

New York City's Rental Market 2006

by Steve Cutler

To give *New York Living* readers a head start during the competitive rental season, this year's annual rental issue, in addition to providing an overview of the market and a showcase for some of the most attractive new properties out there, offers tips for landing a place to rent in the challenging months ahead.

What Happened?

It seems like just yesterday landlords were giving apartments away. After 9/11, a stifled market drove owners of new developments to offer unprecedented incentives to prospective renters, including a month or two of free rent and payment of brokers' fees. For the first time in recent decades, rents actually declined. At the same time developers began building amenities and top-quality finishes into their projects to rival those in high-end condominiums.

Then, in short order, New York City picked itself up beyond all expectations, returning with a vitality, economic resurgence, and sparkling polished image as the safest and most exciting city in the country. Suddenly everyone wanted to own a piece of New York City. The buying frenzy began.

Developers began building condos on every buildable inch of New York City and converting rental buildings into condominiums. With large projects such as The Sheffield on West 57th Street, which has 845 units, being transformed into for-sale products, thousands of rental apartments have been taken off the market in the last three years.

According to Andrew Oliver, principal of Sonnenblick-Goldman, a firm that arranges financing for development, "Land costs have gone up so high that projects just don't make sense as rentals."

All-Time Low Vacancy

"Rental inventory is at an all-time low," according to Daniel Baum, principal of The Real Estate Group, a brokerage specializing in rentals. "We're at a 2-percent vacancy

rate—some speculate even lower than that. It's just too expensive to build rental property right now. Housing stock has been removed from the market and nothing's been added."

Also, the resurgent economy is attracting jobs to the city. "I've already seen an uptick in corporate relocation," says Baum, "and most people who come to New York are not planning on being here for a long time and are not in a position to own property in Manhattan."

Buying versus renting is no longer a clear-cut decision. "We're at an interesting spot in the market right now," observes David Pickett, president of the Gotham Organization, which operates several large-scale rental complexes in the city. Until recently, Gotham had been losing a lot of two-bedroom and even some one-bedroom occupants to the condo market. But that has changed of late.

"With sales prices and interest rates going up, it's a lot tougher choice," says Pickett. "Some people are in a holding pattern, unclear where the trend is going in the marketplace, thinking, 'Maybe I'll hold off buying until the next trough.'" They rent while they're waiting.

Rents Climb

As a result of the increased demand on rentals, adds Pickett, "our rents are going up. In the last six months in particular, they've gone up 10 percent. The average one-bedroom at the Atlas was \$3,000. Now it's \$3,200 to \$3,300."

According to Daren Hornig, president of Dwelling Quest, "Rents will go up 5 to 10 percent in the next few months, if not more." At present they range from \$50 to \$65 per square foot, he says, with a one-bedroom renting for between \$2,500 and \$3,500 a month and two-bedrooms for between \$4,500 and \$7,500 a month.

"Values for rental properties are at an all-time high," according to Bob Scaglione, managing director of Rose Associates. "We manage 15,000-plus rental apartments all around Manhattan, and we're seeing it in all types of portfolios, from Peter Cooper Village/Stuyvesant Town to the most expensive buildings in Chelsea."



What Do You Expect for \$20,000?

"I'm out all the time with clients looking for \$15,000-to \$20,000-a-month units," says Fredrik Eklund, vice president of Core Marketing Group, "and there's hardly anything in that price range. What you're stuck with is owners renting out their apartments." Eklund just rented an unfurnished 1,450-square-foot apartment in a condo building on 19th Street, between Ninth and Tenth Avenues, for \$15,000 per month.

The heavy season is yet to come. "New employees who are relocating to New York this summer are in for a rude awakening in terms of what the rental market is like," says Baum. "For people who come in May, June, and July, there's very little out there."

Guidelines for Successful Apartment Hunting

* Stay put if you can. "This summer," advises Scaglione, "you should renew your lease, no matter how high the units are. It's a price shock for a lot of people when they get big increases on renewals, but try to go out and duplicate that apartment somewhere else and you pay even more."

* Choose your broker carefully. Find one who's been specializing in rentals for a long while and who has aggressively acquired exclusives in buildings in the neighborhoods you are targeting. Work with someone you trust will work hard for you, of course, but also make sure he or she has an extensive database.

