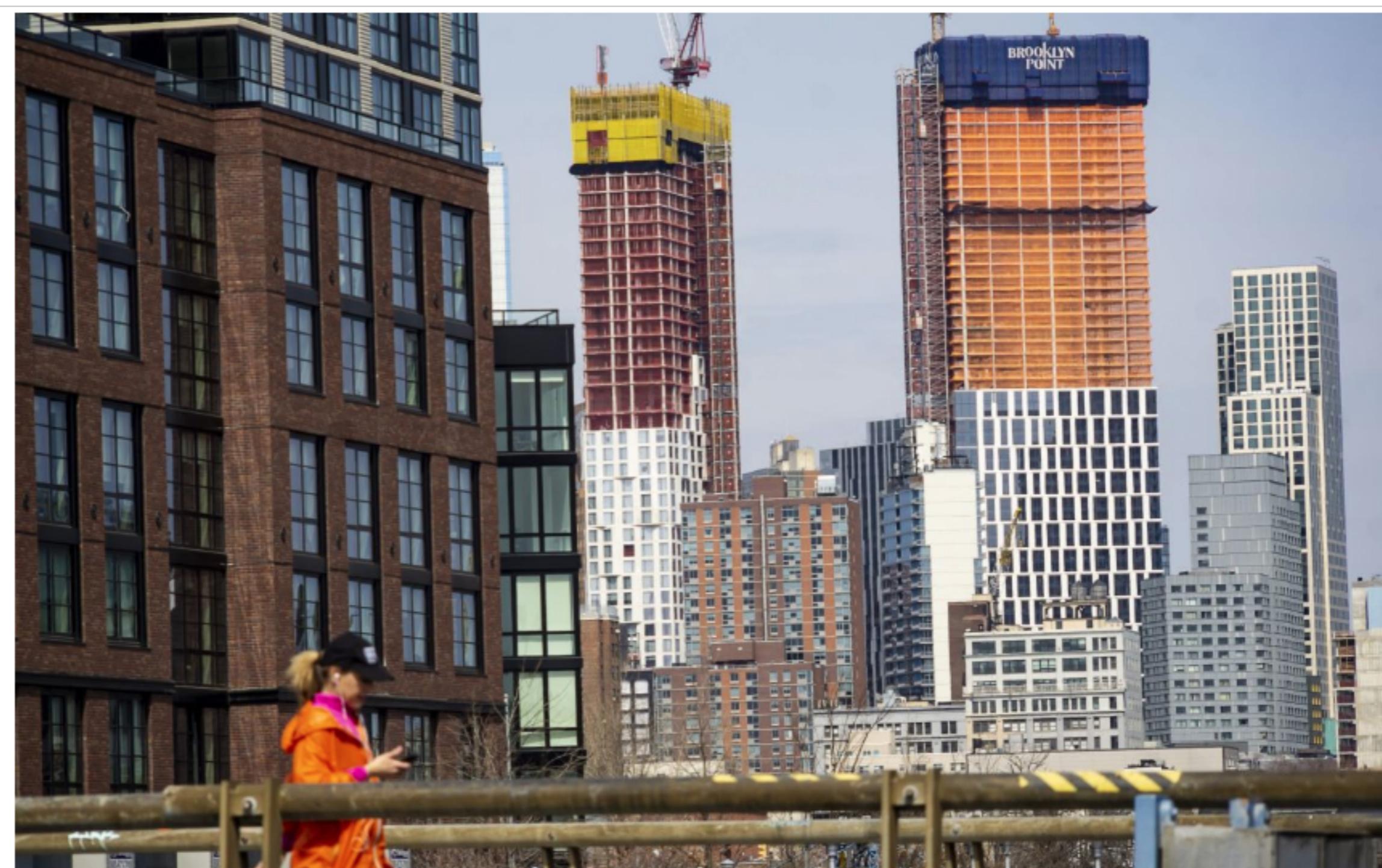


Prospect of Tougher Rent Regulation Hits Rental Building Sales

Value of sales tumbled 43% to \$1.3 billion in first quarter with housing law set to expire in June



Development in downtown Brooklyn seen from the Gowanus neighborhood. PHOTO: RICHARD B. LEVINE/ZUMA PRESS

By [Keiko Morris](#)

