

5 Ways New York Landlords Can Stay Afloat In A Softening Rental Market

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At the close of the first quarter, multifamily rents **are continuing to fall** in all five New York City boroughs. Manhattan rents dropped 3.8% in March compared to last year, while in Brooklyn and northwest Queens, rents dropped 6.3% and 6.4%, respectively. A substantial Class-A multifamily supply has led to building owners facing higher occupancy rates, as prospective tenants choose apartments from a larger selection of options.

As a means of attracting tenants, concessions have skyrocketed citywide, reaching all-time highs in Manhattan, Brooklyn and Queens. Apartments offering concessions now account for **about half of the market share**. Landlords looking to reach full occupancy across their properties have had to find ways to appeal to tenants looking for the best deal — without lowering rents.

“In a market that is becoming increasingly competitive, you have to be more creative,” Rosenberg & Estis managing member **Luise A. Barrack** said.

Barrack offers five suggestions to help landlords keep their buildings occupied in the softening market.



1. Offer no broker’s fees and lower security deposits

Qualifying for an apartment requires more than being able to pay the rent. Tenants are required to put down a security deposit equal to or more than one month’s rent. If they worked with a broker to secure the apartment, they can expect to pay a fee anywhere from one month’s rent to 15% of the year’s rent. Therefore, upon lease signing, tenants have to make a payment of thousands of dollars, which can be problematic, Barrack said.

A growing number of landlords now offer to pay the broker’s fee, and some have negotiated lower security deposits to attract tenants.

“This is a large amount of money, especially for people just entering the NYC rental market, like recent college or graduate school graduates,” Barrack said. “Owners want more rent and security, but the market speaks. With unoccupied units, you are not generating income to cover the costs associated with owning property.”

2. Be flexible on your pets policy

Animal policies vary from landlord to landlord, but many have restrictions on the size of the pet, the number of animals and will often add a fee to the rental to cover any potential damage. Some landlords will reject applications from tenants with pets or with certain breeds of dog. If the building has vacancies to fill, Barrack recommends being flexible with pet owners on a case-by-case basis.

“If a prospective tenant has an animal but is otherwise a good candidate, the property manager should consider being more flexible about their pet policy,” Barrack said.

3. Be open to a guarantor

For many young professionals or students, qualifying for 40 times the rent can place much of New York’s apartment inventory out of reach. Postgraduates often turn to a parent to serve as a guarantor. For landlords, this can provide an added layer of security to the lease but many landlords currently don’t accept out-of-state guarantors, or may not accept guarantors who are retired, regardless of credit score.

Third-party security deposit companies are becoming more and more popular in recent years as an alternative to a guarantor.

“These security deposit companies are changing the landscape for tenants, and many of my clients have expressed interest in partnering with these companies to help attract tenants who may not otherwise qualify on their own,” Barrack said.

4. Market to a specific demographic

Properties near academic institutions like New York University or Columbia University, for example, can market units to students **looking for housing** during the academic semester. Guarantors can help students qualify for apartments.

5. Allow roommates and temporary partitions

A growing number of New York renters now begin their apartment searches with a roommate to split costs.

An alternative is to flex smaller space into separate living areas by using partitions. Landlords may have been hesitant in the past about allowing the installation of temporary walls, because of the potential damage to apartments. Because partitions don’t close all the way up or block emergency exits, they make spaces like studios appealing to multiple residents. Having flexibility by adding nonpermanent walls that allow a couple of people to share is likely to make a rental more attractive, Barrack said.



While landlords have multiple strategies for getting creative with rent and attracting tenants, these solutions don't come without pitfalls, Barrack said. Landlords still need to vet tenants carefully, from credit checks to ensuring they understand the terms of the lease agreement.

Until the supply is absorbed, rents will remain soft. But given New York's appeal to both young professionals and seasoned city residents, it won't be long before they are once again on the rise.

"New York will always be an attractive place to live," Barrack said. "There is construction everywhere because of the high demand, and I look forward to seeing how the city continues to adapt to fluctuations in demographics."

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