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## Manhattan Landlords Throw In Extras to Lure Renters

As rents stay high, perks like free use of the gym can bring in tenants



Manhattan rents are still sitting near all-time high levels, and it isn't clear rents will fall during the spring. *PHOTO: BLOOMBERG NEWS*

By **JOSH BARBANEL**

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With demand softening in the face of high asking rents, Manhattan landlords are looking to close the deal by offering concessions to more and more renters, brokers say.

New York City brokerage Citi Habitats found that 21% of its rental deals in the first quarter included some form of incentive, typically owner-paid brokerage fees or one or more months of free rent or both.

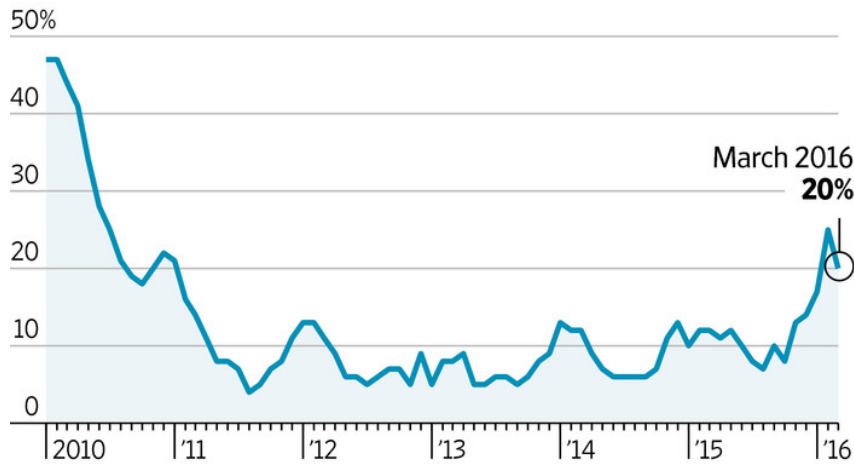
That was the highest percentage of incentives paid by landlords in more than five years, up from 12% in the first quarter of 2015.

In February, one out of four leases signed included a concession, Citi Habitats said.

## Let's Make a Deal

Landlords with greater frequency have been signing up tenants with financial incentives such as free rent.

### Percentage of transactions in Manhattan handled by Citi Habitats that included landlord concessions\*



\*Owner paid commissions, one or more months of free rent or both

Source: Citi Habitats

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Other goodies can include free use of the gym for a limited time, iPads and gift cards for brokers.

Analysts cited three forces driving the shift: weak demand for apartments; an increase in competition from new rental developments in Manhattan and Brooklyn; and rents that rose at a faster pace than incomes in the last few years.

“A lot of the owners look at what they got a year ago in rent and they just think it

should always go up,” said Gary Malin, president of Citi Habitats. “The economy is not producing enough jobs that can stomach these prices.”

The concessions are, in effect, discounts on the rent, but ones that leave the original sticker price on an apartment. That can come in handy for landlords when time comes to negotiate a lease renewal.

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Sometimes, discounts are included in listings; other times, brokers or renters have to ask for a better deal, Mr. Malin said.

That was good news for Joey Blondin. A consultant in the high-tech industry and a part-

time DJ and music producer, Mr. Blondin was in the hunt for an affordable New York apartment after moving from Boston.

“Each place we went to was willing to knock something off, some places more than others,” he said.

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*‘Each place we went to was willing to knock something off, some places more than others.’*

—Apartment hunter Joey Blondin

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The rise in concessions followed a bump in the vacancy rate last fall. Together, the two factors suggest a further weakening of the Manhattan market. In theory at least, further breaks could be in store for tenants, including lower asking rents.

To be sure, Manhattan rents are still sitting near all-time high levels, and it isn't clear rents will fall during the spring. That is usually the peak season for the rental market, as many newly hired college graduates look for apartments.

Overall, Manhattan rents peaked last summer and now hover just below the peak. Average rents in March were \$3,473, off less than 1% from the record average rent of \$3,507 in August, and \$9 below the average rent in February, according to the Citi Habitats data. At the same time, the March 2016 rent was \$26 above the average rent of \$3,447 in March 2015.

Nancy Packes, a rental market consultant in New York, said a wave of new rental buildings opening in Manhattan and Brooklyn was giving many Manhattan renters more choices. That is putting pressure on the owners of older, less flashy properties known in the trade as “value buildings.”

Ms. Packes noted a new, 61-story rental development known as Sky, on West 42nd Street and 11th Avenue, opened with more than 1,100 apartments, along with two outdoor pools and one indoor pool. It is offering owner-paid broker fees, according to listings on Streeteasy.com.

So far this year, she said seven new rental buildings have opened in Manhattan, with a total of more than 1,500 units.

Jonathan Miller, an appraiser and president of Miller Samuel Inc. who prepared a rental market report for Douglas Elliman, said he found that median rents on more expensive, two- and three-bedroom apartments were under more pressure than smaller units.

“The rental market is sitting within a city with a very robust economy,” he said. “There has been a lot of job creation, but it doesn’t match the housing stock that is created.”

Mr. Blondin found that landlord concessions worked to his advantage. After getting “stressed out” while looking on his own, he joined forces with Jayson Caste, a broker at Citi Habitats.

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Mr. Blondin looked in a number of Manhattan neighborhoods but finally settled on the Financial District, where rents were a bit lower. He found a 800 square-foot studio with new, stainless-steel appliances on the 22nd floor of 1 West St. It has a view of New York Harbor and the Statue of Liberty.

The rent was \$3,250 a month. But he was able to get a better deal than the landlord initially offered, Mr. Caste said. The landlord paid his broker’s fee, and Mr. Blondin got two months of free rent. He said his effective rent worked out to \$2,786. He signed a 14-month lease at the end of February.

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