

BUSINESS**LI rents rising as developers struggle to meet demand for apartments**

Nearly 13,000 new downtown rental units have been approved in the past 12 years, and another 10,000 are in the works.



Angelo Iannone, seen here on Monday, says The Vanderbilt in Westbury offers "everything that would be in a luxury New York City apartment building." Photo Credit: Barry Sloan

By Maura McDermott

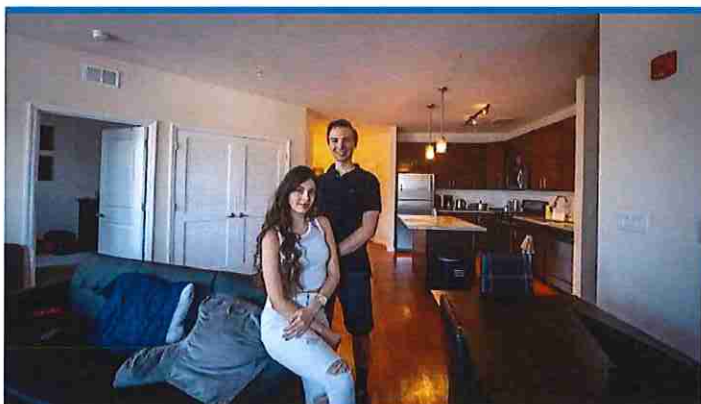
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Long Island's newest, most luxurious rentals are getting snapped up by affluent empty-nesters and young professionals seeking flexibility, convenience and hotel-like amenities such as pools, concierges and room service.

The demand for high-end rentals has driven up prices throughout the Island. In Nassau County, the average rent for units in multifamily buildings was \$2,257 a month in the first three months of 2018, up 3.2 percent from a year ago and 27 percent from five years earlier, Manhattan-based real estate market research company Reis reported. Suffolk County rents have risen by about 2 percent in a year and 13 percent over five years, to an average \$1,775 in western Suffolk and \$1,654 in eastern Suffolk, according to Reis.

The growing number of rental complexes provides more options for Long Island apartment-hunters, though some planners say the supply still falls far short of demand, especially when it comes to rentals that are priced for recent college graduates and retirees on fixed incomes.



Hofstra students Jeffrey Rozanski and Monika Rivera, seen

Communities such as Patchogue, Farmingdale and Mineola are "flourishing" in part because of new downtown rental buildings, said Richard Guardino, executive director of the Long Island Regional Planning Council. Still, he said, "we're getting a significant increase in the stock of rental units, but a lot of them are not affordable — you're talking about \$2,500 or \$3,000 a month."

ADVERTISING



In a sign of how tight the rental market is, Long Island's vacancy rate is 2.9 percent, higher than Manhattan's 2.1 percent but roughly half the national rate of 5.9 percent, real estate information company CoStar Group reported.

Developers are scrambling to meet the local demand. New apartments "are snapped up in an instant; you can't build rentals fast enough, at all different price points, from affordable to market rate to what we would consider higher than market rate," said Mitchell Pally, chief executive of the Long Island Builders Institute, a trade group.

In the past 12 years, nearly 13,000 new downtown rental units have been approved, and more than half of those have been built, with another 10,000 units making their way through the approval and construction pipeline, said Eric Alexander, the director of Vision Long Island, a Northport-based planning group that supports downtown development and tracks apartment construction.

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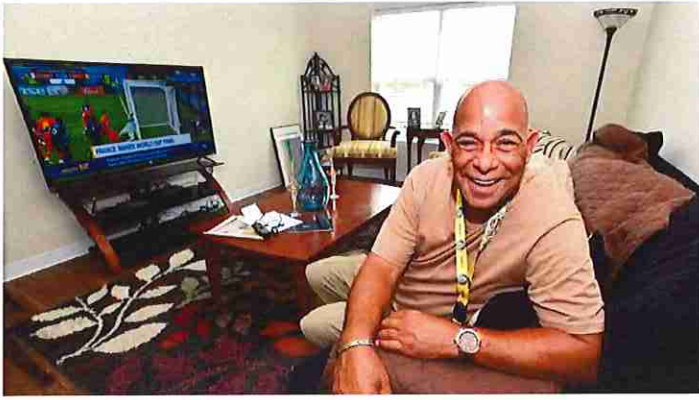
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Angelo Iannone, 56, who sold his 2,700-square-foot house in Roslyn Heights last year and moved into a two-bedroom apartment with a den at the Vanderbilt, a new 195-unit building in Westbury where apartments rent for about \$3,500 to \$8,000.

"I was living in a house that was comfortable but really too large for me," said Iannone, an investment banker who is divorced and has a daughter in college and a son who just graduated from college. Living at the Vanderbilt gives him access to a heated pool, outdoor grills, a fitness center, game room and library, plus concierge service and proximity to stores and restaurants, he said.

Army veteran Thomas Velez rents an apartment in Copiague

"There's everything that would be in a luxury New York City apartment building, on Long Island," he said.



The move made sense financially, too, he said. He had been paying \$24,000 in property taxes, and under the federal tax overhaul signed into law last year by President Donald Trump he could only have claimed deductions for \$10,000 in state and local taxes.

“The real estate market has had a good run, with many years of appreciation . . . It was time for me to further diversify my assets,” he said.

Strong demand for high-end rentals — primarily from baby boomers who are selling their homes — has led to a faster-than-expected pace of lease signings at the Vanderbilt, said Steven Dubb, a principal with the developer, Jericho-based Beechwood Organization.



