

# THE REAL DEAL

NEW YORK CITY REAL ESTATE NEWS

## All eyes on rentals now

*Firms switch focus from sales, but the going is tough*

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By [Candace Taylor](#)

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New York City has always been a town of renters. But in the last few years, it was easy to forget that fact, with condo towers selling out in a matter of days and the average price of a Manhattan apartment peaking at a record \$1.7 million in the first quarter of 2008, according to Prudential Douglas Elliman. For a time, everyone wanted to own New York real estate, and every broker wanted to sell it.

Now that the ensuing wave of job losses has made buying property impossible for many New Yorkers, rentals are suddenly back in vogue.

"I wouldn't want to be selling condos now," said Richard LeFrak, the chairman, president and CEO of the LeFrak Organization, one of the biggest rental landlords in the New York City area. LeFrak will soon begin marketing a new 33-story rental tower in Jersey City called Aquablu. Occupancy is set for May or June.

LeFrak said many New Yorkers are now choosing to rent rather than buy because they're reluctant to tie up large sums of money in an uncertain real estate market. "If you want to go buy yourself a condo [in this market], you need \$100,000 cash in the bank," he said. "If you can rent an apartment that's that same quality, that's a good option."

Still, the downturn is having an impact on rentals in the form of softening rents and lower occupancy, said LeFrak, who for the first time in 15 years will not have a new project in the ground in the New York area once Aquablu is completed.

The recession and its accompanying job losses have upset the usual relationship between sales prices and rental costs, causing both to plummet, experts say.

"The big game-changer this year is unemployment," said Gary Malin, the president of Citi Habitats, one of the city's largest rental firms.

But surprisingly, brokers are reporting a new uptick in rental transactions, as New Yorkers move around more. Brokers say much of that movement is being prompted by generous incentives at new buildings, a scarcity of brokers' fees and a desire to downsize and lock in lower rents.

The surge is keeping some brokers, especially those at the lower end of the rental market, unexpectedly busy, and some firms say they're doing more rental transactions than last year.

But the flurry of new transactions doesn't mean brokers are making more money. In fact, commissions are shrinking because rents are falling and both tenants and cash-strapped landlords are increasingly unlikely to pay full brokers' fees.

Brokers are also finding that they must refine a new set of skills to make it in the current market, as much of their time is now spent negotiating with landlords and renters. Meanwhile, firms must now

complete a much larger number of rental transactions to make up for fewer sales, lower rents and smaller commissions. It's a trick not every brokerage firm can pull off, especially those that once focused primarily on sales. In response, some brokers are leaving sales firms for those that specialize in rentals.

Finally, brokers say they're seeing the weakening in the Manhattan rental market spread to desirable neighborhoods in brownstone Brooklyn and in Queens. Brokers say the increased inventory in those prime areas is giving renters more options and more negotiating leverage.

Read on for *The Real Deal's* report on New York City's rental market:

[Cutting back on rental commissions](#)

[Gothamites make up difference for rental brokers](#)

[Why is the rental market so weak?](#)

[Brokers flee sales firms for rental companies](#)

[Negotiations now the norm](#)

[Manhattan rental weakness spreads](#)