

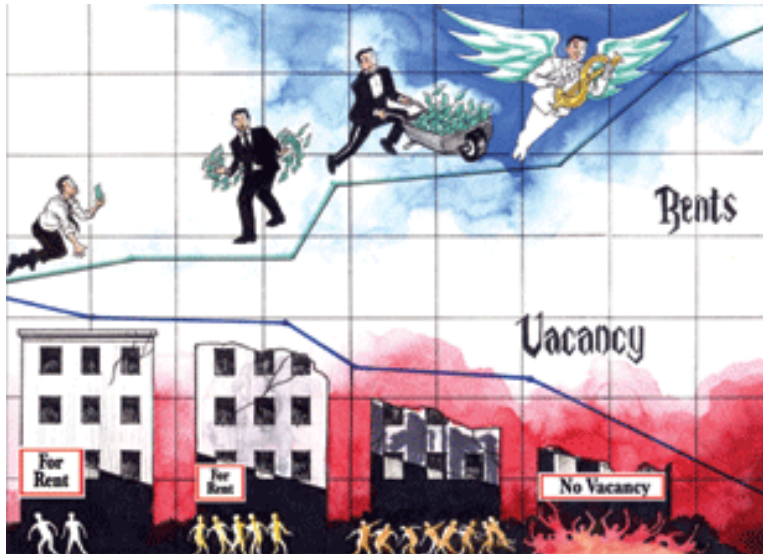
THE REAL DEAL

NEW YORK REAL ESTATE

Rental market roars

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Vacancy rates dropping, rents rising in tightest market in years; how brokers are profiting



The Manhattan rental market: Heaven for brokers, hell for apartment hunters

A landlord just below 14th Street in the West Village had been getting \$1,600 or \$1,650 a month for a studio apartment. Recently, though, he's been able to command \$1,900 for it.

Such is the current Manhattan rental market, where vacancy dipped in May to below 0.5 percent and rents in many neighborhoods continue to crest.

The city's economy remains stronger than much of the rest of the nation and its employment outlook glows brightly. In early June, the state Labor Department reported that New York City's unemployment rate, at 5 percent, had reached its lowest point since 1988; Manhattan's alone was even lower at 4.1 percent. Plus, city-based universities such as New York University and Columbia report surges in application numbers. NYU got a record 35,073 applications this year for its next freshman class.

Add a slowing sales market wracked by rising interest rates to this rise in city dwellers with jobs or classes, and it's no wonder that landlords are in a virtual golden age -- and so, for the most part, are brokers.

Tight market a boon for rental brokers

By Tom Acitelli

The Real Deal talked with several rental brokers and analyzed data on the Manhattan rental market provided by Citi Habitats, the largest rental firm in Manhattan.

However the numbers were crunched, things were good for brokers, who were only too happy to share

anecdotal evidence of a rental market that is now as hot, if not hotter, than the sales market was this time last year. And it's touching every part of the borough, with one broker noting that "\$3,000 is the new \$2,500" when it comes to renting a good one-bedroom anywhere in Manhattan.

"In East Harlem, where we focus, the rental market couldn't be stronger," said Andrew Kessner, president of Vertical City Realty. "Rents have risen and demand is extremely strong. In May, we rented 50 apartments and in June we rented 31 apartments [in Harlem]."

Such activity comes amid increased competition for scarcer rentals that both fit renters' expectations -- however divorced they may be from market realities -- and that satisfy landlords, who find they can charge increasingly higher rents, something they couldn't do as readily when the sales market was healthier.

Empty rentals getting scarce

Manhattan has always had a relatively tight vacancy rate, say brokers. Citi Habitats data stretching back to 2002 backs the anecdotal evidence. The vacancy rate in the borough has hovered the last few years below 4 percent, well under the national first-quarter average of 9.5 percent, according to the federal Commerce Department. But, in 2006, the rate has dipped to notable lows, even for New York.

In May, the last month for which data was available, the rate hit 0.43 percent, according to Citi Habitats, a record for the last four and a half years that was less than half of what it was in June 2005. At that time, it was just over 1 percent. In April, the rate was 0.67 percent; at the end of 2005, it was 0.89 percent.

Four years ago, when the city reeled from the effects of September 11, the rental market had a vacancy rate more than four times the current one. It wasn't uncommon to hear laments from brokers about the state of the rental market; people were leaving a jittery city, and unemployment was higher. The vacancy rate was 3.8 percent in October 2002, Citi Habitats reported, and would stay above 2 percent through 2003.

Now, though, such vacancies seem as distant to brokers as the idea of a decent Manhattan apartment for under \$1,000 a month -- a reality that brokers *The Real Deal* talked with said is increasingly rare. In fact, finding a good apartment for a reasonable price now involves an excruciating amount of luck, timing and, according to brokers, education about what renters are truly up against.

"I think the informed renters understand where the market is right now," Korn of City Connections said. "There's just not a lot of availability. I believe, for the most part, people are seeing the market is tight."

Some aren't. One broker said renters want now what renters always want -- "more than they can afford." Brokers say they have to educate would-be renters, especially newer arrivals, about where they can realistically expect to rent. Brokers also say they have to deal with phony or outsized expectations fueled by scammers on rental search sites like Craigslist.org (for more on Craigslist, see page 49) or by word of mouth that can ultimately prove inaccurate.

Changing times and methods

The last time the market was this tight, brokers say, was the very late 1990s, 2000 and early 2001, when such search sites weren't as prevalent or as powerful.

"There are little ministries of disinformation all over the Internet," said Lori Anne Wardi, a broker with DJK Residential. "People are coming to us with misinformation, and you try to educate them."

Brokers often start that education with location.

For instance, a traditional rental haven like the Upper West Side presents greater opportunities for renting a decent place at a decent price. Simply put, there's a lot more rental units in that neighborhood than in other neighborhoods Downtown. These units are also generally cheaper (see [Midtown East, Chelsea rents rise fastest](#)). The vacancy rate on the Upper West Side in May was 0.57 percent, above the Manhattan-wide rate and above the low rates of enclaves like Murray Hill and Gramercy, which had May vacancies of 0.21 percent and 0.35 percent, respectively. Chelsea had the highest May vacancy rate at 0.72 percent.

These vacancy rates, all below 1 percent already, should drop even further in the coming months, especially

as summer fades to fall, a time when leasing normally ticks up in Manhattan. Brokers, some of whom have refocused energies on the rental rather than sales side of real estate (see [Broker reaction to Craigslist rental fee mixed](#)), say a continued strong economy and the simple popularity of the Big Apple mean a rental market for the near future that strongly favors landlords -- and aggravates tenants on the hunt.

Joe Davila, a broker with Fenwick-Keats, showed three apartments on the Upper West Side during the third weekend in June. He drew more than 20 prospective tenants for the trio and expects at least nine of those prospects to apply for leases.

"They're desperate," Davila said. "They know it's a tight market."