Manhattan Apartment Rents Increase Nominally; Boroughs Outperform

August 28, 2023
in Top News

Commercial Real Estate Direct Staff Report

Average monthly apartment rents in Manhattan increased by $11, or 0.23 percent in July, to $4,815, putting them $14 greater than they were a year ago, according to MNS Real Estate.

The slight increase belies the great fluctuation in monthly rents, and the seemingly random monthly changes, at certain property types and submarkets.

For instance, the average monthly rent for a studio in a non-doorman serviced building has jumped 13.31 percent from a year ago to $3,074, while rents for studios in doorman-service buildings had increased by only 4.39 percent to $3,975.

Meanwhile average rents for a studio in a doorman-serviced building in the East Village actually had declined in July to $3,887 from $4,124 a year ago. A studio in a non-doorman building in that neighborhood was just about flat, having declined by only a dollar to $2,825.

In contrast, a one-bedroom unit at a doorman-serviced building in Gramercy Park had increased by 1.2 percent since last year to $5,323, while a similar unit in a non-doorman building had declined by 9.7 percent to $3,468.

The price changes are all driven by supply and demand, despite the heavily regulated nature of New York's residential rental market.

"What we're seeing is a shortage of inventory" in certain markets, explained Andrew Barrocas, chief executive of MNS, a New York brokerage and data company compiles rental data from its own listings and those from other services. Its data reflect only units with monthly rents of less than $10,000 each to eliminate outliers.

The sharp increase in rents at non-doorman buildings in Manhattan overall is the result of a lack of supply. Units that get added to the borough's inventory tend to be at new buildings, which typically have doormen. Those also tend to carry higher rents than at non-doorman buildings. The lower rents at non-doorman buildings drives demand toward them.

Meanwhile, development of additional units in Manhattan, and in the three other boroughs for which MNS compiles data, remains tepid. While construction for 50,000 units across the city is underway, only 20,000 are slated to be completed this year, according to Marcus & Millichap.

In Manhattan, only 597 units were added last year through November, according to Yardi Matrix. That compares with an annual average of 4,300 units for the five years leading up to the Covid lockdowns.

Part of the reason for the sharp slowdown in development is the expiration of a subsidy very popular among developers: the former 421-a tax abatement, which in its last iteration was known as the Affordable New York program. The program has benefited 117,042 units, or 68 percent of all those constructed, according to New York University's Furman Center.

The subsidy's expiration is expected to result in a 20 percent drop in apartment development in the city, according to JLL, which said 12,000 units would be delivered annually in the city through 2027, a decline from the 15,000 that were delivered annually between 2017 and 2022.

Meanwhile, average rents in each of the three other boroughs that MNS tracks had increased by more than they did in Manhattan.

For instance, in the Bronx, rents were $2,390, up $26 or 1.08 percent from June and $123, or 5.42 percent from last year. In Brooklyn, rents averaged $3,636 in July, up $16, or 0.46 percent from June and $77, or 2.17 percent from last year. And in Queens, rents averaged $2,735, up $10, or 0.35 percent from June and $61, or 2.28 percent from last year.

The reason for the boroughs' outperformance: "Rents are increasing [in the boroughs] because of new housing that didn't exist before," Barrocas said. Newer properties generally have higher rents, pulling overall rents higher.

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