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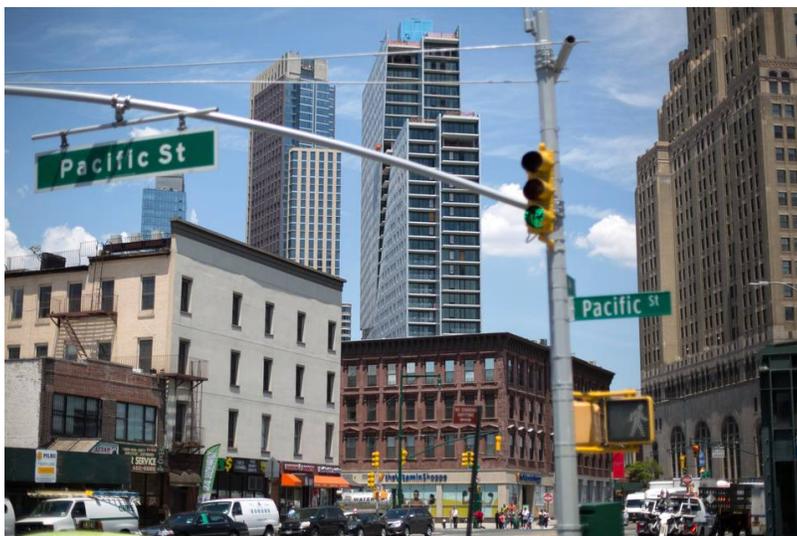
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As Rental Supply Grows, Landlords Negotiate

Manhattan vacancy rates are up, as are deals that include concessions



New rental buildings in Brooklyn. PHOTO: KEVIN HAGEN FOR THE WALL STREET JOURNAL

By **JOSH BARBANEL**

Aug. 11, 2016 12:01 a.m. ET

Vacancy rates for Manhattan rental apartments reached their highest level for any July in at least 14 years, the latest evidence that the market is softening, according to a report from broker Citi Habitats.

The report also said deals that include landlord concessions more than doubled from July 2015. July is usually a strong month for New York City landlords, as college graduates move in and families scramble to find apartments in time for the fall semester.

Analysts attributed the signs of weakness to a disconnect between the rents that landlords are demanding and what tenants expect to pay, at a time when the real-estate market is flooded with newly opened rental buildings in Manhattan and Brooklyn.

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t tenants, and such offers are now affecting rentals in nearby older buildings as well, said Nancy Packes, a marketing consultant to many rental developers.

“Buildings in the area of new buildings need to match the concessions,” she said. “It becomes a kind of viral contagion. When the new buildings are rented up, the concession levels go back down.”

For example, she said, several large rental buildings have recently opened in Downtown Brooklyn, all of them offering at least one month of free rent. Some Manhattan neighborhoods are seeing similar booms, she said.

So far this year, 15 new buildings containing a total of 2,552 apartments have opened in Manhattan, and 10 buildings containing 1,979 units opened in Brooklyn, according to data provided by Ms. Packes.

In Manhattan, the Citi Habitats said, 19% of new leases had concessions, such as free rent or landlord-paid brokerage fees, up from 8% in July 2015 and the highest rate for the month of July since 2010.

The report put Manhattan's vacancy rate at 1.92%, the highest for July since Citi Habitats began tracking vacancies in 2002.

The average monthly rent was \$3,508, down 0.5% from a record \$3,526 set in June.

In Brooklyn, the percentage of rentals with landlord concessions nearly doubled, according to a report by Douglas Elliman prepared by Jonathan Miller, an appraiser and president of real-estate firm Miller Samuel Inc. The report found that median rents in Brooklyn slipped 0.8% to \$2,826 from July 2015.

“There is a mismatch between what the demand is and what the supply being created is,” Mr. Miller said.

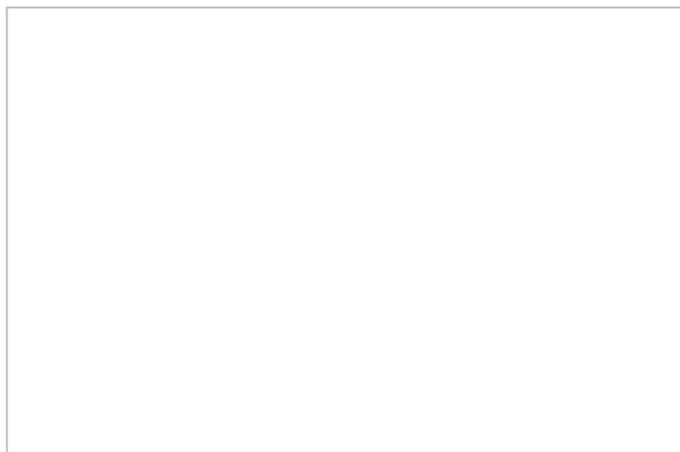
Last month, Fred Henderson, a Toronto-based retail consultant, helped his daughter, Alex, rent a one-bedroom walk-up on a high floor in SoHo.

The apartment was listed at \$2,950 a month but came with one month free, according to Andrew Sacks, a broker at Citi Habitats who represented the family.

“That wasn’t what made the deal for us,” Mr. Henderson said, “but it was something nice to have.”