Angela Landi walks her dog, Angel, outside her apartment at the Devonshire Hills complex in Hauppauge on Tuesday.
Photo Credit: Barry Sloan

The building opened in March, and it is 75 percent occupied and 90 percent leased, Dubb said. With demand so strong, rents have risen from their original range of about \$3,000 to \$7,000, he said. The \$120 million project was Beechwood’s most expensive development outside the Hamptons, on a per-square-foot basis, Dubb said.

“We took a pretty big gamble and we said, ‘We believe there’s a market that’s not being served, and we’re going to spare no expense,’ ” Dubb said. “Luckily it seems to have worked out.”

Indeed, Beechwood has plans for a similar, 237-unit complex at a shuttered Syms department store on Merrick Avenue in Westbury, he said.

It’s not a coincidence that many new buildings cater to the luxury market.



The Vanderbilt apartment complex in Westbury, seen here on Monday. Photo Credit: Barry Sloan

On Long Island, “the land costs are enormous,” labor costs keep rising, and new tariffs on lumber imported from Canada have led to a 20 percent increase in the overall price of construction, Pally said. “You need subsidies to build the affordable units.”

It is not only a local phenomenon. Across the country, said Sam Khater, chief economist at mortgage giant Freddie Mac, “for many builders now, it’s just not economical for them to build below a certain level. That’s why you’re only seeing high-end multifamily and single-family homes

Many renters in high-end buildings are millennials. Across the country, less than 38 percent of those ages 25 to 34 owned a home in 2016, lagging 8 percentage points below the 2004 peak for that age group, Freddie Mac reported last month. The main reasons were increasing home values and costly rents that make it hard to save for a down payment, Freddie Mac found. Other factors included lower marriage and childbearing rates, student debt, difficulty getting a mortgage and some young adults' preference for renting.

Many buildings that cater to young renters offer generous amenities, with prices to match.

The 166-unit Metro 303 building in Hempstead is among those marketed to young adults, with a pool, fitness center, Xbox and PlayStation in the gaming center and a website that boasts of "grilling and chilling areas for entertaining with friends." Jeffrey Rozanski and Monika Rivera, both 20-year-old students at Hofstra University, said it's more comfortable and economical than living in a dorm and paying for meal plans.

"I feel like I'm in a hotel; there's a pool, there's a little lounge area," Rivera said.

Rozanski said he has seen 10 to 15 cars in the garage with stickers from local universities. But while it's a comparatively good deal, he said, the costs – about \$2,600 for a two-bedroom, which they share with a roommate – "are definitely pretty high."

For that price in his native Miami, he said, "you get a place right on the beach and you're 20 stories up."

Many young adults "are willing to spend money, and they demand more," said Wendy Sanders, a Great Neck-based real estate agent with Douglas Elliman who specializes in rentals. Apartment buildings that cater to millennials have "completely revitalized" communities such as Patchogue, Farmingdale, Huntington, Rockville Centre and Mineola, she said.

Even so, Long Island's relatively stagnant wages have not kept up with the rising cost of housing, and the region has such a shortage of affordable rentals that about four in 10 adults ages 18 to 34 live with family members because they cannot pay for an apartment here, said Gwen O'Shea, chief executive of the Community Development Corp. of Long Island. The group has helped build roughly 1,800 affordable rental apartments on Long Island since 1973 and has plans for 400 more.

Rentals make up about 20 percent of the housing stock on Long Island, compared with 37 percent in northern New Jersey and 34 percent in Westchester, a 2016 report by the Long Island Index showed.

The Island's high cost of living is not only a challenge for young adults.

Thomas Velez, 65, is an Army veteran who works part-time at the Veterans Affairs Medical Center in Northport. A year ago he moved from a shelter for homeless veterans in Yaphank to the Community Development Corp.'s new Copiague Commons affordable housing complex near a Long Island Rail Road station. He pays \$1,169 for a one-bedroom apartment he shares with his Jack Russell terrier, J.D. Staying on the Island lets him remain close to his 92-year-old mother and his three grown children, ages 28 to 33.

"I love it" he said of the 89-unit complex

Housing costs are “out of control” on the Island, he said. “We can use a lot more affordable housing out here.”

Roughly one-third of Long Island renters are baby boomers in their mid-50s to mid-70s, Vision Long Island’s Alexander said. Renting “is not just about the millennials.”

Some retirees choose to rent in Suffolk County, where prices are lower than in Nassau. Angela Landi, 75, started looking for apartments in Nassau County when she was preparing to move out of the house she had been renting in Long Beach, but they were largely “not in good condition,” she said.

By contrast, she said, the one-bedroom apartment she now shares with her 5-month-old puppy, Angel, at the 656-unit Devonshire Hills in Hauppauge is well-maintained, with two pools, a new barbecue area and a patio where she has planted impatiens and other flowers, she said. The complex advertises units renting for about \$2,000 to \$2,800.

Living there allows her to remain close to her friends and a daughter who lives in Wantagh, Landi said.

Prices are lower in Virginia, where her other daughter lives, but Long Island “is really home to me,” said Landi, who retired from a career in medical billing.

Nassau County’s efforts to increase the supply of affordable rentals includes its Industrial Development Agency’s recent decision to hire a consultant who will work with private developers to construct more affordable housing.

In addition to rentals subsidized by state and federal funds or local industrial development agencies, Long Island also needs the ultrasmall “micro” apartments built in New York City and other urban areas, with space-saving features such as foldaway wall beds, Alexander said.

“We call it ‘affordable by design,’ ” Alexander said. “You don’t need subsidies for these types of units because they’re just smaller spaces.”

Average monthly rent

Nassau: \$2,257

Western Suffolk: \$1,775

Eastern Suffolk: \$1,654

Source: Reis, first quarter 2018 rents for units in multifamily buildings

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