

# THE REAL DEAL

NEW YORK CITY REAL ESTATE NEWS

## *The Real Deal* Webcast: What coming year will bring to weakening rental market

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In a Webcast interview last month, *The Real Deal's* Jill Gardiner spoke to Daniel Baum, chief operating officer of the Real Estate Group New York, and Daniel Hedaya, director of leasing and management at Platinum Properties, about the weakening rental market and its prospects for 2009.

Baum and Hedaya predicted further price reductions and incentives for renters, and even the opportunity to lock in lower rents when lease terms come up for renewal.

Click [here](#) to see the full interview. Every week, *The Real Deal* posts a new edition of the Webcast, which features exclusive interviews with industry insiders.

**The Real Deal:** A two-bedroom, two-bathroom Midtown West apartment has seen asking rent drop by 20 percent to \$3,600. While that drop is extreme even for this market — where rents are down across the board — according to Daniel Baum of the Real Estate Group New York, there's nothing unique about the fact that it's still empty.

**Daniel Baum:** We've seen almost a 20 percent appreciation in the number of vacancies just in the last few months alone. So that was a little alarming to see that number come onto the market so quickly and not the demand to absorb it.

**TRD:** As rents drop from the Financial District to Gramercy to Harlem, buildings throughout the city are also upping the ante on incentives that have already been in place for months. Danny Hedaya of Platinum Properties says just last [month], 99 John Street threw in a second month of free rent in addition to covering brokers' fees. And he said some buildings are even offering three months' free rent now. On top of that, a relatively new phenomenon is taking shape, as some existing tenants are actually signing leases at a lower rent when their leases come up for renewal.

**Daniel Hedaya:** It's very surprising; it's really converse to everything that we think of as renting New Yorkers. At the end of the day, most people when they think about their lease renewal, they think, 'Well, how much is my rent going to go up?' Now, in these cases, a lot of them are saying, 'Well, how much can I get my rent down?'

**TRD:** Some buildings are even offering six-month leases just to get units filled. Hedaya says most of those taking advantage of that are either waiting for new condos they've bought to finish construction or those who are not secure with their jobs. Meanwhile, while many condos have converted to rental recently, that option is becoming less and less attractive [to developers] as the rental market continues its downward spiral.

**DB:** It was one thing to switch from condos to rentals when rents were still high, because it might have been a much more viable opportunity. As rents continue to come down, that opportunity is slowly becoming problematic.

**TRD:** Despite the tougher landscape, an increasing number of brokers who were once working exclusively in sales are trying their hand at rentals now.

**DB:** We are seeing a number of brokers who in the past, in all sincerity, wouldn't even consider working the rental side of the market — you know, even say shunning the rental side of the market — who are today now looking to bring rentals as part of their repertoire in order to make a name for themselves.

**TRD:** At the moment, the only bright spot in the market appears to be for renters who have newfound leverage after years of seeing their rents shoot up. And with no signs of the economy improving, that dynamic could be in place for a while.

**DB:** The beginning of 2009, I, like everyone else, have high hopes for. But my question is, we need people to come in who have jobs, and like New York is losing jobs, not gaining them. So the possibilities of things turning around in the short term don't seem to be all that rosy.

*Compiled by Sara Polsky*

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