

# CRAIN'S

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### **Demand is soaring for luxury rentals**

#### **In iffy market, paying \$20K/month is seen as smarter than owning.**

By Amanda Fung

The market for high-end apartments, with monthly rents starting at \$10,000, is on fire. Rental units with the same super-fancy finishes and building amenities as the most desirable condos are being snapped up.

The boom is being driven by high-net-worth families who can afford to put a hefty down payment on a \$4 million-plus condo or co-op but choose not to do so now. Despite a recent firming of the city's residential real estate market, more wealthy New Yorkers are deciding that now is the time to play it safe—and rent.

“The majority of my high-end clients are in a holding pattern,” observes Douglas Heddings, president of Heddings Property Group, a residential brokerage firm. “People aren't ready to commit, because there is not enough certainty in the market.”

During the third quarter of this year, 200 new leases were signed for apartments at more than \$10,000 a month. That's more than double the number year-over-year and 60% above the corresponding 2008 period, according to data compiled by appraisal firm Miller Samuel Inc.

All that demand has taken a toll on supply. According to Streteasy.com, there are just 459 current listings for high-end apartments, with an average rent of \$20,102. That is the lowest inventory level in two years, giving landlords grounds to oppose cutting deals. Just 64 listings have had reductions so far this year, compared with 198 in the same period last year.

“People would rather lose money on rent than make a bigger mistake,” says Kathy Braddock, co-founder of brokerage Charles Rutenberg Realty.

Among them is Brian Davis, who began looking for a luxury three-bedroom in the \$16,000 to \$23,000 range this summer. After five years of owning an Upper West Side co-op, the 38-year-old financier is in the process of selling it and leaving homeownership behind, at least temporarily. Among other things, he reckoned that buying a new, larger unit would cost \$4 million to \$5 million—a sum he is unwilling to commit in this market.

“In order to cover transaction costs [of buying an apartment], prices would have to go up 6% for me to break even,” he says. “I don't see that happening in the near future.”

## **Brisk demand**

Owners are watching units fly off the shelf. At 55 Thompson, a boutique building in SoHo that opened just two months ago, 40% of the 38 units have been leased, according to Richard Cantor, co-founder of Cantor & Pecorella Inc., a real estate marketing firm.

Meanwhile, 80% of the apartments in the 131-unit 2 Cooper Square have been leased after four months, according to Mr. Cantor. Monthly rents on three-bedroom units are as much as \$25,000.

“Two to three years ago, these renters would have been buyers,” Mr. Cantor says.

In fact, some failed condo projects are finding success as pricey rentals. A case in point is 34 Leonard St. in TriBeCa. New owners took over the property, which includes a 300-bottle wine cellar and loft-like units, and put it on the market late last month; 12 of the 16 units are taken. Danny Davis, a broker at Citi Habitats, recently closed on three apartments there with monthly tabs ranging from \$18,500 to \$23,500.

At a fast-off-the-mark rental building, The Corner at 200 West, Patrick Lee recently rented a three-bedroom apartment after selling his nearby two-bed condo for close to what he paid for it two years earlier. The building, which has 196 units, is at Broadway and West 72nd Street. The 12 three-bedrooms in the 20-story tower go for \$16,500 to \$20,000 a month. Barely a month after hitting the market, only four are left, according to Patty Schmitz, a leasing agent for the building.

“A lot of people are skeptical,” says Ms. Schmitz. “They don't want to speculate on where prices will be going.”

Mr. Lee, who lives with his wife and son, says his rental is a perfect fit for his needs and provides a product comparable to his former condo. He's thinking of either getting a bigger apartment or moving out of the city in a year or two, and he has concerns about the direction of Manhattan's real estate market.

“With all these uncertainties, I don't feel comfortable owning,” he says.