

Long Island's tight apartment market luring national developers

January 2, 2015 by MAURA MCDERMOTT / maura.mcdermott@newsday.com



In a striking change for the birthplace of the single-family-home suburb, Long Island is attracting growing numbers of national developers who are building rental complexes in local downtowns.

For decades, fierce opposition from neighbors, high costs, long delays and a history of scuttled projects have discouraged most major out-of-state builders, especially those specializing in rentals.

But now the same eye-popping rents and scarcity of apartments that bedevil young professionals and empty-nesters are luring out-

of-state builders. They range from AvalonBay Communities of Arlington, Virginia, which is expanding its presence here, to relative newcomers to the Island such as Mill Creek Residential Trust and TDI Real Estate Holdings, both headquartered in Texas. As those builders forge ahead with construction, other major players are actively looking for new projects on Long Island.

"Not a lot of developers want to be pioneers," said Eric Alexander, executive director of Vision Long Island, which advocates development near downtown train stations. "When they see success from others, they say, 'All right, some people have paved the way.' "

The national developers' apartment building boom is already starting to reshape the downtowns of Long Island communities such as Rockville Centre, Huntington Station, Mineola and Hempstead. Typically located near train stations, the new buildings look nothing like the low-slung, redbrick rental complexes built in the 1960s and '70s. They can include amenities such as pools, gyms and barbecue stations. Apartments often feature granite countertops and stainless steel appliances more commonly seen in condominiums.

LI RENTS HIGHEST OF SUBURBS

Rents typically range from about \$2,000 to \$3,500, but the priciest apartments can fetch more

than \$6,000 a month. At those prices, the new apartments will expand the rental stock, but they won't address Long Island's shortage of affordable housing -- at least in the short run, real estate experts said.

Long Island rents far exceed those of comparable suburbs in Westchester and in northern New Jersey.

In Great Neck Plaza, one-bedroom apartments fetch an average \$3,223 a month, according to an analysis of prices in multifamily buildings by Apartments.com, a division of commercial real estate information firm CoStar. A typical one-bedroom apartment in Garden City goes for \$3,040. In West Hempstead and Melville, one-bedrooms cost about \$2,500 on average.

By contrast, in Edgewater and in Fort Lee, New Jersey, one-bedrooms rent for just \$1,900. In Westchester, one-bedrooms go for \$2,129 in the priciest suburbs such as Mamaroneck, and \$1,768 in downtown New Rochelle.

Long Island's high rental prices are driven by its shortage of apartments, housing experts say. Long Island has "by far the smallest share of rental housing, compared to the other suburbs in the region," said Ann Golob, director of the Garden City-based Rauch Foundation's Long Island Index.

On Long Island, 21 percent of housing units were rentals in 2013, Golob said. That's up from 17 percent in 2008, but unchanged from 2001, she said. By contrast, 39 percent of homes in Westchester and 38 percent of homes in northern New Jersey are rentals.

Despite the Island's high rental prices, new apartments fill quickly because there are so few of them. Long Island had an apartment vacancy rate of just 2.5 percent in the third quarter of 2014, down slightly from a year earlier, according to RealPage Inc., which provides research on the multifamily housing market.

Randi Marlin lives in AvalonBay's 204-unit complex in Garden City. An account executive with Elizabeth Arden, Marlin, 38, lives with her English bulldog, Winston, in a one-bedroom apartment with a loft where she keeps her home office.

"I just love it," she said. "Yes, you do pay for all the amenities -- you do pay for the luxury living." Rents for smaller one-bedrooms start at \$2,490, and three-bedroom triplexes command \$4,440 a month. Marlin said her monthly housing costs are comparable to rent in New York City, or a mortgage payment. However, she likes the proximity to her family on Long Island, as well as her home's spaciousness, ease of parking and highway access. She said she cannot buy a home because she and her ex-husband are still trying to sell their former home in East Patchogue.

NO WHITE PICKET FENCE

Many Long Islanders prefer to rent than buy, at least temporarily, because they cannot qualify for a mortgage, or because they have not yet decided where they want to settle down.

"The white picket fence that our parents' generation came to Long Island for is not what the millennials are looking for," said Matthew Frank, an executive vice president with the Greenwich, Connecticut-based Richman Group. Frank said he is seeking places to build apartments near train stations in Nassau and Suffolk counties.

Transit access is a big draw for renters and developers alike.

Last year, Mill Creek opened a 166-unit market-rate apartment complex in Hempstead, and a 150-unit market-rate complex in West Hempstead, both near train stations.

In Mineola, Mill Creek completed a 36-unit building over the summer -- restricted to people 55 and older, and to those earning up to \$58,900 for an individual, or \$67,300 for a family of two. It

aims to open a 275-unit market-rate complex featuring a pool and gym on Old Country Road this summer.

"As more and more successful multifamily communities are developed and leased, it should continue to alleviate some of the resistance that proposed multifamily developments have typically faced on Long Island," said Jamie Stover, a vice president with Mill Creek.

Local builders say they hope the luxurious apartments built by deep-pocketed national developers will convince Long Islanders that rentals not only provide housing for professionals and downsizing retirees, but also employ local construction contractors and boost sales for downtown shops and restaurants.

NEW BUILDERS WATCH RESULTS

However, there is concern that Long Islanders' resistance to new construction might deter some of the new out-of-town builders.

"They have to be really big developers with really broad shoulders, like AvalonBay, that are willing to spend the time and money it takes to get things developed on Long Island," said Artie Cipoletti, owner of Wantagh-based DaVinci Construction and president of the Long Island Builders Institute, a trade group.

Long Island's torturous approvals process -- some developers use words like "painful" to describe it -- has "scared off national players in the past," acknowledged Chris Capece, senior development director in the Melville office of AvalonBay, a real estate investment trust valued at \$22 billion that has built or acquired 10 apartment complexes on Long Island since 1995. Of the nearly 3,200 units, roughly half have been built since 2007.

AvalonBay's newest complex, in Huntington Station, opened in September and was expected to be full by the end of 2014, Capece said in December.

In some cases, a national developer and a local builder join forces. In Farmingdale, local developer Anthony Bartone spent six years getting approvals for a 154-unit residence complex next to the village's train station. Two years ago, he brought Texas-based TDI in on the project.

The first 39 apartments opened in December, and the rest will be completed in the spring. Rents range from the low \$2,000s for one-bedrooms, up to \$3,000 or more for two-story units that will open next year, Bartone said. TDI offered not only financing, but expertise.

"They were looking for an opportunity on Long Island, and we were looking for a partner with the depth of resources that a national developer would have," Bartone said. "For a project like this you need someone with the financial wherewithal of a national developer like TDI to really get it done."

The new supply of apartments may, in the long term, help drive rental rates lower. By law, in exchange for certain incentives, developers must set aside at least 10 percent of units as "workforce" housing for those with low or moderate incomes, or pay for affordable housing to be built elsewhere.

Moreover, the new apartments will attract the most affluent Long Island renters, freeing up lower-priced units, said Alexander Roberts, executive director of Community Housing Innovations, an affordable housing group with offices in Patchogue and Hempstead, as well as Westchester.

However, he said, "the need is so great that I don't think that it's immediately going to have any great moderating impact on rents."

