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ÂHYBRIDÂ HOME-SEEKERS ON THE HUNT

Date: 03 Jun. 2013

Source: The Real Deal

By Hayley Kaplan

With temperatures spiking and new college graduates looking for apartments, June marks the start of the busiest time of year for rental agents in New York City. This year, they're even busier than normal. As the shortage of for-sale inventory keeps a stranglehold on the sales market, brokers said they're seeing an unusually high number of "hybrid" customers — clients who are open to either buying or renting. That's making an already tight rental market even more competitive. "Most of my clients [would] rather buy, but there is nothing to buy," said Jacky Teplitzky, a managing director at Douglas Elliman. "As a result, they will compromise on renting." Michael Lundregan, a broker at Platinum Properties, said he is working with five hybrid clients. At this time last year, he was working with only one. Besides the lack of inventory, higher prices are converting would-be buyers to renters.

According to data compiled for TRD by real estate listings website CityRealty, the average price per square foot of closed Manhattan condo sales in April was \$1,351, up 7.2 percent from the same month last year. For co-ops, the average price was \$858 per square foot, an increase of 1.37 percent from April 2012. These prices, combined with a limited selection, are prompting would-be buyers to delay purchasing apartments for another year or so and rent instead. "After a few months [sales clients] grow tired of the overcrowded open houses and bidding wars," said Bond New York agent Annette Holmgren. "Most want to resume their search, but want to wait out this crazy market." She said she is working with several rental clients who started off looking to buy, but changed course "once they dipped their toes in the water and saw what was going on in the market." She added that her clients "could not comprehend paying \$100,000 over the asking price just to get an alcove studio in the West Village." But these clients may not find much relief in the rental market. Falling unemployment has already prompted rents to rise, and the growing number of hybrid clients is pushing them even higher, brokers said.

According to a Douglas Elliman market report, the median rental price of a Manhattan apartment in April was \$3,195 per month, up 6.5 percent from \$3,000 in the same month last year. Daria Salusbury is head of luxury leasing operations at the Related Companies, which owns buildings such as the Lyric at 255 West 94th Street and the Westminster at 180 West 20th Street. Salusbury said she expects to see "moderate increases in rents throughout [Related's] portfolio" this summer. "The rental market is doing well throughout Manhattan, and we are expecting traffic that is either steady or increasing at all our sites," Salusbury said. Some hybrid-home seekers are turning to rent-to-own apartments, said Anthony Lolli, CEO of the Brooklyn-based rental brokerage Rapid Realty. Several buildings conceived as condos, such as William Beaver House at 15 William Street and 25 Broad Street, became luxury rental buildings after the housing bubble burst. In many of these buildings, developers "list their properties for rent, but are also open to selling," Lolli said. Lundregan, of Platinum, said some of his "hybrid" clients have had success renting one of these apartments, then putting in a purchase offer three or four months after moving in.

Still, brokers said they expect rents to rise even more in the next few months as the traditionally busy summer season gets going.

"I see the market getting even more competitive and tighter," said Jon Kestenbaum, a broker at Miron Properties. "The summer is always the busiest time of year, and landlords know that. Demand is high, and so are prices."

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