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U.S. | NEW YORK | NY REAL ESTATE COMMERCIAL

Ritzy Rentals Flood the Market

With a glut of upscale apartments, rents are going down and tenants are harder to come by



Douglas Elliman broker Sherri Shang, in the 40th-floor apartment at the luxury tower One57. She once rented it for \$13,000 a month. PHOTO: CLAUDIO PAPAPIETRO FOR THE WALL STREET JOURNAL

By **JOSH BARBANEL**

Nov. 16, 2016 7:02 p.m. ET

Sherri Shang found renters willing to pay \$13,000 a month for a one-bedroom apartment in One57, a luxury skyscraper in Midtown Manhattan. The Douglas Elliman broker did it twice actually.

The third time was anything but a charm. Since the latest tenants moved out months ago, she hasn't been able to find a renter for the Beijing couple who own the 40th-floor condominium with a Central Park view—even at a steep discount. Now, she can't find a renter willing to pay \$10,000 a month.

Finding tenants for upscale apartments has pitted individual investors against each other and even against developers. The pressure of competition is putting pressure on rent levels.

Developers are offering as many as three months of free rent. Individual investors have trouble competing, even after cutting thousands of dollars from asking rents.

"The market has changed completely," Ms. Shang said. "I never expected three years later that even with a Central Park View, that it would be so hard to rent out now."

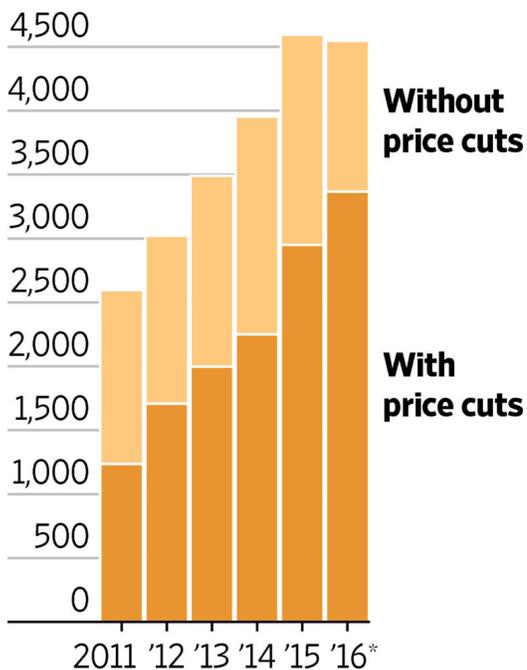
Today, across the five boroughs, there are about 1,100 apartments listed for rent at \$10,000 a month or more. All but 6% are in Manhattan.

At Trump Tower, the Fifth Avenue home of President-elect Donald Trump, a two-bedroom apartment on the 45th floor with park views was leased with an asking price of \$25,000 a month in 2013. In August, it was listed for \$20,000; in October, the price was cut to \$18,000.

"It is easier on owners when prices are going up," said Rana Williams, a Keller Williams NYC broker who has the listing. "But this is a natural shift across the board in the

Luxury Discounts

Number of Manhattan rental listings over \$10,000 a month:



*Through November 15

Source: StreetEasy

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market and we have to lease it at what the going rate proves to be.”

Analysts have anticipated the increase in supply because of the construction of thousands of rental apartments in Manhattan, Brooklyn and Queens. Less attention has been paid to the impact of individual owners who choose to rent their condos.

More than 20% of new condo sales in Manhattan are to investors, said appraiser Jonathan Miller, president of Miller Samuel Inc. Many are looking to eventually sell at a profit; meanwhile, they want to cover their costs and generate income.

The investor share can be much higher for a specific building, though. At 50 Riverside Blvd., a 33-story tower on the West Side that opened last year with 218 condos, nearly 100 have since been listed for rent, according to streeteasy.com.



One57, with the curved top, as seen from the Rock Observation Deck. PHOTO: ROBERTO MACHADO NOALIGHTROCKET/GETTY IMAGES

At one point, 40 apartments were listed at the same time, triggering a price war: the monthly rent on a one-bedroom fell to \$4,000 from about \$4,600, said Moshe Balalo, a founder of BLU Realty Group, which represents many investors. He said rents have mostly recovered.

The rise of the investor-owner is reflected in the number of new leases listed with the brokerage community, said Nancy Packes, a rental-market consultant.

“You have this new wave of rental entering the market that is not landlord buildings,” she said. “That is why we are seeing this uptick”

Ms. Shang’s customers bought their apartment at One57 three years ago with a long-term plan to have their children use it when they go to college. Until then, they want to rent it out. The purchase price was \$3.95 million, property records show.

“They are unhappy,” Ms. Shang said. “They have to pay the monthly common charges, they have taxes and expenses. They want to get their money back as much as they can.”

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