

To lure renters, landlords cut costs, fees, add gift cards amid pandemic, analysts say

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Developer Robert Leaf of New Rochelle is attracting renters to his six-story luxury apartment building that boasts a fireside lounge, club room and fitness center.

But he included some incentives. The Millennia, a building near the New Rochelle Metro-North Railroad train station, is offering one month of free rent for studios and one-bedroom apartments without terraces.

Terraced apartments sold out first. Only studio and one-bedroom apartments were left.



Leaf is part of a growing number of developers and landlords in Westchester who are giving concessions such as gift cards, fee waivers and months off rent to lure people as vacancy climbs in parts of New York City and the metropolitan area.

"It's truly a renters market because the amount of people looking to relocate within the city is very slim," said Victor Rodriguez of real estate analytics firm CoStar.

Analysts say that from March to October, the brunt of the pandemic pushed some renters to flee New York City, move away, or not to renew leases as construction wrapped up on a number of projects in the region.

The overall increases in supply and concurrent drop in demand led to a growth in vacancy that propelled landlords to negotiate rent concessions more frequently, according to analysts.

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CoStar says the number of landlords offering rent concessions has doubled since December. The tactic appears to be yielding results as the speed at which apartments are rented in Westchester returned to its pre-pandemic levels in August.

The coming months will see a delicate balance of continued givebacks while watching demand and lease closings, Rodriguez said.

"Over the next six or so months, the expectation is that rents will drop (in Westchester) as renter demand lessens," Rodriguez said. "Perhaps it will be a scenario where (rents) stay stable and the amount of concessions offered increases, but typically, both have to work together to spur demand."

CoStar reported landlords in the metropolitan area, on average, offered the deepest discounts in rent in September and July.



Tanya Gonzalez, 42, from New York City, said moving to River Tides at Greystone in Yonkers, and moving during the pandemic in general, is ultimately a question of mental health and comfort.

Gonzalez lived her entire life in New York City before moving to a one-bedroom with a terrace at River Tides on Oct. 16. Management at the apartment complex granted one month of free rent to her and her husband, she said, and fee vouchers were offered to Gonzalez because of her role as a teacher and essential worker.

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"I didn't take (rent concessions) into consideration until we were done with the paperwork," Gonzalez told The Journal News/lohud.

Despite not having any furniture at her new rental on Warburton Avenue until December, Gonzalez said the personal health benefits of living and working from a bigger apartment in a less crowded city outweigh any temporary discomfort.

"I wanted to have a different work environment since I've been working from home since March and I am going on maternity leave until March 2021."

Over the summer, David Robeano and his husband were shocked when they were sent rent increases for their duplex at the Apex Hudson Riverfront in Yonkers, particularly because they were good renters and had seen similar apartments in the development advertised for cheaper.

They were faced with a difficult choice: stay and pay more rent on a lower income because of the coronavirus, or move.

"So it was pretty scary at the time," Robeano said. "The idea that we're going to have to move or that we're going to have to pay another \$350 a month was pretty overwhelming."

The couple had seen other Yonkers apartment complexes offering huge concessions but the idea of moving amid the pandemic was too much for them. Instead, they lobbied the building manager to not increase their rent on the apartment that they've been in for more than two years after moving from Manhattan.

Eventually, the couple received the concession and Robeano suggested to other renters to always negotiate.

How will developers respond?

RXR Realty, the developer behind luxury apartments at Sawyer Place in Yonkers and 360 Huguenot in New Rochelle, saw leasing across its rental portfolio in the metropolitan area slow by 60% in March and April.

The development firm leased a third of its buildings from March to September. And although it is not giving additional incentives because of the pandemic, many of its websites show concessions that developers would be less eager to grant prior to the pandemic.



360 Huguenot's website showed incentives of up to two months of free rent for some leases. Sawyer Place's boasted of three months of free rent for some leases.

Avalon Yonkers advertised rates that included up to one month free on lease terms 12 months or longer — and up to two additional months of free rent on select apartments.

The luxury apartment complex at 50 LeCount Place in New Rochelle, known as The Standard, offers to waive amenity fees for one year and to grant one month of free rent to new renters.

Bruce Berg of the Capelli Organization, the developer of the property, said The Standard opened in February and has offered to waive the amenity fee and a month of free rent to remain competitive as the broader rental market reacts to changing seasons and the coronavirus pandemic.

"We want people to get into the building and enjoy," he said. "We can pick up the amenity fee next year."



Real estate firm Ginsburg Development Companies, the owner of several apartment buildings in Westchester, including Stratus on Hudson and River Tides at Greystone in Yonkers, is advertising one month free rent on a one-

year lease and two months free on a two-year lease for new residents at some of its apartments.

River Tides at Greystone's site showed 0.5 month, one month or 1.5 months off of rent depending on the lease term, from a year to 3 years.

Martin Ginsburg, founder and principal of GDC, said that the number of people moving from New York City to GDC's Westchester properties has increased amid the pandemic but that the company isn't offering any particular concessions to lure them.

If a property sees a reduction of below 95%, that property may see some concessions, Ginsburg said, noting that GDC's occupancy is generally high and that people are showing a preference for smaller luxury apartments.

Ginsburg noted that the rental market depends largely on what happens with the coronavirus pandemic. If it persists another year or two, and people are staying underemployed, then rents will come down and there will be a recession, he said.

He does not think that will happen, believing that there will be a quick recovery once a safe vaccine is created.

