

THE REAL DEAL

NEW YORK CITY REAL ESTATE NEWS

Are renters ditching brokers?

With rents up, some tenants, especially 99 percenters, do their own research to save on broker fees

March 01, 2012

By Leigh Kamping-Carder

As New York City home-seekers well know, vacancy is low and rents are rapidly rising from their financial-crisis depths, while many landlords are no longer offering the generous concessions of the past few years. Ironically, this is actually bad news for rental brokers, some industry insiders say.

Today's rapidly improving rental market has caused some customers to balk at higher rents and disappearing OPs, or "owner paid" broker commissions, sources said, although not all renters fall into this category, particularly at the higher end. As apartment hunters look to save money, fewer of them are enlisting rental brokers to help find them homes.

"Many, many people decide they're better off taking a little more time doing the research themselves and organizing their own tour of buildings, rather than writing that other check [to a broker]," said Nancy Packes, a development consultant and head of the brokerage Nancy Packes Inc.

There are no statistics available on exactly how many of those New York renters used brokers. But Packes said at luxury buildings marketed by her firm, 25 or 30 percent of rental transactions involve brokers. That's down by more than half in the months after Lehman Brothers crashed, she estimated.

She attributed that drop to the disappearance of incentives — such as a month or two of free rent and the halt of landlords paying brokers commission. In the second half of 2011, the number of rental deals that came with concessions dropped by nearly half, to 7 percent of all transactions, down from 13 percent in the first half of the year, according to market data compiled by Packes. Without these giveaways, a number of renters will sacrifice the services of a broker to save money in these cash-strapped times, she said.

New York renters may also be prompted to forgo a broker because there are more options than ever before when it comes to finding an apt without one. There are rental search websites like Naked Apartments, which was founded in 2010, and InsideDigs, where tenants can share information about units that will soon hit the market. That's in addition to StreetEasy, Property Shark, Craigslist and the individual websites landlords and buildings. Urban Edge, a two-year-old website where property managers like Related Companies and Equity Residential post listings, recently clocked 1 million annual visitors, twice as many as the previous year.

"There is a larger trend where people are doing their own research and going direct," said Urban Edge cofounder Don Tallerman.

According to Naked Apartments CEO Joe Charat, the number of consumers looking for "no-fee" apartments has increased since the fall.

The site gets 5,000 to 10,000 daily searches, he said. In late October, about 9 percent of those were for no-fee units, he said. That figure climbing since then, hitting 11.1 percent in late January.

Charat said the current disappearance of incentives appears to be one reason renters are less apt to use brokers. "As those go away," he "renters start to question, 'Can I do this on my own?'"

No broker required

Renters looking for doorman buildings have a plethora of new units to choose from, no broker required. Consider Related's MiMA or Fores Ratner's New York by Gehry: Both developments put hundreds of apartments on the market in the last year, using splashy ad campaigns and leasing offices that accept walk-ins.

Of course, these new luxury towers also welcome brokers, who help publicize their buildings and qualify tenants. And in order to encourage speedy lease-up of their buildings, they still advertise "no-fee" apartments and simply pay the brokers themselves, rather than asking rents

Even so, more and more potential renters are now arriving without brokers, insiders said.

Packes, for example, said she has recently advised her developer clients to cut expenses by not offering OPs for the cheapest units at new ups, since those renters aren't likely to use brokers anyway. "Those homes will be rented by people coming to us through our other marketing outreaches," she said.



Naked Apartments CEO Joe Charat (left) and Alessandro Signorello

Sofia Estevez, an executive vice president at TF Cornerstone who oversees leasing operations, said about half as many renters have broked with them to the company's buildings — which include 2 Gold Street and 505W37 — since December. (She should know — she ap their commission checks.)

One reason for this, she said, is that there are fewer new buildings in Manhattan competing for tenants, so developers can rely on advertis signage to lure residents, rather than depending on brokers to spread the word.

A changing client base

As a result of renters' apparent distaste for paying brokers' fees, some real estate agents said their clientele has shifted toward more afflu individuals — those who prefer to pay a fee rather than take the time to hunt for apartments themselves.

In early January, Bond New York's Doreen Fuentes started noticing that more of her rental clients were professionals with “money in the ba [correction appended](#)).

She said she closed four deals early last month, and noticed that in every case, the newly minted tenant was making a high five- or six-figu Two were former homeowners who had decided to rent, she said.

But Gary Malin, president of the mammoth brokerage Citi Habitats, disputed the idea that economic factors are prompting consumers to us less often. At buildings where Citi Habitats is handling leasing, such as New York by Gehry, between 40 and 60 percent of clients visit with : percentage that has remained fairly consistent in the last few years, the firm said.

And while listing information is now readily available online, Malin added, it's not always as timely or accurate as information direct from bro their agents.

In some ways, renters need brokers even more now that inventory is tight and units are being leased at lightning speed, brokers said.

“Nobody wants to pay, but what they discover is that through using a broker, a lot of times they'll find a better deal,” said Brian Dusseau, th of rentals at Barak Realty.