

THE OBSERVER'S Luxury Rentals

June/July 2012

Summer Sizzle



A view of the Queensboro Bridge from 3 Riverview Terrace.

SUMMER *rental prices* SIZZLE in the city

*As temperatures go up,
so does the New York luxury rental market*

By Lara Rosenblum

NEW YORK CITY'S LUXURY rental market remains relatively shielded from turbulence. When price isn't the issue, housing stock finds a way to make itself available and, without scarcity, prices remain relatively stable. This year though, luxury rentals have already exceeded the peak prices we saw at the height of the real estate bubble in 2007. Brokers anticipate that over the summer luxury rentals prices will continue to climb right alongside summer temperatures.

The summer housing market in the city is limited by new construction—supply remains low while demand steadily increases—and there are plenty of other contributing factors. Laurie Zucker, a principal at Manhattan Skyline Management said that the market in May is flooded with college graduates who are moving out of dorms, need a place to live but aren't yet in a position to buy a home. "Additionally, it is a big time for new hires and job transfers,

all of whom are competing for housing," she said. "People tend to take vacation time in the summer as well, and they'll often use some of that time off to make a move, especially families with school-aged kids."

Arthur Fenton, Senior Vice President of Prudential Douglas Elliman said that another demographic to keep in mind are the new and returning students who don't want to live in student housing. "Many people want to be settled before the start

Manhattan Skyline's 55 Thompson at dusk.

of the school year—as a result, summer occupancy is very important,” he noted.

The rental market is further complicated by the desire to “trade up” to a new home in a new neighborhood—a trend that occurs year round. “The city has seen a surge in renters looking to upgrade their current apartments and a huge influx of renters from the entry level to über-luxury apartment seekers,” said Mark Menendez,

the Executive Vice President and Director of Rentals at Prudential Douglas Elliman. “Migration of empty nesters and sellers from the suburbs looking to relocate back to the city has also put pressure on inventory.”

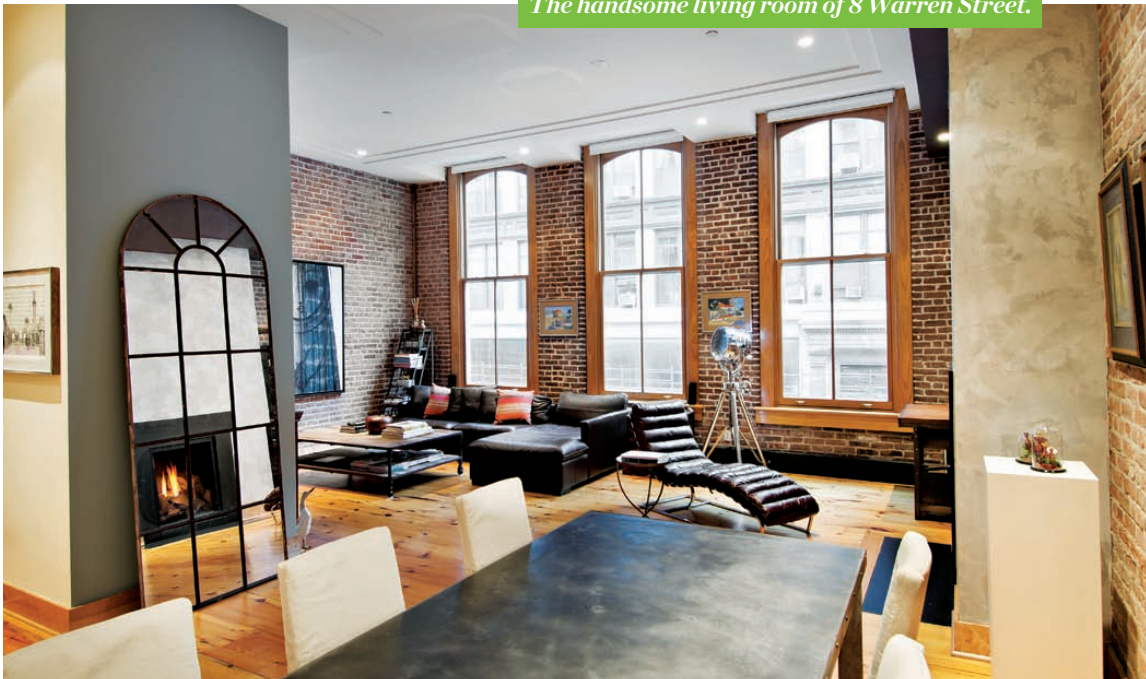
When people move, it’s because they can afford to. Tumult and turnover in NYC rentals are often indicators of a growing economy and strong job market. That’s mostly

good news, but according to Senior Vice President of Citi Habitats, Rado Varchola, it’s not going to bring rents down anytime in the immediate future. “As long as the vacancy rate remains [near one percent] and the local economy continues to improve, we will see the rents go up for the foreseeable future,” she said.

According to Elizabeth Kee, an Associate Broker and Vice President of CORE, this year could be a record breaking one. “We can expect that 2012 will reach new lows in the vacancy rate, coupled with new highs in NYC apartment rental prices.”

But the question remains: beyond simple supply-side economics, why exactly are vacancy rates so low?

Ms. Kee explained that since landlords know there will be high summer demand, they often allow wintertime renters to sign leases that extend beyond 12 months. “Once an apartment becomes vacant during [the winter] time, each year the lease will end during the height of the season,” said Ms. Kee, and in college towns (and make no mistake, New York is one) that’s summertime. For example, a lease that started last December, might not end until July 2013. The rentals that go on the market during the summer go for the adjusted market rate that

The handsome living room of 8 Warren Street.

The sitting room of 1 Gramercy Park North.



The entrance of West River House.



The living room at 79 Laight Street, 2D.



A dining nook at 640 Broadway.



A peek at 25 Bond Street's fifth floor.



A fireplace at 34 West 11th Street.



148 East 63rd Street's modern living space.



'Popular areas such as Williamsburg, DUMBO and Park Slope have prices that rival Manhattan.'

Cindy Scholtz, Citi Habitats

is—you guessed it—notably higher than the rent the previous tenant paid.

The fact that landlords can demand higher prices when they rent in May, June, July and August can discourage renters with leases ending in summer months from moving.

Jeffrey Wachtenheim, Representative and Licensed Salesperson at Town Residential said summer rent increases have left some looking to move but, "at the end of the day,

there really is no place feasible to [move to]."

Mr. Menendez agreed.

He believes that when assessing the cost of broker fees, moving expenses and time spent searching for an apartment, "renters find that the cost of a new apartment and moving could, in most cases, be higher." This causes people to stay put, which, in turn, keeps availability low, contributing to inflated rental prices.

One privilege, previously reserved for the luxury rental seeker, defied economics—they were few and their choices were many—but that's no longer so. Vanessa Kaufman, Senior Vice President and Associate Broker at Sotheby's International Realty, said she has the evidence to prove it. "I have seen the highest [rental rates] ever: [At] \$40,000 to \$100,000 per month is almost not a shock anymore!"