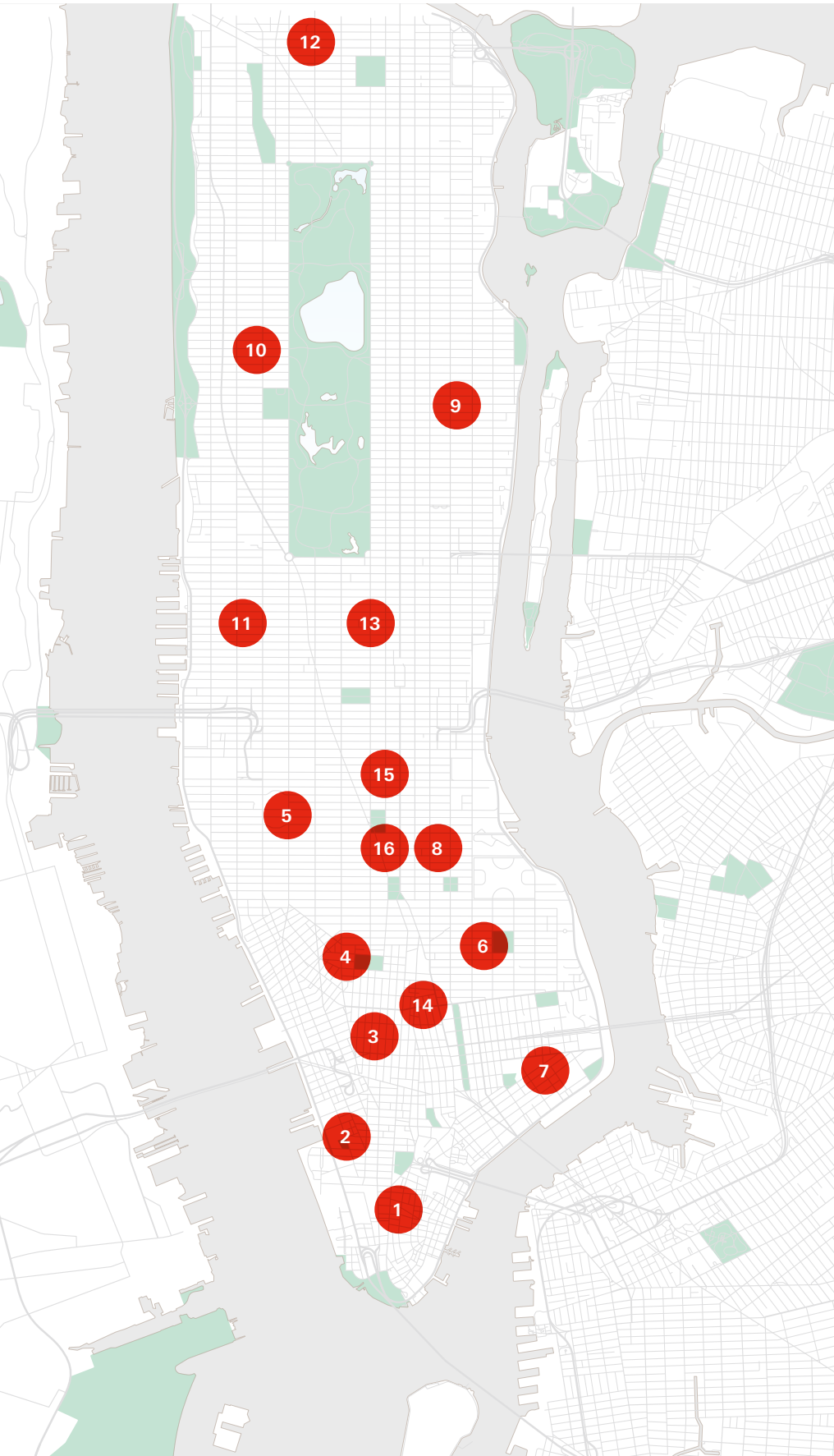
As one of the most up-and-coming neighbourhoods, here we find affordability in the heart of the city. Eponymous with the tougher environment it was once known for, the district is a far cry from its past. Large brownstones and spacious walk-ups offer better value than they would further up or downtown.

12 Harlem

Harlem is bursting with history – great literature and American Jazz were created in these streets, many of which are now named after civil rights leaders. It's now a destination for families and young professionals alike, offering better value for money on the property ladder and great options for both public and private schooling.

