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Related Switches Condos to Rentals



By [ELIOT BROWN](#)

The MiMA tower in Midtown, above right, will take advantage of the strong market for high-end rentals and scrap plans for 151 condos.

Now, with construction finishing up on the final apartments in the bulky 63-story MiMA building on 42nd Street and 10th Avenue, the developer is changing course. Related is putting all of the formerly for-sale apartments up for rent, aiming at the high-end with rents of more than \$20,000 a month for a three-bedroom unit.

"We really built through the downturn, and it opened up our rentals into a very, very strong rental market," Jeff Blau, Related's president, said in an interview Wednesday. "There was more value creation by renting this up and holding it than selling the units."

The shift away from condos comes as the rental market has taken landlords by surprise with its growth. Rents in many buildings are at peak levels, while condo prices have lagged.

Average Manhattan condo and cooperative unit prices are still more than 10% below their 2008 peak, according to real-estate appraisal firm Miller Samuel Inc.

Driving the rental market is a broader national shift in the attitudes of would-be homebuyers, from the low-end to high-end, as they increasingly turn to renting while homeownership rates drop. This comes, in part, as credit is tight in the home lending market, making it harder to get a mortgage.

"Most of the improvement in the rental market has nothing to do with the economy—it's more that lenders are making it tough," according to Jonathan Miller, chief executive of Miller Samuel.

Since the economic downturn began, other developments in Manhattan have switched condo units to rentals, including at the William Beaver House on William Street and 25 Broad St. in Lower Manhattan, and a planned Northside Piers development in Williamsburg, Brooklyn.

But by and large, these have been properties under financial distress when the decision was made to switch.

MiMA, by contrast, appears to be doing quite well. Related began construction on the black-glass apartment tower in the depths of the downturn—in 2009—in a bet that the market would recover.

The building has been opening gradually since the spring, and the 500 apartments always planned as market rate rentals are more than 90% leased, at rents above where Related expected, according to the company.

The switch isn't without some risks, namely that it's unclear just how big the market is for the large, high-end rentals in a building in an area that is less than high-end.

The units at the top are larger than the rest of the apartments —two bedrooms generally on the top levels range between 1,200 and 1,400 square feet, compared with 1,100 to 1,200 square feet in the apartments below, for instance—and come with a separate lobby and entrance initially meant for the condo buyers.

The rents, of course, are higher as well. Expected rents range from \$4,595 a month for the smallest apartments to \$20,000 a month for the largest three-bedroom units.

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