

THE REAL DEAL

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Q & A: Harlem renaissance meets slowdown

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When the real estate market was booming in New York, the modern-day Harlem renaissance seemed inevitable. New condos went up, and buyers bought townhouses to rehab and resell.

Now, as the market has slowed and real estate experts scramble to pinpoint exactly which not-so-prime areas are going to get hit hardest, the question becomes, "How will Harlem weather the storm?"

The experts interviewed for *The Real Deal's* Q&A this month said that while new developments abound in Harlem, some projects are struggling financially. They also said that high-end retail is arriving here and there, but is largely lagging behind the luxury developments.

In many cases, Harlem mirrors the rest of the city in that buyers are gaining more of an upper hand with more time to make decisions and a little more wiggle room when it comes to negotiating prices. One expert said price per square foot at some full-service buildings has dropped slightly in the last six months, but that as buyers get priced out of other Manhattan neighborhoods, Harlem has become a logical alternative to moving to another borough. Most real estate pros said condos were faring best, while the townhouse rehabs for sale were not seeing much movement. In fact, one architect said that sales volume in the townhouse market was off by 25 percent compared to two years ago.

Buildings like 111 Central Park North, 5th on the Park and SoHa 118 were all singled out as some of the most exciting new additions to the iconic neighborhood. But even as the invisible 96th Street demarcation creeps upward and amenity-filled buildings become a norm, some brokers said their buyers are still not yet willing to venture into East Harlem. And with the 125th Street rezoning moving forward amid the shaky market, all eyes will be on Harlem to see what happens there next. For more, we turn to our experts:

Albert Marengo CFO, Gary Silver Architects

What is the most negative aspect of the Harlem market right now?

The lag in retail development in East Harlem. The area is changing dramatically, and retail development has not really caught up. It should be pushing forward, but it is lagging behind right now.

What is the most positive aspect?

From our point of view, the attraction of working middle-class people in search of real estate value with upward potential.

What is the most troubled condo project in the Harlem market right now?

The Ivey on Second Avenue and the Lenox Grand. Both had developer financial issues.

What sector of the residential market is faring best in Harlem right now? What part is weakest?

The best sellers are smaller units — studios, one-bedrooms and small two-bedroom condos in full-service buildings. In the condo market, once you pass the \$780,000 to \$800,000 number, buyers will wait till the very last minute to make a decision.

Are you still seeing buyers who are moving from farther south in Manhattan to buy and renovate townhouses?

Nowhere near two years ago. It's less than 25 percent of what it was two years ago, if that.

Any notable deals you've seen recently that show the state of the market?

The most obvious is 111 Central Park North. All units closed at an average of \$1,100 to \$1,200 per square foot. That is in direct competition with Midtown Manhattan.

Which areas of Harlem are most overrated or underrated right now?

The old barrier of 96th Street hasn't been true for five years now; 110th Street in Harlem is going to be northern Manhattan.

What sort of residential per-square-foot prices are you seeing in Harlem?

For full-service buildings, it averages \$650 to \$850. Six months ago, the lower number was \$700 instead of \$650.

What is the brokerage scene like in Harlem right now?

Bigger guys are doing well — the Warburgs, Douglas Ellimans, the Corcorans. It may be that the mom-and-pops might close or dissolve into the big companies because they don't have the ability to spend as much money to attract the buyers as the big ones.

Yoav Haron partner, Artimus Construction

What's the most positive aspect of the Harlem market right now?

It continues to grow at a faster pace than the rest of Manhattan in terms of new development. We are continuing to build a 54-unit rental. Almost 95 percent of the vacant land is being developed. There were five new foundations in the last three months; it has a lot to do with the 421a. All the condos and rentals we are

building are being built at up to 40 to 50 percent of prices that people are paying below 110th Street.

What's the most negative aspect?

Because the market in Harlem has grown, some of the new developers are not as experienced, and some developments have run into financial trouble. There are some who decide overnight that they will be a developer. Those are the kinds of projects that are stalling.

How is Harlem faring in relation to other parts of Manhattan and to the boroughs?

Harlem's luxury products have increased at a faster pace than most of Manhattan compared to what was available in Harlem several years ago. And this is beginning to surpass almost all the outer-borough neighborhoods in terms of condo prices. For certain developers they continue to go up, but on average, they have leveled.

What sector of the residential market is faring best in Harlem right now? What part is weakest?

Rentals and condos are faring the best; co-ops are weaker. *Are you still seeing people move to Harlem from farther south in Manhattan to buy and renovate townhouses?*

There are not as many as there used to be, but you can drive down any street and see a townhouse being renovated.