13 Midtown

The true heart of Manhattan and home to some of the city's most iconic landmarks and skyscrapers: The Empire State Building, Rockefeller Center, Chrysler Building and United Nations Headquarters. A cosmopolitan destination for commerce and shopping, interspersed with beautiful tree-lined residential streets with some of the most coveted real estate in the city. The best the city has to offer and all walkable.



14 NoLIta

North of Little Italy. This neighbourhood is at the crossroads of four culturally charged destinations: SoHo, NoHo, the Lower East Side and Little Italy, but stands strong on its own as a melting pot for all things art and architecture, with a generous helping of history.

15 NoMad

North of Madison Square (Park). This conveniently located neighbourhood is seeing a surge of new-build residential towers, complementing the already established restaurant and luxury hotel scene that it's become known for. A good spot for busy professionals who need to commute easily up or downtown.

16 Flatiron

Flatiron is centrally located, with fantastic transport connections both up and down the city. It is bustling during the day, but turn off a side street and you'll find a little bit of city peace. Dining here is versatile, from food trucks to the Union Square Market. It's not traditionally a residential neighbourhood, but recently there's been an increase in new luxury condo buildings – with very low vacancy rates, so it is not cheap!

How to Buy*

An outline of the legal processes involved when buying property in New York.

1. A property lawyer advises the buyer on the various, sometimes complex, ownership structures in the city, ensuring the correct one is chosen, based on their client's objectives.

2. The buyer's agent makes a verbal offer directly to the seller or the seller's agent. The offer includes all relevant terms, including, but not limited to price, payment method and any additional requests, such as parking spaces and storage.

For new-builds, the process then continues as follows:

i. The buyer's agent will announce when an offer has been accepted and will outline the final terms. Once an offer is accepted, the purchase agreement is delivered to the buyer's attorney, along with the condominium offering plan.

ii. The 5-7 day due diligence period begins, where the attorney reviews both sets of documents to ensure there is no undue risk. On a case by case basis, the agent may be able to negotiate a 14-day due diligence period for foreign nationals. Most developers refrain from engaging with other offers during this period.

iii. The signed purchase agreement and initial deposit, typically 10% of the purchase price, need to be received during due diligence. If the purchaser fails to do this, the developer may rescind the accepted offer.

iv. Under state law, neither party in a real estate transaction is bound until both parties sign the contract and the initial deposit is delivered. The deposit is held in escrow by the developer's attorney.

v. Some months after the signing of the purchase agreement, an 'additional deposit', 5-15% of the purchase price, will be required. The buyer will be advised of the specific payment terms at the outset of the building process.

vi. The buyer's attorney will advise, when confirmation is received, that closings are likely to commence. Here, the attorney will coordinate the title search, arrange the purchase of title insurance and request a transfer of funds to the attorney's escrow account. The attorney will receive a formal closing notice, which is a 30-day advance notice of the scheduled closing date. The agent will then schedule a walk through.

vii. Once everything is satisfactory, the closing documents are signed and exchanged. The purchaser then receives the title, becoming the legal owner of the apartment.

For purchasing a resale unit the process then continues as follows:

a. The purchaser's lawyer carries out a title search on the property to ensure the financial checks are satisfactory and that the property's by-laws are acceptable. Financial checks are necessary to confirm that all liens on the property are satisfied and that, at the time of closing, clear title can be transferred to the buyers.

b. If approved, the contract is then signed by the purchaser and 10% of the purchase price is usually required as a deposit, which is held in escrow by the seller's lawyer until completion.

Until all parties have signed the contract and it has been delivered, the seller can entertain and accept other offers.

c. The purchaser's agent will then provide the board's requirements and application materials, which can be similar for both

condominiums and cooperatives. These materials typically include an application form, financial statement signed by a Certified Public Accountant and all necessary support documents for the financial statement.

d. After the package is complete, it is reviewed by two separate agents. Once approved and all credit checks are verified, the application package is given to the board of directors.

e. With a cooperative, if the application meets initial approval, the purchaser is invited to an interview with the board or interviewing committee. This should be treated as a business meeting. After board approval, the purchaser can begin planning for closing. For condominiums, there is generally no formal interview. The application is reviewed and if all the required materials are acceptable, approval is almost always granted.

f. The entire process can move quickly in a condominium, and assuming a loan/mortgage can be secured in a timely fashion, the whole process can move from contract to closing in as little as 60 days. The cooperative process is a little more involved and 60 to 90 days or more is not uncommon.



