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RONALD KLEINBERG,
Partner in Tri-State Properties
of Melville

Newsday Photo / Don Jacobson

The Rental Challenge

This is the first of two articles examining the rental market on Long Island.

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STAFF WRITER

MENTION Long Island's real estate market, and everybody talks about how hard it is to find an affordable house — or any house at all, in some communities.

But if you really want a challenge, try finding an apartment.

"The occupancy rates are 97 to 100 percent, with quality apartment complexes maintaining a waiting list of prospective renters," says Ronald Kleinberg, a partner in the Melville-based Tri-State Properties LLC, which specializes in selling commercial properties and is one of Long Island's leading sellers of apartment buildings.

His partner, Dale Staudigel, agrees, emphasizing it's a "huge shortage because of pent-up demand."

They rattle off vacancy rates for several garden apartment complexes in Suffolk County, which don't look good if you're out there looking: 3 percent, 2 percent, 1 percent. And in Nassau County, where there is a lack of available land, rezoning requirements for multi-family use are stringent, and for many of the older complexes that are co-ops, the numbers are even worse.

For the region's total population — estimated recently at 2,660,000 by the Long Island Power Authority — there are about 860,000 single-family homes — and only about 160,000 apartment units.

Although the Island's rental scene has always been tight — the vacancy rate has never been more than 10 percent — Kleinberg and Staudigel, who have brokered nearly \$200 million in commercial real estate deals since they entered the business 13 years ago, say it is only in the last couple of years that the occupancy rate has been going through the roof.

"The trend is toward luxury and senior-citizens assisted living," says Kleinberg. The Alexandria, Va.-based developer AvalonBay Communities, which acquired Avalon Towers in Long Beach, and which recently built Avalon Commons in Smithtown and Avalon Court and Avalon Court North in Melville, "started the trend," Kleinberg says. AvalonBay introduced luxury apartments on Long Island five years ago, he added, offering "many amenities that upscale renters wanted, including fitness centers, racquetball courts, garages and clubhouses, and that's the wave of the future."

While there are more rental opportunities for seniors, there is an acute lack of rental units for families, says Jim Morgo, president of the Long Island Housing Partnership, a nonprofit affordable housing advocacy group based in Hauppauge.

"There's an ideology on Long Island that the homeowner rules and renters are second class," Morgo says. "But if we don't get more affordable rentals, [modest-income] families won't have that bridge to homeownership."

The reasons for a scarcity of apartments in today's vibrant economy are complex, the result of several in-

terlinking factors, Kleinberg and Staudigel say. Because developable land is scarce and expensive and because zoning and environmental laws can delay projects, developers more often than not opt to build a luxury complex, which brings higher rents; housing for seniors, which is in great demand; or low-income housing, whose cost is subsidized by the government.

"Approval for a project can take years," Kleinberg says. "And not all developers are willing to wait because in that time the market could have a downturn."

Despite these drawbacks, some apartment-building developers are willing to take the chance. For example, Home Properties of New York, which owns 45,000 apartment units in the Northeast, recently entered the local market, acquiring 694 middle-income apartment units in Suffolk.

"We specialize in older properties that we can renovate and upgrade," says Sharon Sanfratello, vice president/regional leader of Home Properties. We are very excited about the Long Island market. There are very few apartment buildings available for sale, and when they do come up, they are sold quickly."

Since 1997, Home Properties has bought three LI complexes — the 94-unit Coventry Village in Central Islip, the 368-unit Lake Grove Apartments in Lake Grove and 232-unit Mid-Island Apartments in Bay Shore. "If there were more complexes available, we would absolutely be interested in buying them," Sanfratello says. "Long Island is a strong market. We've seen the market change. We have renters who rent by choice. They don't want a yard and high property taxes."

Nationwide, the rental market is also booming, experts say, even as the level of homeownership has grown to the highest level ever — nearly 70 percent of Americans. The new renters range from young professionals to empty nesters to retirees — often people with money who want upscale amenities, not just a place to stay while they look for a house.

On Long Island, the market is so strong that Home Properties recently proposed building a 172-unit senior complex in Patchogue, where rents for the one- and two-bedroom units would be below market at \$700 to \$800, but scaled back the project to half when it couldn't get approval for the original plan. "We will build it in two phases," Sanfratello says.

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