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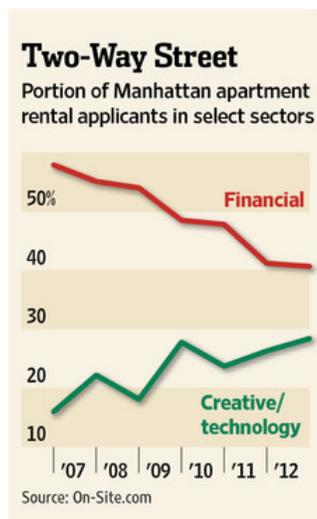
NY REAL ESTATE RESIDENTIAL

Creative Workers Drive Down Rent

By JOSH BARBANEL

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It is a paradox of today's New York City home rental market: Despite significant job growth in the last year, rents have been flat or falling for months.



One reason why, according to a new study out Tuesday, is that more city renters are like Kaye Tuckerman, an actress starring in a national tour of "Mamma Mia!," who signed a lease for a two-bedroom Harlem apartment in September for \$1,950 a month. Unlike some of the Wall Street workers who once made up the bulk of the rental market, Ms. Tuckerman had a strict budget and was willing to live uptown to stay in Manhattan.

An influx of artists, designers, young people in the city's burgeoning technology sector and other industries is helping to drive rent prices down because they typically make less money than those in financial services, which has seen weaker job growth, according to the report by real-estate marketing consultant Nancy Packes, released with SteetEasy.com and On-Site.com, a national leasing and tenant screening company.

"Lower wages are contributing to lower rental growth," Ms. Packes wrote. "The highly compensated finance sector is losing market share to the technology and creative industries."

It is another sign of how New York's economic recovery has been robust yet underwhelming, with strong job growth but often in fields that pay less. Historically, Ms. Packes said, job growth has led to big gains in Manhattan rents. But in 2012, when private-sector jobs in the city grew by 2.4%, the fifth best year since 1990, rents didn't rise. A survey by Citi Habitats showed Manhattan rents falling in each of the last five months, down to \$3,211 a month in January from a peak of \$3,461 in August.

The difference, Ms. Packes said, is the renters themselves.

Back in 2006, nearly 60% of new renters worked in the financial sector; now about 40% do. Workers in creative fields and technology have nearly doubled, now making up nearly three out of 10 renters, the report found.

Despite strong demand for apartments, the trend of lower-paid workers is capping rent increases, setting a limit on how high rents can go—outside super luxury buildings—now and possibly for years to come, the report found.



The New York City skyline is pictured in September 2012. Bloomberg

Not everyone agrees with Ms. Packes. Barbara Byrne Denham, chief economist at Eastern Consolidated, a commercial brokerage and real-estate-service company, said rents may be simply going through a temporary pause after "too many landlords raised rents too much and chased away tenants." Overall, rents were up 4% in the city in 2012, Ms. Packes's report found, although that is lower than in past years when there was job growth.

The city has successfully pushed to attract more technology workers and creative types, but their finances tend to be stretched thinner than that of Wall Street employees, according to the lease data studied by Ms. Packes. Usually landlords want tenants with gross income at least 40 times their monthly rent. The income ratios varied from more than 50 times rent for lawyers, 45 for finance, but only 40 for tech people and 32 for creative workers.

Even with slightly lower rents, technology and creative workers are finding the city's market is tough.

Ms. Tuckerman, who plays Donna in "Mamma Mia!," was taken aback by the rental market when she returned to New York after traveling for a few years. Before she went on tour, landlords were offering to pay for brokers fees. Now, no-fee apartments have all but disappeared.

Ms. Tuckerman was in Vancouver when her broker, Kristin Cantwell of Citi Habitats, heard about an apartment on West 137th Street that was about to go on the market. Ms. Cantwell videotaped the apartment and the street, and a friend inspected it for her as well.

"I was totally in love with this kind of apartment," she said. "I realized very quickly when something in the market is good you have to grab it."

When Devin Asaro moved to New York last fall to take a job with a Internet-search startup, he had hoped to move to a trendy neighborhood in Brooklyn similar to his neighborhood in San Francisco, with farmers markets and vegetarian restaurants nearby. Instead he and his girlfriend, Ryan Willard, an editor, wound up on the far Upper East Side.

Mr. Asaro, a writer and expert on search-engine optimization, set a limit of \$2,000 a month including fees and commissions, according to his broker Andrea Saturno-Sanjana of Citi Habitats.

But that wasn't enough to rent a one bedroom in now well-established neighborhoods such as Williamsburg. So Ms. Saturno-Sanjana helped them

find a studio on the far East Side of Manhattan, on East 81st Street east of First Avenue for \$1,595 a month. It is a fourth-floor walk-up with two windows and neat hard wood floors.

"There wasn't much available," Mr. Asaro said.

Brokers said a lot of tech and creative workers want to be downtown but find it too expensive. "Occasionally they will look in the East Village," Ms. Cantwell said. "It depends on what their day job is."

While expensive high-service luxury buildings, such as New York by Gehry, on Spruce Street downtown, may see rents continue to grow, the changes in the broader market could continue to limit rents in the future, Ms. Packes said.

"Lower per-capita income of new hires will temper rental-growth rates in Manhattan, Brooklyn and Queens in ways not previously seen," she said.

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