Property Tax in New York*

New York State Real Estate Transfer Tax and Mansion Tax

The state of New York imposes a tax rate of US\$2 for every US\$500, or fractional part of the sale price. The seller of the property is responsible for the payment of the tax, unless the liability is offset to the buyer or if the seller is exempt from the tax. The State's Mansion Tax is an additional Real Estate Transfer Tax of 1% of the sale price, where the sale price is US\$1million or above. The Mansion Tax is paid by the buyer unless the buyer is tax-exempt, in which case the seller pays the Mansion Tax.

New York City Real Property Transfer Tax

The Real Property Transfer Tax (RPTT) must be paid on sales, grants, assignments, transfers and surrenders of real property above the value of US\$25,000 in New York City (NYC). RPTT must also be paid for the sale or transfer of at least 50% of ownership in a corporation, partnership or other entity that owns or leases a property and for transfers of cooperative shares. The tax rate and amount due is dependent on the type of sale or transfer of property. The rates applicable are set out in the table below. RPTT is usually paid as a part of closing costs, for which the seller is responsible.

Property Price	Property Type	Real Property Transfer Tax Rate
≤US\$500,000	Type 1 & 2	1%
>US\$500,000	Type 1 & 2	1.425%
≤US\$500,000	All other types	1.425%
>US\$500,000	All other types	2.625%

Source: NYC Department of Finance

Type 1 transfers include a transfer of an economic interest in any one- to three-family house; an individual residential condominium unit; or an individual cooperative apartment.

Type 2 transfers include a grant, assignment or surrender of, or the transfer of, an economic interest in, a leasehold interest in, a one two or three family house or an individual dwelling unit in a home of more than three families living independently of each other.

New York City Property Tax

For properties valued over US\$250,000, there is a bi-annual property tax bill. Tax rates are determined by the class of property. Class 1 refers to all residential property of up to three units and most condominiums that are not more than three stories. Class 2 refers to all other property that is not in Class 1 and is primarily residential (rentals, cooperatives and condominiums). The relevant rates are outlined below.

Taxable Value	Property Class	Property Tax Rates for Tax Year 2017/2018
≤US\$500,000	Class 1	20.385%
≥US\$500,000	Class 2	12.719%

Source: NYC Department of Finance

Foreign Investment in Real Property Tax Act

The sale of property in the US by a foreign individual or a foreign entity is subject to the Foreign Investment in Real Property Tax Act (FIRPTA) 1980. FIRPTA ensures that if a foreign national is selling property, the individual purchasing the property or their agent has to withhold 15% of the sale price or the fair market value of the property.

Capital Gains Tax

In the US, the amount of Capital Gains Tax (CGT) owed depends on an individual's income tax bracket, how long they have owned the investment and whether the taxes are filed jointly with a spouse. For an individual, the maximum rate is 20% at the federal level if the asset is held for more than one year. In 2018, the New York State maximum personal income tax rate is 8.82% and in New York City, the maximum personal income tax rate is 3.4%.

For assets owned for a year or less, at the federal level this is seen as a short-term investment and thus will be charged at a higher income tax rate (maximum of 37%) than properties deemed a long-term investment (maximum of 20%).

Mortgage Recording Tax

When a mortgage for real property, not including cooperatives, in NYC is recorded, a tax is charged against it. This is a combined New York State (NYS) and City tax that depends on the amount of the mortgage. It is generally paid by the buyer and included in the buyer's closing costs.

Mortgage Loan Balance	Mortgage Type	Tax Rate of the initial mortgage principal
< US\$500,000	All mortgages	2.05%
≥ US\$500,000	Type 1 and 2 properties	2.175%
≥ US\$500,000	All other property types	2.8%

Source: NYC Department of Finance

New York State Estate Tax

If the estate of a New York resident combined with the sum of any includable gifts, exceeds the basic exclusion amount (BEA) applicable at the date of death, a NYS estate tax return must be filed. For deaths during 2018, the BEA is US\$5,250,000. The tax is payable on amounts over the BEA and ranges from 3.06% to 16%. A non-New York Resident's estate is subject to this tax if the estate has any real or tangible property located in New York. In the case of a trust, if the trust agreement contains all the proper terms, there is no estate tax exposure for the settlor or for any beneficiaries. Any estate worth over US\$11,180,000 is also subject to Federal Estate Tax (maximum rate is 40%); however, for a non-U.S. citizen and non-resident, the Federal Estate Tax applies to estates in excess of US\$60,000.

Source: Tarlow & Co, NYC Department of Finance, NYS Department of Taxation and Finance, US Internal Revenue Service

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