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Manhattan Rents Give Mixed Signs

By JOSH BARBANEL

The cost of renting a Manhattan apartment, already at record levels, rose during the third quarter, but the market signaled a possible pause ahead as rents fell slightly in September from August.

The average rent across Manhattan was \$3,453 a month in September, the third-highest level on record and the seventh consecutive month in which rents surpassed a previous peak reached in May 2007, according to a market report by Citi Habitats. But the September figure was \$8 below a new monthly record that had been set in August.



But in another early indication of potential weakening for rentals, the vacancy rate in Manhattan rose during the third quarter. Although the vacancy rate in Manhattan is far below that of the rest of the country, it has been rising for five months and stood at 1.33% in September.

Nancy Packes, a real-estate consultant who closely follows the rental market, said it was too soon to say whether the latest numbers reflect a significant change in the rental market, since the pace of rentals tends to slow down after the summer.

Gary Malin, the president of Citi Habitats, said that after rising sharply in 2010 and 2011, rents were now essentially stable. "Unfortunately for tenants, these prices plateaued at record highs, according to our research," he said.

The Citi Habitats report found that rents of two-bedroom apartments rose the most during the third quarter by 8.1% compared with the year-earlier quarter. According to the latest data, the average two-bedroom rents ranged from \$6,519 in a new development to \$3,692 in a walk-up. The average was \$5,812 a month in doorman buildings and \$4,299 in elevator buildings.

Battles for vacancies remain common. Two couples recently were interested in a ninth-floor, two-bedroom apartment renting for \$5,795 at the Sessanta, a large brick building on West 60th Street near 11th Avenue, with an indoor pool and an outdoor tennis court.

Both couples wired in deposit checks that arrived at the same time over the Columbus Day holiday, according to Tristan Andrews, a broker at Prudential Douglas Elliman, who represented one of the couples that was moving to New York from Connecticut.

Mr. Andrews said his clients broke the tie after offering a sweetener: a two-year lease with a slight increase in the second year.

Yuvall Greenblatt, an executive vice president at Prudential Douglas Elliman, said that few owners were offering concessions, but there were signs of softness in neighborhoods on the edge of Manhattan, on the far East Side and far West Side, in the Financial District and in Harlem.

Many would-be Manhattan renters were looking at more affordable apartments elsewhere, particularly in northern Brooklyn, he said. The market report found that only 7% of Citi Habitat transactions included a concession, such as a free month or owner-paid brokerage fees.

It also said the rents of one-bedroom apartments increased the least since the third quarter of 2011, by 4.3%.

Mr. Greenblatt said that a recent increase in sales of one-bedroom apartments in Manhattan may have reduced the demand for rental apartments.

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