Updated April 8, 2019 2:22 p.m. ET

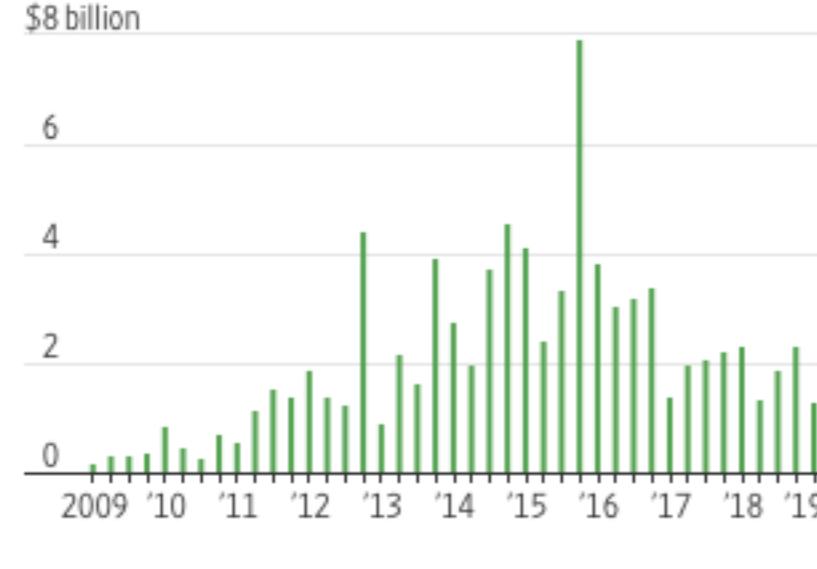
Sales of New York City rental apartment buildings plummeted in the first quarter, signaling the uncertainty around rent regulation after the current law expires in a few weeks.

The number of deals for residential rental buildings dropped by nearly half in the first three months of the year to 127, compared with 243 in the first quarter last year. The value of sales tumbled 43% from \$2.3 billion to \$1.3 billion, according to a report from real-estate services firm B6 Real Estate Advisors.

Sales Tumble

Sales of NYC residential rental buildings hit a six-year quarterly low.

Quarterly sales totals of New York City rental buildings.



Note: Data includes sales of properties in Manhattan, Brooklyn, Bronx and Queens.

Source: B6 Real Estate Advisors

Uncertainty surrounding the rent stabilization law, which expires after June 15, is partly to blame, the report said. Some proposed measures would further restrict landlords' ability to raise rents on regulated apartments. That could put a big dent in building income and property values, real-estate executives and analysts said.

Changes to rent regulation laws could decrease

the net operating income of rent-stabilized

housing across New York City by 20% to 30%,

according to an analysis from the Real Estate

Board of New York, the real-estate industry's

lobbying organization.

The prospect has some investors waiting on the

sidelines until there is a resolution.

"Right now, whatever projections you have prior to June is scrap paper," said Adelaide Polsinelli, a vice chair at real-estate services firm Compass. "Put it in the shredder."

The push for rent regulation is one of the [recent efforts by Democratic lawmakers](#), in control of the assembly and senate for the first time in years, to raise new funds by targeting the real-estate industry.

The state legislature [chose to increase the tax](#) on real-estate transfers and expand the so-called mansion tax on high-priced homes in New York City in the recent budget agreement, hitting a wider range of properties than those targeted in an earlier plan for a [pied-à-terre tax](#) aimed at the wealthiest second homeowners in Manhattan. A transfer tax is a one-time tax usually set as a percentage of a property's sale price.

In the first quarter, the share of rental residential sales with at least 50% free market units was 45%, much larger than the typical upper-20% to the lower-30% range, said Adrian Mercado, chief information officer at B6.

In addition to rent regulation concerns, the large number of apartments and buildings that have been renovated and deregulated over the past three to four years and are now on the market could have been a factor, Mr. Mercado said.

Uncertainty about where interest rates were headed also was a factor, said Paul Massey, chief executive officer of B6. But with Federal Reserve officials last month signaling interest rates would remain steady, Mr. Massey is predicting a spike in buying and said buyers are aggressively bidding on properties on the market now.

"The smart money buyers are betting the city and state will act rationally, that they will want private capital to improve housing stock," Mr. Massey said.