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Cross-River Rivals Pinch Manhattan

Towers in Other Boroughs Dampen Interest in Some Manhattan Locations.

By JOSH BARBANEL

At Gotham West, a new, 32-story glass-and-brick rental tower in Hell's Kitchen, the motto is "We speak Manhattan." But with large, lower-price buildings rising along the shores of Brooklyn and Queens, a Manhattan dialect may no longer be enough.

A new report is raising the alarm that shiny new developments along the East River in the other boroughs have begun tipping the scales against less-sought-after Manhattan locations. Rents in these neighborhoods softened in the last year, though Manhattan rents overall rose.

Many younger renters long have favored neighborhoods just outside of Manhattan, at first because of lower rents, and later because of their grittier feel. But Nancy Packes, who prepared the report with StreeteEasy.com and On-Site.com, a national leasing and tenant-screening company, said the new data were the first to show the shift had affected rents in what she called "value-oriented Manhattan neighborhoods."



Kevin Hagen for The Wall Street Journal

The outdoor courtyard area of the Gotham West building on West 45th Street in Manhattan

"These newer industry participants prefer the older, gentrified areas," of the other boroughs, she said, "to the sleek canyon denseness of Manhattan."

The report singled out parts of the Upper East Side, Midtown, Midtown East, Midtown West, Murray Hill and Kips Bay. Ms. Packes said that with solid job growth in the last year, rents on studio, one- and two-bedroom apartments were flat or down in doorman buildings in these value neighborhoods—when they would have been expected to rise.

In all Manhattan neighborhoods below 96th Street, rents in doorman buildings rose 5%, the report found, to an average of \$4,196 a month.

While buildings with dramatic designs and strong amenities can still excel in these neighborhoods, she said, selected weakness could continue for years and undermine

values of the areas' rental buildings.

In Midtown, average rents fell 6.2% in the last year to \$4,492 a month; east of Lexington Avenue, they fell by 10.9% to \$3,713; west of Eighth Avenue, they were about flat, at \$3,862 a month.

At Gotham West, the first of 554 luxury rental apartments have just gone on the market on the east side of 11th Avenue between West 44th and West 45th streets. With the first renters now moving in, it is too soon to measure the strength of the Manhattan appeal.

"The market is going to determine that," said Melissa Pianko, executive vice president, development at the Gotham Organization. "We think we are delivering a great product, with attention to detail and sophistication with which we approach the amenity space."

While many Manhattan projects limit amenities because of high land costs, Gotham West was able to include a large club space with a 45-foot long skylight, a demonstration kitchen, a 26-foot long library table and private dining room and a gallery. The project also an interior courtyard with a reflecting pool, two terraces and a gym. Gotham also included a number of Brooklyn-like elements.



Kevin Hagen for The Wall Street Journal

The Gotham West building on West 45th Street in Manhattan is competing by adding new amenities.

A dining and retail space on the ground floor includes spaces to be occupied by a number of Brooklyn-based food purveyors, from the Brooklyn Kitchen, to Saltie in Williamsburg and Court Street Grocers.

And while developers and city planners long have called the neighborhood Clinton, Gotham celebrates the neighborhood's older name of Hell's Kitchen.

"Everyone knows Manhattan is never over," Ms. Pianko said. "The great thing about New York is that it is not a one-size fits all

proposition," she said. But she added: "Our next project is in Brooklyn."

David Lowenfeld, a developer and former city development official is bullish on the waterfront in Brooklyn and Queens. He is executive vice president of the World-Wide Group which has begun construction of a \$157 million luxury rental development on Queens Plaza North and 24th Street with a 21-story tower. "Twenty years ago, the cool neighborhoods of New York were TriBeCa and Chelsea," he said. "The cool is happening now on the east coast of the East River."

Darko Lovric, a 32-year-old senior project manager recently moved by the World Economic Forum to New York from Geneva, looked at 20 different buildings from Williamsburg to the West Side before moving in this week to Gotham West. He now

pays \$3,120 a month for a studio with an alcove and a view of the Bank of America tower and the Chrysler Building.

He said he wanted a location "a bit more happening" than the Upper East Side. "I didn't find much of a price difference in terms of properties I was looking at," he said, "so why not Manhattan?"

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

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