

NEW YORK

Butler Service and Free Cable No More? Landlords Rethink Concessions as Market Tightens

Share of rentals in Manhattan with owner-concessions fell in January for the first time in 43 months, report shows



The supply of new apartments is getting absorbed in New York, and the vacancy rate is falling. Apartments in the Chelsea neighborhood in Manhattan PHOTO: DREW ANGERER/GETTY IMAGES

By Josh Barbanel

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Landlord concessions—months of free rent, gym memberships, even butler services—that building owners have dangled to fill up a vast supply of gleaming new rental apartments in New York may have peaked, brokers said.

In January, the share of rentals in Manhattan with owner-concessions fell for the first time in 43 months, compared with the same month in the previous year, according to a new market report by brokerage Elliman.

The decline was modest, with 44% of leases with concessions, down from a peak level of 49% in January 2018. But other indicators also suggested that landlords were feeling bolder, after two years of weak activity when tenants were in position to make demands.

In recent years, an oversupply of new buildings gave renters the upper hand. Landlords had to find creative ways to get tenants to commit.

When the Hub, a rental tower in downtown Brooklyn, went on the market a few years ago it offered an amenity of free cleaning services through a concierge and butler service known as Hello Alfred. Some buildings have offered gift cards ranging from \$250 to \$1,000 to brokers and sometimes to renters as well, brokers said.

Some landlords even offered free gym memberships on top concessions like months of free rent and owner-paid brokerage fees that were traditionally paid by tenants, said Andrea Pedicini, a broker at Citi Habitats who represents condo investors who rent out their apartments.

But now, the supply of new apartments is getting absorbed and the vacancy rate is falling, in part because many renters who had been looking to buy are still renting. Condo prices have been falling, and renters may be waiting for further declines before buying.

“I am seeing fewer and fewer concessions,” Mr. Pedicini said. “It is all about supply and demand.”

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At Eagle Lofts, a 55-story tower with 790 units in Hunters Point in Long Island City that went on the market last year, tenants have been offered two months of free rent, owner-paid broker fees, \$75 per unit in amenities fees a month, and free cable and

internet for a year, said Patrick Smith, a Stribling & Associates broker based in Long Island City.

Molly Franklin, a broker at Citi Habitats, said that at One Blue Slip, a new rental building facing the East River in Greenpoint, Brooklyn, renters have been offered 24 van rides per month through Via, a shared ride service, to nearby subway stations, while another building offered laundry delivery credits.

Jonathan Miller, president of Miller Samuel Inc., an appraiser who prepared the Elliman report, said that sluggish condominium sales during last year—down 14.2% from the year before—added to the pressure on rents, as would-be buyers held off buying and continued to rent.

“There are a growing number of people who seem to be camping out” in rentals he said, while waiting for the right opportunity to buy. He said that trend started out in the luxury market and then expanded to lower-priced apartments.

In a further sign of tightening, Mr. Miller’s report found that the median Manhattan rent, after accounting for concessions such as owner-paid brokerage fees and one or more months of free

rent, rose 5.7% in January, compared with January 2018. But January is traditionally a weak month for rents and the median January rent of \$3,320, was below median rents in three months during the spring and summer.

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