* Contact everyone you know to see if someone is offering a sublet.

* Act now. Secure an apartment this May or June to beat the early-July rush. If you're relocating to the city in September, play it safe by taking an apartment now, even if it means paying a few months' rent on an empty apartment.

* Expand your horizons. "You've got to go where the market takes you," says Hornig, who just found someone "a beautiful one-bedroom in Park Slope for \$2,000, with a dining room, alcove, and study, in a brownstone." While the intense pressure on the Manhattan market tends to ripple through surrounding areas, there are still deals to be had in the boroughs and in Upper Manhattan as well.

* Don't hesitate. "Have your check in your hand," advises Baum. "Give a deposit to the landlord to give him or her a reason to take an apartment off the market before somebody else comes in the door."

* Have your papers in order. Have a portfolio ready to present to the landlord containing: a letter of employment or, for new hires, a signed offer letter; recent bank statements; latest pay stubs; and last year's tax return. Some landlords will require a guarantor on leases for new employees.

* Contact the big operators. Check with companies that manage a portfolio of rental buildings, including Related Rentals, Gotham Organization, Rose Associates, Glenwood Management, and Rockrose Development.



New Rental Properties

The Octagon, Roosevelt Island

It's no wonder The Octagon, a 500-unit luxury residential development on Roosevelt Island, has been renting at twice the rate its developer Bruce Becker had originally anticipated since it opened this winter. A \$175 million renovation of a lavish 1841 island retreat, the project is as close as Manhattan gets to a suburban country-club community. Roosevelt Island, just one subway stop or tram ride to Manhattan, even has a Manhattan ZIP code.

The Octagon offers interiors designed by David Rockwell, including a dramatic seven-story atrium, plus a heated waterfront swimming pool, 2,200-square-foot fitness center, six lighted tennis courts, a 1.6-acre public ecological park, 24/7 concierge service, valet and maid service, and full-day on-site childcare for infants, toddlers, and preschoolers run by Bright Horizons, the premiere childcare provider.

Apartments have high ceilings, stainless-steel appliances, granite countertops, garbage disposals, hardwood floors, floor-to-ceiling windows, and good karma: the building is among the “greenest” in New York. “It uses 35 percent less energy than a comparable new building uses,” says Becker, “and half that of an old building. We’ll produce 50 kilowatts of power just from the photovoltaic roof—more than enough electricity to light and power all the common areas.”

Studios start at \$1,900; one-bedrooms, \$2,100; two-

bedrooms, \$2,755; three-bedrooms, \$4,115; penthouses with private rooftop terraces prices not yet set.
www.octagonnyc.com

One Carnegie Hill, 215 East 96th Street

The 42-story One Carnegie Hill is a hybrid, split across the middle, offering condominiums from the 23rd floor to the top and rental units below—475 apartments altogether. With most of the condos sold, the rentals are just now coming to market.

The apartment layouts and finishes are virtually the same in both components, and all residents share 18,000 square feet of amenities, including a fitness center, swimming pool, spa, Pilates room, massage room, aerobics room, children’s playroom, business center, pet spa, and landscaped rooftop sundeck and entertainment lounge. Interiors are designed by David Rockwell.

Studios from \$2,395; one-bedrooms, \$2,995; two-bedrooms, \$4,895; three-bedrooms, \$7,495.
www.onecarnegiehill.com

The Verdesian, 211 North End Avenue

The 26-story, 254-unit Battery Park building is a “green” project, featuring fresh-filtered humidified air and filtered water in every apartment, adjacent landscaped parks and Hudson Riverfront esplanade, fitness

One Carnegie Hill



The Verdesian



Manhattan Court



254 East Second Street



The Octagon's waterfront courtyard and swimming pool



The Mosaic



The Melar



115-119 Norfolk Street



88 Leonard



Chelsea Landmark



Avalon Chrystie Place II



center, concierge service, roof garden, on-site parking, and children's playroom.

Apartments offer beech wood floors, granite kitchens, marble and limestone baths, stainless-steel appliances, floor-to-ceiling windows, and views of the river and skyline.

