

THE MANHATTAN RENTAL MARKET ON THE ROAD TO RECOVERY

By Rachel Morgan | Wednesday, April 13, 2011

The rental market in Manhattan is well on its way to recovery since the economic crisis of 2008, many brokers are saying.

“Things have been moving up in both rental and sales, although not at the same rate, nor at the same pace in every neighborhood,” said Paul Gavriani, Corcoran senior vice president and associate broker. “My rental listings in certain neighborhoods, for example, in Greenwich Village, Chelsea, and SoHo, have recovered to the point where we’re essentially getting the same rents as before the crash of 2008.”

But Gavriani doesn’t expect rents to stay the same as they were in 2008 – rather, he expects them to surpass 2008’s numbers.

“We’re expecting that many listings coming up for renewal during the coming summer season, traditionally the busiest of the annual rental cycle, will be even higher than their 2008 rents, which should be the real proof of how far the market has recovered,” he said.

George Arana, licensed associate real estate broker and senior vice president at Halstead Property, LLC, agrees.

“The 2011 rental market hit the ground running,” he said. “Traffic has picked up and there is still a limited supply of inventory available. [For] example, I listed 20 West 16th St., a Parlor Duplex 3-bedroom, plus den 3-bath with a private terrace for \$9,800. In two weeks, I had three interested parties, one even offering the years rent upfront. I feel that we’re on an upturn.”

Tierney Model and Chris Leavitt of Sotheby’s International Realty said that the year has started out with a bang.

“The rental market has been very consistent this year, very, very busy,” they said.

Michael Bolla, marketing director at Prudential Douglas Elliman said things have bounced back when it comes to rentals in Manhattan.

“The rental market hasn’t slowed,” he said. “The high-end rental market has returned with a vengeance.

With the uptick in the market, Daniel Hedaya, executive Vice President for Platinum Properties, is excited for the busy spring and summer renting season ahead.

“Things are definitely improving in terms of the market and rents,” he said. “We have seen concessions cut back and landlords start to gear up for the busy spring [and] summer season. With new buildings on the horizon and several ones already launched, it should be interesting to see what happens over the summer.”

John Zakowski, sales and rental associate at Essential New York Real Estate, predicts a tightening in the market for the next rental season.

(continued on back)



Mary A. Vetri

Senior Vice President, Director

mvetri@bhsusa.com

212-906-0575

"Concessions are slowly receding which is the best indication of a stronger rental marketplace where overall time on the market for rentals is diminishing and rents are escalating," he said. "There is approximately a 16 percent drop in newly constructed rentals on the market since the prior quarter. Current reports indicate that approximately 7,000 new units came on the market, which spells an acute tightening of the rental marketplace for the second and third quarters of 2011."

While things appear to be looking up, not all brokers are so quick to declare the market recovered.

"I think the economy is bouncing back, but I'm not certain if we're there yet," said Jeffrey Wachtenheim, broker at the Real Estate Group of New York. "New York is a city that very much relies on Wall Street. If Wall Street is doing well, New York real estate will do well. I think that consumer confidence is back, which is very important, [but] I also think there are a lot of frustrated renters and buyers out there, who still think the market is similar to 2009 and they can't understand why they are losing bidding wars, can't find rent concessions, or why there is so little inventory."

Adina Azarian, founder and principal broker of Adina Equities agrees.

"I don't think that the economy as a whole has bounced back," she said. "If you know what the deficit is, then you know we are in a precarious position. However, there does seem to be a renewed burst of economic growth in New York City."

According to Caroline Bass, senior vice president and associate broker at Citi Habitats, this upswing in the market means that renters have less negotiation powers than they may have had in the past.

"The rental market is definitely experiencing a tightening compared to previous two years," she said. "With the decrease in vacancy rates and the decrease of landlord incentives, it is clear that we are gearing up for a very busy summer season with less negotiation power in the hands of the renter."

Evan Rosenfeld, senior associate salesperson at Citi Habitats, also said renters are losing power in the improving market.

"[The renting market] is great if you are a broker but pretty tight for a renter," he said. "Incentives are drying up, so start signing leases." Vicario Brensley Phillip, sales and rental agent at the Real Estate Group of New York, also predicts a tougher season for renters. "The inventory is extremely low for this time of year in many areas of Manhattan," he said. "With the spring and summer season - peak rental season - approaching, it's going to be tough for new renters."

C.B. Whyte, senior vice president and associate broker at Stribling, agrees.

"I am finding that the rental market is stable," she said. "It is not plummeting. The landlords are no longer providing the renters with any incentives for signing the lease."

Whyte said that the market is on its way up from March's "rock-bottom" status.

"The market has now stabilized we are now longer plunging," Whyte said. "I believe we hit bottom last March. Well-priced inventory that comes on the market in good condition will sell and will rent."

As far as what renters are looking for this season, Arana said it's about value.

"As always the most bang for their buck," he said. "That comes in the form of well-proportioned rooms and great kitchens and baths, of course [that goes without] saying, location, location, location. I have found that most clients will sacrifice location for the latter."

Rachel Glazer, salesperson at Brown Harris Stevens, said it's not so much amenities.

"Location is key," she said. "Most want a doorman, roof-top terrace and gym. The 'extras' offered recently, [like] free breakfast, lounges [and] pet spas are not driving rentals."

Azarian points out a good landlord as a major plus.

"Renters all want the same things - a good landlord or property management company," Azarian said. "Meaning they are responsive and will take care of any problems or issues if any arise during tenancy and are honorable and trust worthy. Renters always want to know 'Who is the landlord?' After that, it's about a fair deal and fulfilling their wish list."

Mary A. Vetri, senior vice president and associate broker at Brown Harris Stevens ticks off a list of wants for potential renters.

"Conveniences and a safe location; easy access to subways, gyms, food shopping, dry cleaner and laundry, pet friendly buildings,

doorman if a high rise and common outdoor space," she said.

In addition to the normal renter requests when it comes to amenities, Bass has heard an interesting request lately.

"The majority of renters want a clean building, a nice sized apartment and decent renovations," she said. "Renovations do not necessarily mean granite and stainless steel, although those kitchens and baths from the 70's just don't cut it. Lately, I have received quite a few requests that the apartments have to be bed-bug free."

Bolla said it's not so much about amenities when it comes to an apartment's value in the eye of a potential renter.

"To my clients, 'new features' never matter; it's all about the apartment," he said. "Hot features and amenities come and go, what never goes out of style is a great apartment."