Any notable deals you've seen recently that show the state of the market?

Fifth on the Park and SoHa 118 have gone into several contracts over \$1.5 million. People want to make deals before the next school year. We are seeing a lot of Upper West Siders moving to Harlem to take advantage of larger space and lower prices. *What sort of residential per-square-foot prices are you seeing in Harlem?*

At SoHa 118, we are selling on average for over \$850 per square foot. The deals are going through at asking prices or a little below or above, depending on the product.

Denice Johns owner, Society Estates

What group of sellers is most active in Harlem right now?

Definitely condo sellers, which is mostly developers. But I find a lot of people that bought a couple of years ago are selling. Developers are now finding themselves in competition with home sellers. Right now, because of the economy, prices are stable; it just takes a little longer to sell. Now it might take three months to sell, when before, it took almost a month.

How have buyers and sellers changed their attitudes?

Buyers are looking for extra deals. Sellers, or the developers, are trying to stay as firm as possible.

What is the most exciting new condo project in Harlem (that you are not involved with)?

There are a couple: the Delaney and 5th on the Park. Fifth on the Park is priced higher but is a little different. It has a pool, and the building is larger than most.

What's the level of condo inventory like overall compared to other parts of Manhattan?

There is a lot of inventory; not as much as Downtown, but there is still more room for condos. There are pockets of developments, a lot on one block and then nothing for several blocks. I think it is getting better and better, especially 125th Street. People are buying and combining, making a 3,000 to 4,000-square-foot apartment — that has been a trend in Harlem. Because the prices are so much less than in Manhattan, they can have these grand apartments that might cost \$16 million Downtown but here only cost \$3 to \$4 million. It looks like development is slowing down right now, but they have a lot that will be coming up.

What sector of the residential market is faring best in Harlem right now? What part is weakest?

Definitely condos and combining two condos are really doing well. Townhouses — I don't see them moving.

What geographical part of Harlem is doing best? Which is performing worst?

Definitely below Morningside Heights, Mount Morris between 110th and 125th [is doing best]. The Washington Heights area at 155th and up, going east [is doing worst].

Which part of the neighborhood is most underrated?

The East Side is nice. All these new buildings are coming up, and people don't seem to want to go over there. At 116th Street and Madison, the East Side all the way to 125th and above, there are beautiful buildings, new construction, and the prices are more reasonable, but when people call, they say they don't want to go to the East Side.

What's the overall level of sales activity like compared to the recent past?

Two years ago they were jumping, even a year ago. Right now, things are not flying off the rack. Some people call and come back to see if you've gone down on the price. That never happened before.

What is the brokerage scene like in Harlem right now?

The developers want to deal with people —or companies — they know. What bothers me the most is they don't in general entertain the bids from smaller brokerages. I sold 50 percent of the Dwyer in six months with a one-bedroom going for \$1.1 million. That shows that mom-and-pops can do the same, if given the opportunities. The theory is that a mom-and-pop can't, which is ludicrous.

Klara Madlin president, Klara Madlin Real Estate

What group of buyers is the most active right now in the Harlem market? What group of sellers is most active?

The most active buyer is the investor. The most active seller is also the investor. Two years ago, it was new

homeowners buying and long-time homeowners selling.

How is Harlem faring in relation to other parts of Manhattan and to the outer boroughs?

One is still able to get more for [their] money in Harlem than in, say, the Downtown or Midtown area. However, the outer boroughs are still less expensive.

What is the most exciting new condo project in Harlem right now (that you are not involved with)?

The WA Condominiums — featuring a track and field, and Olympic swimming pool. The downside is this building is asking \$1,205 per square foot. Wow.

What geographical part of Harlem is most overrated or underrated?

East Harlem is very underrated; 110th to 145th on the West Side is doing much better.

How have the big brokerages done in relation to the mom-and-pop brokerages?

The main ingredient that keeps the new, larger firms in business in Harlem is new development. The new developers with the large projects seem to be the base for survival for those firms, while the private sector of the community seeks out the service of the smaller mom-and-pop boutiques. They do remain loyal.

Melissa Brown-Bornstein vice president, sales and leasing division, the Olnick Organization

What surprises have you seen in the Harlem market recently?

At the Lenox, they just recently leased ground-floor retail to a fancy foreign car showroom with a café for their customers. A lot of investors [were] behind that.

How active is the market among Manhattanites who currently live farther south, but are looking for rental deals in Harlem?

We are getting fairly competitive in two-bedrooms for \$2,600 to \$2,700 a month. We don't have a lot of them. The larger one-bedroom or junior four's are \$2,000 a month. It's a great bang for your dollar.

