

# Real Estate

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Special: New Jersey  
Real Estate Offerings

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# Vertigo In the Markets

# RENT

*Prices just keep rising, and some buildings even have wait lists. For renters looking for a break, there's no change in sight.*

# BUY

*The ultraluxury market barely missed a beat in the recession. But the rest of Manhattan hasn't hit those same heights.*

By VIVIAN S. TOY

WHEN the real estate market was booming in 2007, renters showed up at apartments with checkbook in hand, ready to do battle with anyone else who might want the same place. That changed, of course, when the financial crisis hit in 2008. And the heady days that followed, when renters ruled in a down market, are now a fading memory.

In 2011 landlords once again got the upper hand as prices rose and vacancies dwindled. Multiple applications even made a comeback late last summer. All signs say landlords are likely to keep that advantage for a

long time. In certain neighborhoods, rents are setting new records, exceeding the heights of 2007. Some landlords say that in extreme cases, eager renters have even bid up rents.

The demand in some buildings has become so intense that there are waiting lists bearing the names of dozens of potential tenants. This was unheard of during the downturn.

Ana Morse, who moved into a three-bedroom at the Solaire in Battery Park City with her husband and two young children last month, put their names on a waiting list last fall, specifically for an apartment in the building's M-line on a high floor. The

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By MARC SANTORA

WHILE the economy remains stubbornly sluggish and home sales nationwide continue to sag, Manhattan's real estate market has largely stabilized, with apartments in some neighborhoods selling for prices not seen since the headiest days of the boom.

But on the road to recovery, one segment of the market has outpaced the rest: ultraluxury, which analysts roughly define as properties costing \$7 million and up. At these lofty heights, there was only the slightest of hiccups after the crash, and in the ensuing years, values have soared, with some apartments doubling in

price.

Normally, that news would mean rising prices in every other segment of the market, from the tiniest starter studios to family-size four-bedroom co-ops. But that is not happening, even with interest rates at record lows and prices considered reasonable by Manhattan standards.

"There is a greater disconnect between the very top of the market and everything else than I have ever seen in my 25 years in the business," said Jonathan J. Miller, the president of the appraisal firm Miller Samuel.

Part of the reason for this, brokers and analysts say, is that the wealthy

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# For Rentals, No Ceiling in Sight

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amily passed on a third-floor apartment that came up in October, but when one on a higher floor became available, "I said I'd be right over with a check," she said.

With fewer new buildings scheduled to open this year, inventory for luxury rentals will remain tight, helping to keep prices up at the high end. This pressure will inevitably trickle down to the lower end of the market.

Those buildings that have hit the market have pushed luxury to new levels. Hardwood floors have replaced the long-ubiquitous parquet, and washers and dryers in apartments have become the rigueur. To compete for top rents, some landlords are undertaking expensive apartment renovations in older rental buildings. Even 10-year-old properties are being subjected to face-lifts.

"Everything at this point is going in landlords' favor," said Gary L. Malin, the president of Citi Habitats, one of the city's largest rental agencies. "Although we've suffered like the rest of the country, our rental market didn't perform like anywhere else. The lull was really a very short-term blip."

Mr. Malin and other brokers said that rental prices had been buoyed in part by tighter mortgage lending, which has discouraged many potential first-time buyers from entering the sales market. "There definitely is a larger segment of frustrated buyers who are deciding to stay in rentals than there were a few years ago," he said, adding that by expanding the pool of renters, these would-be buyers are helping to keep vacancies low and rents high.

Rents in traditionally coveted neighborhoods like the West Village and Chelsea have hit new heights. But

## Refugees from the sales market expand the pool of renters.

records are also being set in areas that are not as well traveled, including the financial district and Midtown West, where new rental towers have helped pull up average prices.

According to Citi Habitats data, the city's priciest studios can be found in Chelsea, where the average rent is \$2,332 a month; and the West Village claims the most expensive one-bedrooms, \$3,278 a month.

But the financial district is not far behind, getting record rents for its one-bedrooms, at an average of \$3,255 a month, and its two-bedrooms, at \$4,575 a month.

The opening of New York by Gehry at 3 Spruce Street, "raised all ships," said Nathan Berman, the chief executive of Metro Loft Management, which owns and manages about 1,700 apartments in the financial district.

With three-bedrooms commanding \$12,000 a month and one-bedrooms listed at more than \$5,000, Mr. Berman said, 8 Spruce "has validated the finan-

cial district as an area that can get rents and the type of tenant that would ordinarily be somewhere else in the city." So even though financial district rents overall are still a little shy of the stratosphere, Mr. Berman said, "because 8 Spruce is achieving those rents, it allows us essentially to start raising rents across the board."

Eight Spruce, at 76 stories the city's tallest residential building, is nearly 70 percent leased and will soon be offering apartments above the 60th floor, including penthouses that will rent for \$45,000 to \$60,000 a month.

Time Equities, which owns and manages about 500 rentals, reports increased competition for many of its Greenwich Village apartments, particularly those that might appeal to students at New York University, who are often desperate to find housing before the start of a new semester. Roberta Axelrod, the firm's director of residential sales and rentals, said she had seen as many as four applicants for one apartment, with people making offers above the asking price.

