

Why some apartments earn top rents

The most expensive new rental buildings in the country are often not the fanciest places to live. By Bendix Anderson



The Shoreham in Chicago doesn't just offer a massage room, whirlpool baths, and an outdoor pool. Tenants who use these amenities also enjoy the building's own line of spa products, including shampoo, lotion, and conditioner.

To find the best finishes in a rental unit, you shouldn't try one of Manhattan's new apartment buildings – the units may be nicer at a top project in an up-and-coming market like Philadelphia. And to find the best services in a rental community, you might want to travel all the way to a new rental project in Chicago.

The St. James, in Philadelphia, rents its 305 apartments for an average \$2.75 a month per square foot, making it one of the highest-earning new projects in Philly. "That's probably double the typical rental," said Clifford Finn, director of marketing for new developments at Citi Habitats, who also acted as a development and rental consultant for the project.

One might guess that the accommodations in one of the most expensive projects in Philadelphia would be less extravagant than the finishes in one of the most expensive communities in Manhattan.

The apartments at Tower 31, a new high-rise in Chelsea, a hip, young neighborhood in Manhattan, now rent for \$5.25 a month per square foot. That's close to the top of the New York market, where new apartments some-

times earn up to \$5.42 a month per square foot, according to Finn. It's also twice as expensive as the rents at the St. James.

However, the St. James has considerably nicer touches. Nearly all of the apartments at the St. James have nine-foot ceilings and balconies, as compared to the relatively cramped eight-and-a-half-foot ceilings at Tower 31, with no balconies.

Unlike Tower 31, the St. James also offers double sinks and walk-in showers in the apartment bathrooms – plus washer-dryers in every unit. To add insult to injury, the tenants in Tower 31 also have to pay to use their own fitness center, unlike the residents at the St. James. Why would Manhattan renters be willing to pay so much more for so much less?

Because they get to live in Manhattan. Also, New York's rental market has been so tight for so long that the renters there have become used to paying a lot to be even a little pampered. It's a tough city.

The Philadelphia project also had more to prove. Few other projects had ever attempted to reach these rent levels in Philly. "It took more to convince people," Finn said. "Your client pool for a product like that is much deeper in a city like New York."

The 42-story Tower 31 opened its 243 apartments last September, and tenants streamed in fast enough to lease more than 40 apartments a month. In just five months, Tower 31 was full.

"It exceeded all projections and then some," Finn said. The amenities include stainless steel appliances and granite countertops, in addition to design flourishes like mosaic backsplashes in the kitchens and white oak wood floors.

Chicago offers the best service

Fancy services are also drawing new, wealthy tenants into high-rise projects. For example, the Shoreham in Chicago offers its own line of spa products to tenants who use the community's fitness center and spa. The shampoo, bath gel, lotion and conditioner come in tiny bottles, each branded as being "made especially for Lakeshore East."

The Shoreham is the latest phase of Lakeshore East, a huge development of rental apartments, condominiums and retail space set on the shore of Lake Michigan, just north of Chicago's Loop.

"We're building a neighborhood in downtown Chicago," said Christina Gaylor, vice president of marketing for NNP Residential, based in Chicago.

To help lure tenants to this new neighborhood, NNP built the Shore Club, a 16,000-square-foot space on the 16th floor of the Shoreham. There, residents can swim in an outdoor pool on a landscaped deck with barbecue areas and poolside food service. They can also relax in a spa with whirlpools, steam and sauna rooms, and a private massage room. Or they can read the daily newspapers and sip complimentary coffee at the Sky Garden, a lounge equipped with wireless Internet service and a plasma television.

All of these services are available in addition to the project's fitness center, game room, and business center.

The Shoreham leased up in record time, filling 548 apartments in just eight months starting in April 2005, an average of nearly 70 units a month.

Rents average \$2.32 per square foot

per month with no concessions, ranging from \$1,177 a month for a 495-square-foot studio to \$2,790 a month for a 1,300-square-foot two-bedroom apartment.

The residents at the Shoreham can also save to buy a condominium at one of the other parts of Lakeshore East through NNP's RentBUY program. Tenants who rent for six months or more can build equity totaling up to



Italian porcelain tile and maple cabinetry help make the kitchens at the St. James in Philadelphia stand out from the typical kitchens in luxury apartments.

2.5% of the purchase price of a condominium at Lakeshore East – simply by paying their rent. The program is very popular: 70 percent of the residents at the Shoreham have signed up.

Condo rentals offer the finest finishes, but less service

Renters looking for the fanciest possible finishes shouldn't go to a rental apartment building at all. Instead, someone who wants to rent an apartment with marble tile and a Sub-Zero refrigerator should go straight to the nearest condominium tower and rent a unit there from one

of the condo owners.

"A luxury condo rental will have superior finishes, but the services you get in a rental building would be better than services at a condo," said Ron De Vries, vice president for Appraisal Research Counselors, based in Chicago.

De Vries believes that rental condominiums serve a different type of resident than most new rental projects.

"The luxury rental buildings are geared toward tenant service. The job of the management team is to create an environment where the tenants are going to keep coming back," De Vries said.

Condo rentals also are usually harder to find and lease because the owner probably owns only a few or even just one unit. "The whole leasing process is longer," De Vries said.

Old Money apartments

Likewise, the most expensive rental project in a market sometimes won't be a new rental development. Instead, the rental buildings that earn the highest rents are often older buildings in prime locations, like Central Park South on Fifth Avenue in New York or Lake Shore Drive on Chicago's Near North Side.

There are only a few rental buildings like these, but they can earn as much as \$6,000 a month for a 900-square-foot one bedroom apartment, at least in New York, Finn said. That's much more than \$6.50 per square foot on average in monthly rent.

These buildings offer few services, other than a doorman. Their address is their biggest amenity, sometimes followed by the size of the apartments. "It's the old world sort of apartments, with the library, and the elevator goes straight up to your unit," said Judy Roettig, executive vice-president of the Chicagoland Apartment Association. "They're huge. They're the size of a home." ■