Rental rates dip

As New York reeled from the coronavirus pandemic, rental markets in the county seat of White Plains and Yonkers, the largest city in Westchester, each saw some dips in year-over-year monthly rental rates, according to data from Zillow that goes through September.

Of the two, White Plains saw the most months of reduction, with its largest dip of 3.2% in July. Yonkers' largest drop in that analysis was in May when the city saw a decline of 0.7%, or to around \$2,100.

Comparatively, New Rochelle saw gains in most months in 2020, but they were generally not as large as last year's, Zillow reports.

Alexandra Lee, Zillow economist, posited that concessions could be muting the observable rental weakening in these markets, noting that Zillow's rental index wouldn't price in incentives such as free months of rent or waived security deposits.

"In fact, concessions are a tactic landlords can use to avoid officially cutting rents and setting a precedent that could linger when the market picks back up," Lee said. "In this way, concessions can be a leading indicator of a coming price drop — landlords will offer them first, and may only reduce rent after these concessions no longer seem to move the needle."



On the other hand, the redevelopment of the office complex at 70 Ashburton Lane in Yonkers into studios and one-bedroom apartments, known as Hudson Blue, was fully leased four months after it opened in April.

No rent concessions and no pre-leasing was done prior to the apartment building opening in April, the project's ownership said.

It's not just Westchester

Apartment vacancy in New York City, the Jersey City waterfront and southern Westchester, a market of roughly 1.4 million market-rate rentals, was at 2.2% in January, according to CoStar.

By October, vacancy in the region almost doubled to 4.2% — an increase of roughly 28,000 new vacancies in six months.

Rodriguez of CoStar said the last time the vacancy stood above 3.3% was in 2011.

"Markets with a lot of construction are dropping their rents and that's also leading to increased concessions," he said.

Asking rents for market-rate apartments in Manhattan and Brooklyn, the priciest submarkets in the region, have decreased through the duration of the pandemic as renters continued to exit the market.

Real estate firm Douglas Elliman said the market share of landlord concessions in Manhattan, Brooklyn and Queens rentals reached a record for the decade in the third quarter of 2020.

The number of apartments available for rent in Manhattan, Brooklyn and Queens tripled from one year ago, the firm said.

Nationwide, the year-over-year rent growth rate has dipped by an average of 1.4%, according to Apartment List. The state average dipped by 7%.

Everyone can't offer or receive concessions

Although new, luxury developments are able to dole out concessions, for more mom-and-pop landlords and those who live in residences don't typically get or receive those incentives.

In Yonkers, for instance, at least a third of renters live in smaller buildings that in turn tend to be owned by smaller-scale landlords who are less able to weather long periods of non-payment, according to the [NYU Furman Center](#).

Around 40% of Yonkers households are in the severe rent burden category, leaving them more susceptible to housing instability resulting from income loss because of the pandemic.

Craig Scher of CS Realty & Relocation Services represents a number of smaller landlords in the Sound Shore area. Scher said that he hasn't seen concessions from them.

But Scher said he is seeing a 27% increase in the rentals of \$5,000 and over from April to September. During that same period, he said that lower-income households, those making less than \$100,000, saw an 18% decrease.

"So, what I am saying is the more fortunate are able to move, and the less fortunate are struggling," he said. "We are seeing more properties in the lower price range stay on the market longer, have a tougher time securing a qualified tenant."

On the lower end, he said, people want to move but they just don't have the money.

Looking ahead in Westchester

Mark Lehman of New York City real estate firm Rosewalk Properties said now might be the best time to build near Pace Law School in White Plains.

Unlike buyers from New York City seeking isolation and refuge as far north as the Adirondacks, pandemic renters are moving, but they are mostly staying near the city.

In White Plains, rents are down by around 6% compared with the same time last year, according to Apartment List's November rent report.

But there might be a glimmer of hope in White Plains as rental prices have increased 0.5% over the past month, according to that analysis.

Lehman said he is hoping that trend will continue as he eyes being the third developer attempting to erect apartments a short walk from Pace Law School at 108 North Kensico Ave. The first developer tried around 20 years ago.

Lehman manages rental buildings in Westchester, Dutchess and Putnam counties, and said that despite buyers flocking north of New York City, most renters have stayed put.

"Renters in New York City aren't venturing up to the Hudson Valley as much as the immediate suburbs," Lehman told The Journal News/lohud.

Lee of Zillow underscored that, saying the higher vacancy rate and rental price drops in New York City, compared with the relatively strong rent growth in Yonkers and New Rochelle, stresses how much renting preferences have changed during this pandemic.

"Renters are no longer willing to pay high rents to live in cramped quarters," she said. "For the many renters that are now able to work remotely, these areas in Westchester represent a great option that is still accessible to the city, yet allows for more space and cheaper rents."

Future of New Rochelle

Luiz Aragon of New Rochelle said renters are still moving to New Rochelle, which has approved over 6,000 rentals across 32 projects in recent years. Penning leases in the second quarter of 2020 was difficult because of statewide restrictions he said, but leasing velocities have mostly recovered to pre-pandemic levels.

Five projects are penning leases while 11 are under construction.

Aragon, the commissioner of development for the city, said New Rochelle's recent success luring in apartment construction is making the administration consider granting entitlements for up to 10,000 apartments downtown.

If approved, the plan would almost double the number of apartments originally approved in December 2015 — 5,500 — when the city voted to rezone the downtown. In exchange, downtown New Rochelle would see less medical office space construction, according to Aragon.

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