Even fifth-floor walk-ups in the Village are commanding top dollar, she said, pointing to a 515-square-foot two-bedroom that recently rented for \$3,195 a month. "It was an all-time high for that building and that floor," she said. "But for two people splitting it, it's about \$1,600 a month, and relatively speaking for Manhattan, that's affordable for living in a great neighborhood."

Other buildings have long waiting lists of potential renters.

The Albanese Organization, which owns the Solaire and the Verdesian, both green rental towers in Battery Park City, has a list of 35 families looking to move into either building, whittled down from more than 100 last fall.

"It's a good indication that there is strong demand and very limited inventory for families wanting to secure a good public school seat downtown," said Lydia Rapillo, an Albanese vice president. Many of the people on the list find other options before their names come up, but some families have stayed in touch with the leasing office for as long as eight months, because they are willing to wait for a particular apartment, she said.

At 34 Berry, a 142-unit building in Williamsburg that opened in spring 2010, the leasing office had 363 names on a waiting list when the original leases ran out last April. About 60 vacancies were filled from the list, which now stands at 151 names, said David Sigman, an executive vice president of LCOR, the building's developer.

Carly Salaman was on 34 Berry's waiting list for about a month in the fall, but only because she was willing to lower her sights from a one-bedroom to an alcove studio. After living in a 350-square-foot studio in Chelsea for eight years, she was hoping for more space. She looked at apartments in Manhattan and in other parts of Brooklyn, but always lost out. "I would get somewhere and it would already be taken," she said.

At a different Williamsburg building, Ms. Salaman put down a deposit, but the apartment was wrested away by someone who offered \$100 above the posted rent of \$2,500. She said she was very happy in her 550-square-foot studio, but she still has her name on the



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### Sampling of rental projects expected in 2012

Building	Location	Number Of units
116 John	Financial District	418
Crystal Green	West 39th Street	199
Mercedes House, phase 2	West 53rd Street	480
MiMA Tower	West 42nd Street	151
Ten23	West 23rd Street	111
45-40 Center Boulevard	Long Island City, Queens	575
46-15 Center Boulevard	Long Island City	367
220 Water Street	Dumbo, Brooklyn	134
<b>Total</b>		<b>2,435</b>

### Sampling of rental projects planned for 2013 and beyond

Building	Location	Number Of units
70 Pine	Financial District	1,000
Larstrand	West 77th Street	181
Extell Development	10th Avenue	600
855 Sixth Avenue	West 30th Street	340
Durst Fetner Residential	West 57th Street	650
45-45 Center Boulevard	Long Island City, Queens	820
46-10 Center Boulevard	Long Island City	585
Linc LIC	Long Island City	709
250 North 10th	Williamsburg, Brooklyn	234
Douglaston Development	Williamsburg	500
<b>Total</b>		<b>5,619</b>



### BEST FOOT FORWARD

The owners of the Capitol in Chelsea are replacing old-fashioned parquet floors with hardwood in an effort to better compete with new rental buildings.

waiting list for a one-bedroom.

Fewer new apartments are coming to market this year than in years past, largely because construction financing has been tight and the number of building permits issued by the city fell drastically after 2008. Citi Habitats Marketing Group estimates that there are only about 2,200 new rentals in Manhattan this year, down from more than 3,600 in 2011.

"The economic crisis stalled a lot of projects," said Clifford Finn, the president for new development marketing of Citi Habitats, "and those projects would have been coming to market now in 2012." Many projects, including some rentals initially designed to be condos, will finally be finished in 2013 or 2014, he said.

"There definitely will be a lot less new product this year," said Daria Salusbury, the senior vice president for leasing of the Related Companies. "That means the market is going to get even tighter and prices may do even better

than last year."

Related opened MiMA, a 663-unit rental building on West 42nd Street, last year, and this year it will offer 151 apartments in MiMA Tower, which is on the top floors of the building and was originally to house condominiums. Rents will be much higher than on the lower floors. Studios in the tower start at \$4,595 a month, as opposed to \$3,795 at MiMA proper; three-bedrooms at \$16,250 a month rather than \$11,200.

Even with less new inventory, landlords feel the need to upgrade older properties. "Owners and managers have to reinvest to compete," said Adam R. Rose, a president of Rose Associates, which manages about 26,000 rentals. "If something opens down the street that's much fresher, you've got to do what you've got to do to keep up."

The Rose company is spending up to \$40,000 per apartment at several of its buildings for upgrades including hardwood floors, fancier bathroom light fixtures, pricey granite composite coun-

tertops, new kitchen cabinets and stainless-steel appliances. After the work is done, the apartments generally command 10 percent more rent.

The Capitol in Chelsea is only 11 years old, but Rose has started renovating there because of several newer buildings in the area, including its own Chelsea Landmark. "We used to think a 10-year-old building was still a new building," Mr. Rose said. "But now we're ripping out parquet flooring because it screams nine years ago."

Sofia Estevez, an executive vice president of TF Cornerstone, said it, too, had "raised the bar" for standard renovations. In addition to new kitchens and bathrooms, washers and dryers are being installed in larger apartments, even though Ms. Estevez said she isn't convinced they're necessary because many renters send out their laundry. "But," she said, "too many of our competitors install washers and dryers now, so it became clear to me that we had to get in the game."