What's happening with Harlem rents in general?

Compared to two years ago, the rental market has definitely appreciated. It has a direct relationship to buyer caution...the rental market has held its own.

Sandy Wilson senior managing director, Harlem office, Corcoran

How is Harlem faring in relation to other parts of Manhattan or to the outer boroughs?

As everyone has sharpened their pencils and insisted on getting great prices, so has the Harlem buyer. We are also noticing that potential buyers may wish to dip a toe in the water and rent an apartment until they become

familiar and know exactly where they wish to buy a home uptown.

Any notable deals you've seen recently that show the state of the market?

A gorgeous, 17-foot-wide townhouse on West 142nd Street recently closed for \$2.89 million, which was a record-breaker for that size house on that block.

What geographical part of Harlem is doing best?

Condos below 125th Street. The historic areas of Hamilton Terrace, Striver's Row and Mount Morris Park West are seeing brisk sales and open houses averaging 20 to 30 people on Sundays. East Harlem is seeing great interest from investors who are building condos.

What sort of residential per-square-foot prices are you seeing in Harlem?

You can see prices as low as \$500 per square foot for a "fixer upper" townhouse to \$1,000 per square foot for a full luxury penthouse apartment.

Gary Cannata director of sales, Harlem office, Prudential Douglas Elliman

What is the most negative aspect of the Harlem market right now?

The media and press paint a really ugly picture, which is really misleading and weighing on consumers. Markets across the country are suffering far greater than what we are seeing in New York City. We are selling property that is priced right. We aren't doing the volume we may have enjoyed in recent years, but deals are being made at stable price ranges.

What group of buyers is most active right now in the Harlem market?

We are seeing a great deal of families relocating. They are being priced out of prime Upper West [Side] locations. Additionally, we are finding young, first-time buyers that are priced out of most of Manhattan.

How is Harlem faring in relation to other parts of Manhattan?

We are finding more inventory in Harlem compared to other parts, so there is more to see, and that is time-consuming.

Christopher Halliburton senior vice president, Warburg Realty Partnership

What is the most problematic aspect of the Harlem market right now?

We have to overcome a few failed developments and overzealous developers that caused some projects to stall and created some buyer concern and skepticism.

How is Harlem faring in relation to other parts of Manhattan and to the outer boroughs?

Harlem is holding its own compared to other parts of Manhattan. The fact is, you can get luxury new

construction in Harlem for 20 to 30 percent less than in other parts of Manhattan. When average new construction south of 96th Street is \$1,000 a foot and you can get a doorman green building on 104th and First Avenue for \$800, that's a compelling savings.

What is the most exciting new condo project in Harlem right now (that you are not involved with)?

WA condos. It has everything: indoor parking, rooftop pool. There is a reasonable level of units available. Some of them are just not priced right, and the developers have waited too long to lower their prices and most likely cannot afford to lower them now due to the increased debt service.

What is the most troubled condo project in the Harlem market right now?

Lenox Grand.

Joseph Holland president, Uptown Partners

What group of buyers is the most active right now in the Harlem market?

I'm seeing relatively active groups including foreign buyers from Europe and East Asia. We're seeing the value purchasers from the Upper East Side and Upper West Side of Manhattan.

How have buyers' and sellers' mentalities changed recently?

It's a buyer's market. People are taking their time; they are looking around, getting a second opinion, and don't feel in a rush. Among some sellers, there is more of a willingness to bargain.

What is the most exciting new condo project in the Harlem market right now (that you are not involved with)?

It may not be that new, but 111 Central Park North because of its location, price point and view.

What's the level of condo inventory like overall compared to other parts of Manhattan?

New condo project absorption is not as strong, although sales are still happening. The next several months, as new units come on the market, will tell as to whether absorption continues in Harlem. It's harder to get a construction loan and equity loan for construction ... so there has definitely been a slowdown in the number of projects. There is a lot of construction going on right now, and they were in the pipeline and funded prior.

What sector of the residential market is faring best in Harlem?

Condos still have activity, [but] townhouses in terms of resales [are not seeing] as much activity. People are in the wait-and-see mode.

What's open house attendance like?

It reflects the slowdown. We are hoping that with the better weather people start coming out. I hear it's not just us, it is overall.

What sort of residential per-square-foot prices are you seeing in Harlem?

The prices are still holding steady. At 5th on the Park, we have not lowered our prices. Last year we amended our offering plan to increase prices. From what I have read, the average for condo prices in Harlem is \$800 per square foot. Ours is a little higher. I think there are other condos that have done the same thing. Whether that will continue to be the policy after the spring selling season, who knows.

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