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Retooling the Short-Stay Market



Alan Zale for The New York Times

One of 32 furnished apartments at the Atelier Suites at the Ritz-Carlton in White Plains. The venture, beset by a decline in corporate business, just changed hands.

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BEFORE the recession set in, corporate jets regularly zipped in and out of [Westchester](#)'s airport, and the extended-stay hotel business flourished in the county, home to Fortune 500 companies like MasterCard and I.B.M., and in adjacent Fairfield County, also the site of many large firms.

But in 2009, as many of those companies tightened their belts, furnished apartments leased for corporate relocations and other business-related short-term stays languished.

The situation was so grave that [Louis R. Cappelli](#), a developer who built 32 extended-stay units at the Ritz-Carlton in White Plains just before the economy tanked, was recently forced to sell at a loss when occupancy rates at his Atelier Suites failed to meet expectations.

In a short sale on May 17, the buyer, NuVerse Advisors, an investment firm with offices in [New York City](#) and Lugano, Switzerland, bought the luxury units for \$11.65 million, far less than the \$28.25 million mortgage on them.

“The high-end market was especially hard hit,” said Joseph V. Apicella, an executive vice president of Cappelli Enterprises. The fully furnished 1,000-square-foot units, on four floors of one of two residential towers built by Mr. Cappelli next to the hotel, had leased for about \$500 a night.

Some smaller extended-stay residences were better able to ride out the storm. In [New Rochelle](#), the 124-unit Marriott Residence Inn, also a Cappelli Enterprises venture, found another source of clients for its moderately priced efficiency apartments of 400 to 600 square feet.

Built on Long Island Sound near beach clubs that do a brisk wedding business all year long, the 10-year-old inn benefited from what Mr. Apicella described as “a surprising market that that company had not anticipated”: family members and other wedding guests, willing to pay \$170 a night for “less than a five-star hotel, but one that’s clean, basic and practical in this economy.”

Package deals for even longer stays, along with extras like free breakfasts and social networking evenings, have drawn yet another group of noncorporate clients: divorced persons and temporarily displaced homeowners. Since a low point last year, occupancy rates have rebounded to 95 percent, in large part because of the broader client base, Mr. Apicella said.

Arthur Collins, the owner of Hudson Park, a group of 560 luxury apartments on the Hudson River in Yonkers, has done well with the 19 units he set aside three years ago as extended-stay residences. That venture bested the record of the regular apartments at Hudson Park, only 87 percent of which were leased during the economic downturn. Occupancy rates for the one- and two-bedroom temporary-stay units held at 99 percent.

“For us,” Mr. Collins said, “the corporate side has held steady in spite of some really heavy hits in the economy last year.” He leases furnished short-stay units for \$2,400 to \$3,000 a month to transient medical workers, and construction crews working on the revitalization of the Yonkers downtown area.

Over all, large apartment complexes like Hudson Park fared better in the extended-stay sector than hotels, said Adam Sherer, the president of the Corporate Housing Providers Association, a trade association in Indianapolis. “As the world was coming apart last year,” he said, “apartment owners could remain flexible

with their inventory in a way that hotels could not. They could take unoccupied apartments as needed and furnish them for corporate use.”

Although some owners were nimble enough to ride out the bumpy economy, Mr. Sherer added, much of the extended-stay market suffered as conventions and meetings dwindled along with corporate relocations.

At this point, he said, extended-stay residences across the nation are cultivating a broader client base as they work to stay viable. For instance, border patrol personnel and workers assigned to deal with the oil spill in the Gulf of Mexico are increasingly filling the void left by large corporations.

NuVerse Advisors’ high net-worth client pool is to some extent immune to the ups and downs of the economy. Ariel Salama, a partner in NuVerse, described the units as a “natural fit” for his company’s well-heeled domestic and foreign clients, explaining that they lease for \$4,500 to \$6,000 a month, for a minimum of three months.

Nevertheless, the company’s first step after acquiring Atelier Suites will be to broaden its client base, Mr. Salama said. It has commissioned Houlihan Lawrence to “reintroduce” 10 unoccupied units to other consumers — for example, people who live in the South during the winter and return to Westchester and its [golf](#) clubs for three or four months in the warmer weather.

“If you’re looking for a luxurious short-term stay,” Mr. Salama said, “there are not that many options in the Westchester-Fairfield market.”

To Mr. Sherer at the Corporate Housing Providers Association, that approach makes sense. Although many owners of extended-stay units are optimistic that the effects of a revitalized economy will soon kick in, the nation is only at the beginning of a recovery, he said. Those who diversify their client base stand the best chance of surviving.

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