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The end of free lunches?

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By Candace Taylor

In the past year, New York City renters have come to expect a bevy of incentives, like months of free rent, landlord-paid brokers' fees, and even -- in the case of boutique luxury rental 436 West 20th Street -- a butler.

Could these perks be disappearing?

In recent weeks, brokers have reported that landlords are doing away with concessions, and even increasing rents.

"As their vacancies begin to drop, landlords around Manhattan are beginning to test rent increases," noted Daniel Baum, CEO of the Real Estate Group New York, in a January market report. "Some of the major players, and even a few small outfits, have begun to remove concessions and bump up prices ... around \$100 to \$200 per unit."

Then, in late February, TREGNY revisited the subject, reporting that some of these tests were successful. "While some properties did return to their original offerings, there were equally as many that did not," Baum wrote, adding that rents inched up slightly from the previous month and were down only 2.99 percent from February 2009, according to the company's calculations.

Citi Habitats president Gary Malin told *The Real Deal* he's seeing the same phenomenon.

"A decent amount of product has been absorbed in the rental market, and we are now seeing incentives

such as free rent or owner-paid commissions disappear on some properties," Malin said.

This isn't the first time landlords have tried cutting back on concessions. A few owners gave it a shot last spring, TREGNY reported, but by June, they'd gone back to offering the same old incentives.

So why are concession-free rentals gaining some traction this time around?

First, demand seems to be increasing, said Adina Azarian, the president of rental firm Adina Equities. "Rental brokers are starting to see a pickup in the number of calls they are getting on their advertising efforts," Azarian said.

It's notoriously difficult to track rental vacancies, since most data is self-reported by landlords, but inventory appears to be declining a bit. TREGNY estimated in its report that vacancies in doorman buildings fell by 9.65 percent between January and February, and 3.02 percent across doorman and non-doorman buildings.

For its part, Citi Habitats put the citywide rental vacancy rate at 1.59 percent at the end of January, down from 1.84 percent the previous month.

As a result of these factors, "clients have recently been competing with other [applicants] on the same apartments, and bidding wars are not unheard of," Malin said. "This is especially unusual in the winter months, so it has brokers talking."

The activity, of course, is centered around the most desirable apartments.

"Renters are being slightly less overzealous about it being a 'renter's market' and are, in fact, realizing that you still have to pay top

dollar or a broker's fee for a desirable rental," Azarian said.

That realization may also be seeping through the residential market as a whole, though the sales market has to contend with an obstacle rentals don't face: the difficult mortgage market.

"What is continuing to be the most challenging part of the transaction is financing the deal," said Francisco Menendez, an associate broker at Barak Realty.

Or, as Wohlfarth & Associates president Rick Wohlfarth put it, "The banks haven't loosened up their lending practices enough, and many qualified homebuyers are still getting the shaft." Still, sales brokers, too, are seeing some bidding wars and multiple interested buyers, especially for well-priced properties.



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