

Landlord Freebies Spike in January to Keep Rents High, Brokers Say

By Amy Zimmer | February 11, 2016



Luxury Building at 111 Worth Street | Photo Credit: Luxury Listings

MANHATTAN — Last month's rental market in Manhattan was one of the "softest" Januarys in recent memory, many brokers said.

As more inventory flooded the market, especially at the high end, brokers saw landlords offering more concessions than usual. In addition, they observed more price dips and more vacancies than had been seen in previous winters.

The number of landlord incentives doubled from the year before, according to a report Douglas Elliman released Thursday.

The share of new rental transactions with concessions like owner-paid broker's fees or a free month or two of rent jumped to more than 16 percent from 8.5 percent the year before, the Elliman report found.

"We're seeing the market cool off with the expansion of concessions at the highest in five years," said Jonathan Miller, author of the Elliman report. "It shows that landlords are working hard to keep the vacancy rate in check."

The vacancy rate last month hit nearly 3 percent, up from 2.4 percent at the same time the year before, according to the Elliman report. That was the second highest vacancy rate in Manhattan in nine years.

Landlords offer concessions to keep their asking rents high, and, in fact, Manhattan's median rental price rose slightly in January to \$3,350 a month, up 1.5 percent from the year before.

This marked the 23rd consecutive month of median rents inching upward. But the amount of price growth has been decreasing steadily the past six months leaving a question as to whether there will be 24th consecutive month of price growth, Miller noted.

"You're seeing indicators pointing to a market that is undergoing this transition from rising to plateauing," he said. "We're seeing that across the market, with more strength toward the lower end and more weakness toward the higher end."

As inventory expanded — jumping 11 percent from the year before — would-be renters got a leg up negotiating prices, too.

Listings, on average, saw a discount of 3 percent. While that's not a huge price break, it was more than last January's 1.8 percent discount.

[Daniel Itingen](#), the rentals manager at [Platinum Properties](#), which specializes in the Financial District, said that not only were the number of concessions up but so were the sizes of concessions.

With the typical winter slowdown, landlords often offer a free month's rent or waive the broker's fee, but in January, landlords in his area were paying both — and giving two month's free rent, Itingen said.

He believes incentives rose because fewer young professionals were moving than usual.

"Landlords have been far more aggressive in holding onto their current tenants because they know they're not going to be able to raise rents that much and they're being more flexible in renewal negotiations, I believe," Itingen said.

Douglas Wagner, of BOND New York, agreed, noting that landlords who prefer not to have vacancies have been increasing rents by about \$50-\$100 rather than demanding 11 percent increases — as some have in recent years — because the larger increase would put them at risk of having an apartment that sits vacant for more than a month.

Across the East River, in the trendy parts of Brooklyn that the Elliman rental report tracks — North Brooklyn, Brownstone Brooklyn and East Brooklyn — the median rental price was \$2,923 a month, up a mere 0.8 percent.

In the Northwest region of Queens, including Astoria and Long Island City, which the Elliman report also tracks, median rent was \$2,767 a month, down nearly 5 percent from the year before.