

March 20, 2022
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Many Californians Are Trading One High-Cost City for Another: New York

Bay Area residents in particular finding opportunities in Manhattan and Brooklyn rentals and luxury developments

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Impressions: 1,400,000



Courtyard rendering at One Essex Crossing, a luxury condominium in New York City's Lower East Side, where agents have noticed an increase in inquiries from California.
RENDERING: ONE ESSEX CROSSING

Not all sticker-shocked San Franciscans have headed for the hills—some are headed for New York's high rises.

California has lost a significant number of residents since the onset of the Covid-19 pandemic. Not only has in-migration declined, with the number of new Californians down in all of the state's counties between March 2020 and September 2021, but out-

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migration has also increased by 12%. The Bay Area in particular is losing residents, with the number of departures up by 21% between March 2020 and September 2021, according [to census data and recent research](#).

One factor is certainly the price of housing in the Bay Area, where as of February, the median sales price for single-family homes stood at \$1.335 million, and \$1.9 million within the city of San Francisco, according to the [California Association of Realtors](#).

While some are heading to more affordable, less dense counties in California and elsewhere, a notable number of former Bay Area and Los Angeles residents have relocated to New York's similarly high-cost boroughs of [Manhattan](#) and [Brooklyn](#).

This increase in interest is reflected in searches by Zillow users in the San Francisco metro area for properties in New York City, which rose by 171% from the fourth quarter of 2019 to the fourth quarter of 2021. Brooklyn in particular seems to hold tremendous appeal for Californians planning to move.

"Brooklyn has become more popular with Californians in the past two years," said Nancy Wu, economist with StreetEasy. "It does offer relatively more space for a better price than Manhattan or San Francisco, for people looking for city life near amenities and restaurants."

Why Californians Are Choosing the Big Apple

Many Americans felt spurred during the pandemic to move into homes that offered greater conveniences: ample square footage with room for remote work and learning, outdoor space and distance from neighbors.

These features tend to be in short supply in New York City, but that hasn't deterred buyers and renters from the West Coast.

"I've definitely noticed a substantial increase in inquiries from California, mostly from San Francisco," said Jad Cary, sales director of the Lower East Side [condominium](#) One Essex Crossing. "A lot of these buyers have lived here in the past and are nostalgic for New York, and some are exploring work opportunities here."

New rental developments, too, are seeing a surge of interest from Californians looking to move to New York.

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“It began about a year ago, at another project where one-third of our traffic was coming from California, mostly the Silicon Valley and San Francisco areas,” said Christopher Wendel, director of leasing at the Magnolia DUMBO luxury rental development in Brooklyn. “Now we have 25% of renters on average each week coming from the area, and our tours are mostly virtual.”



*This one-bedroom, one-bathroom apartment is listed for rental at \$4,980.
Magnolia DUMBO*

And unlike in previous years, when the majority of new renters in luxury developments worked in the finance world, today most are in tech.

New York is giving Silicon Valley a run for its money these days, with major tech companies opening new or expanding headquarters in the city. And last year, New York [brought in more funding for cryptocurrency startups](#) than any other region in the country.

“The tech craze is driving demand,” Mr. Wendel said. “There are a lot of tech startups in New York now, and they’re plucking top talent from the big institutions like Google, Amazon, Facebook, and Spotify.”

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Work life is also a driver of demand, in that many new residents hailing from California are working remotely or following a hybrid model. This new flexibility has encouraged buyers and renters to split their time between multiple locations. Mr. Cary noted that about half of the buyers from California are investing in pied-a-terres rather than primary residences.

“People not having to be in the office 100% of the time is making them consider where they really want to live, and they’re realizing they can live between two cities and work can still be done,” he said. “That’s where a lot of this demand is coming from.”

And for Californians who have personal or professional connections overseas, New York provides an ideal halfway point between Europe and the U.S.

These buyers and renters still want the outdoor space that can be easier to come by in California, as well as shared workspace, and are drawn to luxury developments that offer plentiful amenities.

“Now that the city’s really booming and people are coming back, buyers are looking for something that will offer light and air and a connection to outdoor space,” Mr. Cary said. “California buyers are outdoorsy people, and we’re resonating with them because we’re on a whole city block, with green space and views.”

Outlook for 2022

Both Manhattan and Brooklyn real estate markets experienced slowdowns that began in 2018, Ms. Wu said, and are now showing signs of recovery as buyers and renters return to the city.

After an initial pandemic-induced slump, markets around the country bounced back dramatically, and continue to contend with inventory shortages and price appreciation. Low mortgage rates are also contributing to the home-buying frenzy, though that incentive may be drawing to a close.

But in New York, the recovery in pricing has been a bit less dramatic, presenting opportunities for new residents.

“In most major metro areas, prices rose by an astronomical amount over the past year, but home prices have been rising by only about 2% to 5% in Manhattan and Brooklyn,”

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Ms. Wu said. "There's more room for prices to grow, and there may still be some relative deals, so it's a good investment opportunity for people moving here."

On the rental side, prices have returned to or exceed pre-pandemic levels, with [Manhattan rents up by 23.5%](#) in February year over year and Brooklyn rents up by 10.5% in the same time period. Inventory in Brooklyn, meanwhile, had dropped by 85% in February 2022, compared to February 2021.

Perhaps spurred by the competition, some California renters have been signing two-year leases, Mr. Wendel said, and plan to stay in New York for the long term.

"It's fascinating how many are coming from California," he said, but added that some of the new residents are also former New Yorkers who relocated during the pandemic and were disappointed by what they found. "We're also getting people coming back from upstate saying it's so boring up there, and they want to come back to the city."

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