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Westchester Heats Up as Rental Destination

Developers see potential in Westchester as renters look for cheaper options outside New York City



An apartment building in Port Chester, N.Y., one of the places in Westchester County that has caught the eye of developers. *PHOTO: STEVE REMICH FOR THE WALL STREET JOURNAL*

By
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Renters priced out of New York City are boosting demand for apartments in downtown sections of bordering Westchester County and making a compelling case for developers to launch new rental projects.

Real-estate executives and government officials have noted an uptick in rental developments proposed or under way in Westchester, particularly on its southern end and along commuter train lines. Real-estate researcher Reis Inc. projects almost 3% growth in rental units this year. That follows three years of growth below 1%.

“I’ve been doing this now for 34 years, and it is the most in the pipeline that I have ever seen for rentals,” said William Cuddy Jr., an executive vice president at [CBRE Group](#) Inc. and the chairman of the economic development task force for the Westchester County Association, a regional business group.

Places like New Rochelle, Yonkers, Port Chester, Sleepy Hollow and White Plains have caught the eye of developers.

“Millennials and others want to live in dynamic 24-7 communities, but at a certain point, pricing becomes an issue,” said Peter Chavkin, senior vice president at SunCal, which has joined with Diversified Realty Advisors LLC to build a large, mixed-use project that includes rental and condominium apartments, shop space, offices and a hotel on a former General Motors plant in Sleepy Hollow. “Are you going to spend half your income on housing and be rent poor or are you going to cast a wider net?”

Last year, the weighted average asking rent for all sizes of Westchester residences was \$2,048, according to Reis. In Manhattan, the asking rent was \$4,466, and in Brooklyn it was \$2,246.

While developers sense a new opportunity, Westchester has historically had strong demand for rentals from downsizing empty-nesters and young professionals, who commute to jobs within the county as well as to New York City and Fairfield County, Conn., said both real-estate executives and government officials. Adding to the draw for developers: the rental supply is tight. The vacancy rate in 2015 was 3%, according to Reis.

Many municipalities and local governments also have become more encouraging of mixed-use projects in their downtown areas. In 2013, Port Chester instituted a rezoning that allowed for more retail and residential development downtown, said Mayor Dennis Pilla. That followed the lifting of local restrictions on live performances. Now, the village has become a destination for

restaurants, shopping and entertainment. New apartment buildings have risen downtown, which also has a Metro North train station.

“Over the past five years millennials have been moving into Port Chester from the outer boroughs of New York City and also the surrounding communities,” Mr. Pilla said. He added, “Many like the diversity we have and they like the vibe of a cosmopolitan downtown and the quietness of the bedroom communities.”

In the past two years, the Westchester County Industrial Development Agency has approved financial incentives for seven multifamily or mixed-use projects, according to the county’s Office of Economic Development. The projects represent more than 1,600 units, over \$650 million in private sector investment and nearly 4,000 permanent or construction jobs created or retained, the office says.

The county agency’s projects are a snapshot of the county’s mixed-use and rental projects because the tally doesn’t include other ventures assisted by industrial-development agencies in various Westchester communities.

In December, New Rochelle approved a master plan rezoning 274 acres of land around its train station and in its downtown area. The rezoning plan, developed with the community by a joint venture of RXR Realty and Renaissance Downtowns LLC, will allow for new shops, offices and 5,500 apartments.

Seth Pinsky, RXR executive vice president, said historic downtown sections in the suburbs, many of which floundered in the 1960s and 1970s, are gaining new traction. RXR is part of a joint venture building a complex in downtown Yonkers that includes 442 apartments and up to 40,000 square feet of retail space.

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“Historically what we have done when we look to the suburbs is created sprawl,” said Mr. Pinsky. “Now we have the opportunity to look back to the future and...create something new and

potentially appealing to a different type of person on a small part of the land mass in these communities.”

East & Hudson Real Estate LLC, based in Manhattan, also is focusing its development strategy around transit-oriented developments around Manhattan and Brooklyn in places like Westchester County, Nassau County on Long Island and New Jersey’s Hudson waterfront.

The company is working with Megalith Capital Management LLC to build a 6-story, 71-unit luxury rental development geared toward millennials in New Rochelle.

The train ride between New Rochelle and Grand Central Terminal could take the same amount of time as a commute from Brooklyn or the Upper West Side Manhattan to midtown Manhattan, said Anup Misra, chief executive of East & Hudson.

“It’s desirable to be in Manhattan, but once they get out-priced...the option is to go to the burbs where you get almost the same lifestyle,” Mr. Misra said.

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