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## COVER STORY



# Fringe benefits

By Jason Turcotte

Manhattan's fringe markets may not have the level of momentum they did 18 months ago, when escalating prices were pushing buyers further away from prime areas, but they are weathering the shaky economy.

And brokers say the movement in these markets — places like Williamsburg, Harlem and Long Island City — can be attributed to one thing: value.

Buyers in today's market don't just want a home — they want a bargain. While price corrections in

that's a major benefit in an economy that has everyone watching their wallet.

Antonio del Rosario, sales division president and partner at A.C. Lawrence & Company, said while dropping Manhattan prices have buyers typically priced out of prime markets now returning to those areas, others are still searching for even better bargains.

"So, if a buyer wants an even better deal, I do advise for them to buy in the fringe market," del Rosario said. "In those areas, it's not a buyers' market but a steal market. It's not a 20% discount from last year, but it could be as high as 40%."

According to Modern Spaces, which issues regular reports on the Long Island City market, the average condo there priced between \$583 psf for a three-bedroom unit to \$674 psf for studios at the end of Q2.

And the first-time buyers on the hunt have plenty of stock to choose from, with developers making recent investments in the area (Modern Spaces estimated that 27% of LIC's sales product remained vacant at mid-year).

And bargains are bountiful in Harlem as well. Halstead Property, which represents a number of new developments there, reports that studio prices have fallen 32% from one year ago and one-bedrooms have dropped 18%. StreetEasy's Q3 report shows that of 76 new development units sold in Harlem during the third quarter, 87% were priced under \$1 million.

But these fringe markets haven't showed as much summer progress, in terms of pricing and sales volume, as the prime Manhattan markets have.

According to StreetEasy, new development units in Harlem spent 14% longer on the market in Q3 than they did the previous quarter; pricing at Bowen's 125th North 10th listing came down considerably this fall; and O'Connor noted that "anything that wasn't in the ground prior to the fold has held off on construction" in Long Island City.

"Any areas in New York City that are in the fringe and that had the stigma of an up-and-coming neighborhood, are now suffering more than any other market," del Rosario said. "This happens any time the market falls out of bed — the last areas to enter the market will also be the last ones to recover."

David Kazemi, vice

president at Bond New York, said when the downturn hit the city last year it marked the slowest he's ever seen it — particularly from January to May of this year — but it was not "Armageddon" for the fringe markets.

With nearly all of his sales and rental business being in Williamsburg, Long Island City and Greenpoint, Kazemi said summer activity, albeit not "like the old days where people were jumping on everything," proves that these secondary residential markets will recover from the recession.

Since many builders have exuded flexibility and corrected prices accordingly, first-time buyers and Manhattanites in need of more space are still circling the fringe areas, where most products are listed between \$300,000-600,000.

Kazemi noted that while \$500,000 will get you a sleek new development with terrace, stainless steel appliances and adequate square footage in markets like Williamsburg and Long Island City, that same budget would only afford a 450 s/f second-floor apartment in prime Manhattan locations.

"Keep in mind that it's all about buying value and lifestyle..." del Rosario said. "How will my commute be? Will I enjoy the restaurants in the area? Will I have a connection with the community? Is there a dry cleaner or laundry service nearby? Will my friends visit me? Can I be happy living in this place long-term as a pioneer?"

Kazemi predicts the fringe markets won't see another 20% drop in prices and, though the winter sales market will be cold, he does expect 2010 to be a pretty promising year — partly because owners are doing whatever it takes to keep these new developments everyone's radar.

O'Connor said sponsors have made concessions, reconsidered pricing and launched new incentive programs to maintain traffic. Some developers, intent on entering the sales market, have altered their pitch and begun renting units. Others are offering rent-to-own programs that give tenants the option to buy after 12 months, with that year of rent applied to the purchase price.

"The developers are definitely more willing to

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— DOUG BOWEN, CORE GROUP

prime neighborhoods have returned some buyers to the most desirable Manhattan markets, the best bang for the buck still remains in fringe areas. In an economy where every dollar counts, that's driving some interest.

"You get the same or better quality project at a better cost than you can get across the river," said CORE Group's Doug Bowen, who is handling sales at Williamsburg's 125 North 10th.

While Bowen acknowledged that he's been marketing the two building, 86-unit project — which is 45% sold or in contract — longer than he anticipated, buyers are still browsing the Williamsburg market. He said close to 70% of the buyers there are Manhattan transplants, with price continuing to be the biggest draw.

And the fact these fringe neighborhoods are coming into their own, doesn't hurt either. Neighborhood amenities like McCarran Park, new restaurants, open space and an easy subway commute into Manhattan make buyers take notice.

"Williamsburg, as a community, is way beyond a point of no return in terms of being one of the best neighborhoods in the city," Bowen said.

And some are making the same case for the Long Island City market.

Platinum Properties' Timothy O'Connor not only works the market, he lives there. Relocating to the city from Long Island, he was one of those people who had their heart set on Manhattan but saw an opportunity in an emerging market.

In his four years as a resident there, O'Connor has seen a flurry of new restaurants, delis an Amish market, pharmacies and art galleries set up shop, along with three new brokerage offices. The new retail along Vernon Boulevard, the waterfront promenade and the expansion of Gantry State Park also bode well for the area.

"I think Long Island City itself is going to hold its own...it's becoming a more desirable area to live because you have that community feel with great views of the city, water and parks," O'Connor said.

The Solarium, LIC's first LEED-certified condo, and a Japanese developer's plan for a 700-unit hotel on Jackson Avenue, signifies a pseudo-Renaissance. Once complete, the 35-story hotel will mark the largest in the outer boroughs.

With safety no longer a concern and a five-minute commute into Grand Central, O'Connor said it's easy to see why there's activity. More importantly, buyers — especially those expecting a child — have realized Long Island City offers more square footage for the dollar, and



L-R: Dave Kazemi, Tim O'Connor and Doug Bowen.

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work with buyers now," O'Connor said.

Another way of generating movement is ensuring a finished product. O'Connor said his clients are hesitant about buying anything from a building that won't be finished by the time they close.

"Completion is everything in this market," Bowen said.

Sales were slow at 125 North 10th until the first of the project's two buildings was complete. That was a major reason for seeing more closings at the end of summer. With the entire development slated for completion this month, interest should only increase, especially since the sponsor unveiled a dramatic price chop.

"These developers are realistic; they're businessmen," Bowen said. "They saw what they needed to do to stimulate movement and sales."

The developer of the project, Savanna, knocked \$100,000 off the one-bedroom units (now listed for \$565,000) and \$150,000 off two-bedroom units (now listed at \$719,000).

With prices like these, in fringe markets with tremendous upside, buyers aren't only snagging a bargain, but they're making investments in neighborhoods brokers say are poised for a comeback.

Bowen said, "This specific part of Williamsburg, after these times, really has only one place to go — and that's up."