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Well-Heeled Renters Find Tight Market

By JOSH BARBANEL

It is a boom time for the few developers smart enough or lucky enough to be bringing new luxury rental buildings onto the market now, in one of the tightest spring rental markets in years.



Seth Wenig/Associated Press

At New York by Gehry, 80% of the luxury apartments are taken.



Daniella Zalman for The Wall Street Journal
The Mercedes House on West 53rd Street



Daniella Zalman for The Wall Street Journal
The MIMA tower

"Timing is favorable," said Asher Abehsera, the general manager for residential properties at Two Trees Management Co., which has just put 489 rentals on the market in a new 32-story tower at Mercedes House on West 53th Street and Eleventh Avenue.

At the same time, it isn't the most promising moment for apartment hunters whose hearts throb at the idea of cutting the ribbon on a brand-new apartment in a stylish "starchitect" building. As the peak season for rentals gets under way, there are fewer such choices coming on the market than there have been in many years, brokers say.

Citi Habitats, a brokerage firm with a large rental business, counts a dozen new, converted, upgraded or relaunched buildings with nearly 2,600 Manhattan rentals due out this year, the smallest number the firm has seen since it began tracking the statistics seven years ago. But as the spring season starts, only about half of these rentals are available at a half-dozen buildings, making the supply extremely tight.

"Competition is going to be very fierce" among renters, said Gary Malin, the president of Citi Habitats. "I tell renters to be prepared to do a deal. Bring your money. Bring your paperwork."

The largest of the new buildings coming to market is the tower at Mercedes House, designed by Enrique Norton, on the site of a former Verizon truck lot. Of the 488 apartment coming to market at Mercedes House, 80% will be market rate, the rest set aside for lower-income buyers.

An additional 162 apartments at the top of the building were supposed to be condominiums. But now Two Trees is considering renting them as well, because of the strong market. Tenants will be able to move in starting in early June.

Related Cos. is kicking off the launch of a 518-foot-high tower on East 102nd Street in East Harlem just off Fifth Avenue owned by the Mount Sinai School of Medicine.

The base of the building, designed by Rafael Pelli, will be used by the school of medicine, and the top will be rental apartments and amenities. About 185 units will go on the market in the next few days, with move in beginning June 15.

On the Upper West Side, 171 upgraded rentals are being put on the market week by week over the next few months at the Windermere West End, an apartment hotel at West End Avenue and 92nd Street that has been through hard times. A 50-foot lap pool and 12,000 square feet of other amenities are due to be completed this fall.

Adding to the tight supply have been strong rentals at two big buildings that have sold out their supply of the most affordable apartments. Now it's mainly the buildings' most expensive rentals that are available.

At New York by Geary, the 76-story tower on Spruce Street a few blocks from City Hall, 80% of the building is now taken, said Danny Charles, a spokesman for Citi Habitats, which is renting it out.

At MiMA, on 41st Street near 10th Avenue, 500 rental apartments were sold out on the lower floors by Related. An additional 151 rentals went on the market earlier this year at the top of the building, and 35% of these are now leased as well. The units were originally scheduled to be condominiums.

The supply of new rental buildings is shrinking for now, brokers say, as a result of the disruptions caused by both the boom and the ensuing financial crisis: During the boom, developers focused on highly profitable condominiums, and during the downturn, there was little financing available.

"There is a three-year cycle for development," said Nancy Packes of Nancy Packes Inc., a marketing and consulting company that specializes in new developments. "We are the bottom of the cycle now."

Mr. Malin, the president of Citi Habitats, said the limited supply of new condominiums was a "drop in the bucket" that would do little to ease the pressure on record-high rents and low vacancy rates.

David Walentas, the founder of Two Trees, said it was more than luck that brought his building to market at an opportune time. After living through several boom and bust cycles, he said he "believes in the long term" and he began construction on Mercedes House before he had obtained financing.

Then he sold the commercial space to Mercedes-Benz, for a showroom, and used the proceeds to continue building.

Among the early potential renters looking at apartments at Mercedes House are renters who already live in the first phase of the development, looking to move into the brand-new building instead. Studios start at \$2,500 a month, one-bedrooms at \$2,950 and two-bedrooms at \$3,900.

The building has an unusual design. Some apartments rise on a diagonal across the middle of the lot, with a staggered row of terraces rising up toward the tower. This allows more light and more river views for upper-floor apartments, and creates space for a large outdoor pool and several large outdoor decks. There is also an indoor pool.

Write to Josh Barbanel at josh.barbanel@wsj.com

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