Studios from \$2,170; one-bedrooms, \$2,630; two-bedrooms, \$4,900; three-bedrooms, \$6,100.

www.verdesian.com

254 East Second Street

The seven-story brick building offers 47 studios and one- and two-bedroom apartments on floors atop the first-floor Eastside Tabernacle Church. The units have floor-to-ceiling windows, bamboo floors, and stainless-steel appliances and offer expansive views north and south. Many have large terraces. Prices range from \$1,500 to \$4,700.

www.coregroupmarketing.com

100 Maiden Lane

A restored Art Deco tower in the Seaport area, the 340-unit building contains a dramatic 100-foot sky-lit atrium, 2,500-square-foot roof deck, duplex lounge with billiards, 24/7 concierge, and fitness center. The loft-style apartments have 9- to 12-foot ceilings, black granite and cherry kitchens, and stainless-steel appliances. Many have terraces and river views. Studios from \$1,900; one-bedrooms, \$2,225; studios with two offices, \$3,300 (net effective rents after rebates).

www.100maidenlane.com

Manhattan Court, 444 Manhattan Avenue between West 118th Street and West 119th Street

Located in booming South Harlem, Manhattan Court offers 123 studios and one- and two-bedroom apartments at affordable rents, mostly middle income, for those who qualify. The luxury doorman building features spacious, sun-filled apartments with cherry or beech wood floors, stainless-steel appliances, granite countertops, large windows, abundant closet space, and bathrooms with ceramic or marble finishes. Many units have balconies, terraces, or private patios. The building has a common courtyard, roof deck, and indoor parking. A companion building is under construction just a block away. Studios from \$1,460; one-bedrooms, \$1,740; two-bedrooms, \$2,400.

www.manhattancourt NYC.com

Coming Attractions

The Mosaic, Tenth Avenue between West 51st Street and West 53rd Street

Expected to be completed by the fall, the Mosaic will be an instant neighborhood, containing two 24-story towers with 627 apartments (mostly rental with some condominiums), theaters, parks, and stores. Designed by FX-FOWLE ARCHITECTS, the project is being construct-

ed according to the LEED Green Building principles.

115–119 Norfolk Street

"If I were building knowing it would be completed today," says developer Zayad Aly, "I would probably have made half the building condo." But as his six-story glass Lower East Side building will not be ready for about a year, he's building rentals. "We're going to have a much stronger rental market 18 months from now," he says. Designed by Grzywinski Pons Architects, whose The Hotel on Rivington is just blocks away, the building will have a parking garage, doorman, and rooftop lap pool and deck with gas grills. The 27 apartments, ranging from 700-square-foot one-bedrooms to 2,000-square-foot three-bedrooms, will have floor-to-ceiling windows, and two will have private terraces.

88 Leonard Street

Opening this summer, the 23-story building has 334 apartments, and features a fitness center, indoor/outdoor lounge and garden, sundeck with hot tub, and on-site parking.

www.rosenyc.com

The Melar, 250 West 93rd Street

Opening this summer, the 21-story building offers 143 apartments and is equipped with a fitness center, rooftop sundeck, and tenant lounge.

www.rosenyc.com

Chelsea Landmark, 55 West 25th Street

Scheduled for completion in early 2007, the 33-story rental tower will have 406 apartments and feature a fitness center, spa, rooftop sundeck, tenant lounge, and on-site garage.

www.rosenyc.com

Avalon Chrystie Place

The first building in the massive Avalon Chrystie Place mixed-use complex opened in June 2005, and its 361 apartments at 229 Chrystie Street have been rented. The multilevel community center just opened, and Whole Foods will open soon. The second building, now under construction on the north side of East Houston Street, will have 205 apartments and should be ready for occupancy by the end of 2006. The building will feature a resident's lounge, roof terrace, and fitness center. Studios and one- and two-bedroom units will be offered.

www.avalonchrystieplace.com

37 Wall Street

A restoration of a 26-story Beaux Arts-style structure built in 1907, 37 Wall Street will offer 373 rental apartments. Scheduled for occupancy in fall 2006, the building features a 24-hour doorman, parking garage, and a 4,700-square-foot residents' activity floor with fitness center, screening room, lounge with billiards, and business center.

www.citihabitatsmarketinggroup.com