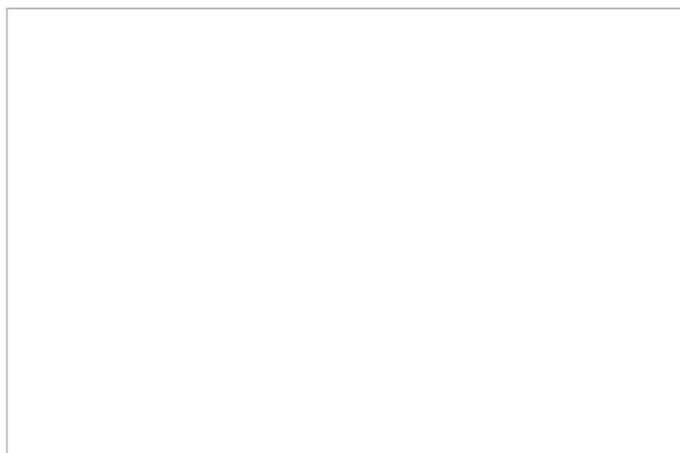
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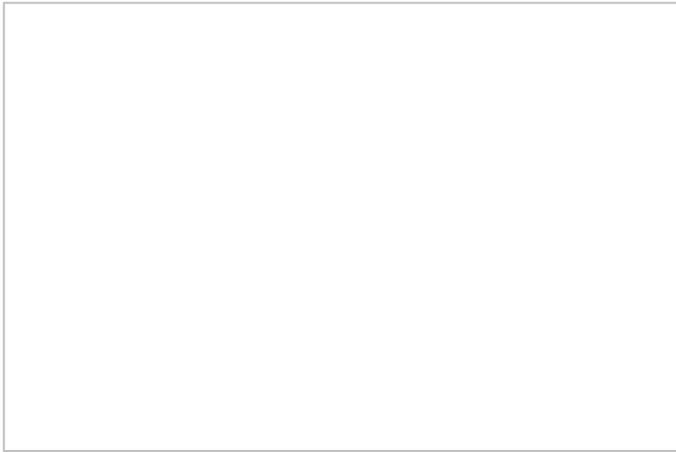
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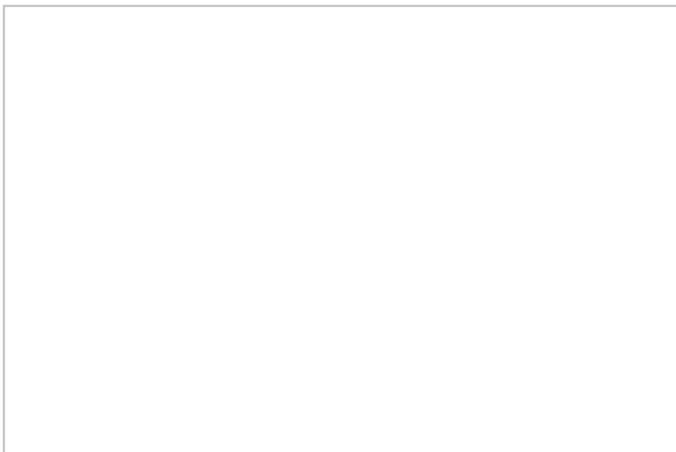
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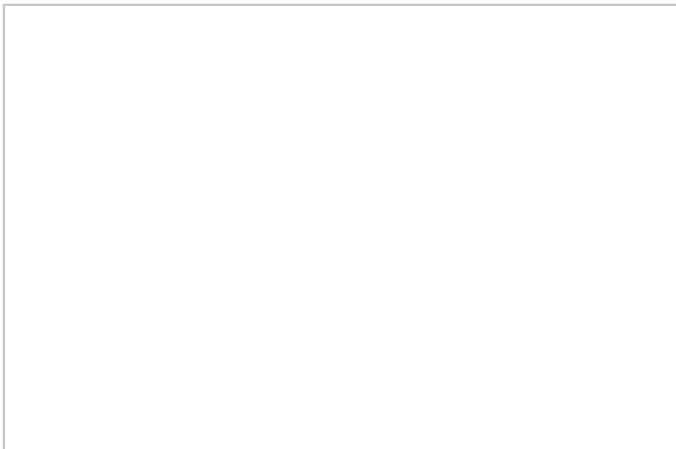
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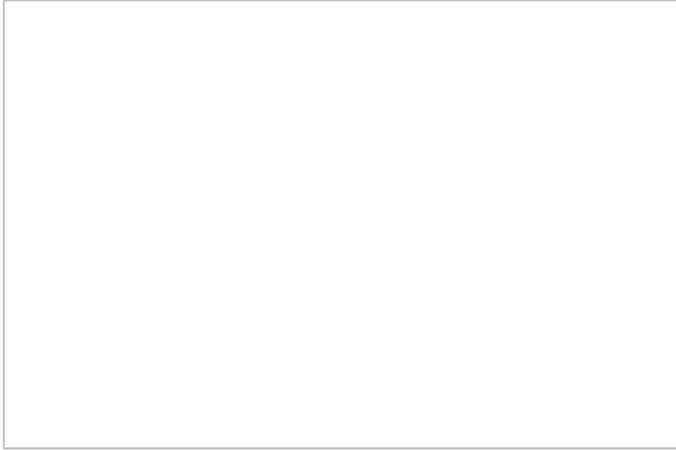
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