



## **East Harlem area poised for continued growth with potential rezoning**

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Our team has been transacting in the East Harlem area for over a decade and is currently witnessing an unprecedented level of interest and activity. This excitement is translating to record prices for multifamily properties, development sites and condominium sales throughout the submarket.

The high demand for East Harlem properties and subsequent increasing values are detailed in Ariel Property Advisors' research. Between 2011 and 2014, the average price per s/f for multifamily rental buildings in East Harlem rose 104% to \$383; the price per unit for multifamily rental buildings rose 182% to \$414,565; the cap rate dropped over a basis point to 5.27%; and the price per buildable s/f for development sites increased 120% to \$198.

Several of our recent transactions support these figures. On East 122nd St., we are currently marketing a large development site that is consistently receiving offers north of \$200 per buildable s/f. We also recently closed an elevated, new construction multifamily asset at a price that translated to over 15.5 times the gross rent.

City initiatives have the potential to build on this positive momentum. In fact, East Harlem is expected to play a central role in the de Blasio administration's ten-year plan to build and preserve affordable housing.

Details for East Harlem haven't been released, but the department of city planning notes on its website that it has launched a comprehensive, community-focused study to identify opportunities to create new mixed-income housing and preserve existing affordable units. The city plans to take a holistic approach to development in East Harlem by addressing wellness, infrastructure, economic development, and workforce issues.

Two years ago, Community Board 11 submitted a rezoning proposal to the department of city planning for a section of East Harlem bounded by East 115th St., East 132nd St., Madison Ave., and Lexington Ave., but it wasn't adopted.

"It's too early to tell if the mayor's plan will adopt our recommendations but there are some similarities in terms of added density and mandatory inclusionary housing," said Angel Mescaín, district manager at Community Board 11.

Community Board 11 has targeted an area generally zoned R7-2, with light manufacturing and antiquated commercial zoning throughout. The district has been subjected to spot-zoning or smaller zoning changes and development with no coordinated vision for economic growth, affordable housing, and the general overall needs of the community, according to Community Board 11's Needs Assessment for 2014.

To address its concerns, the Community Board identified three core goals for the rezoning:

- \* Plan for economic opportunities particularly on vacant lots, including the Park Ave. corridor.

- \* Create opportunities for affordable housing by mandating the inclusionary housing program.
- \* Encourage appropriate height limits and contextual zoning in mid-blocks or avenues.

East Harlem's last zoning change was in 2008 when the city rezoned the 125th St. corridor to promote commercial growth, arts, culture, and housing development between the Hudson to Harlem Rivers.

That rezoning has sparked development on the western segment of the commercial corridor that is steadily now moving east. Projects currently in the pipeline, include:

- \* 1800 Park Ave.: The Continuum Company is planning two, 32-story residential towers for that will feature 650 apartments, of which more than 70 will be affordable.
- \* The Corn Exchange Building at 81 East 125th St.: Artimus Construction is redeveloping the historic into an office building with ground floor retail.
- \* 1801, 1815 Park Ave. and 110 East 125th St.: Waterbridge Capital is reportedly in contract to purchase five contiguous properties at where it plans to develop a retail and residential complex.
- \* 69 East 125th St.: Greystone is planning a 75- unit project with retail at this recently purchased site.

Additionally, Forest City Ratner and Blumenfeld Companies are planning several residential towers that will bring hundreds of units atop their existing East River Plaza Retail Complex. HAP Investments is planning a 120,000 s/f mixed-use project on Third Ave. and East 121st St. Additionally, our company sold the Pathmark at 142-96 East 125th St. to Extell Development in 2014, which may one day yield another significant mixed-use project to the area.

Current development trends continue a series of dramatic changes East Harlem has undergone since the 1970s and 1980s when the city seized vacant, abandoned properties throughout the neighborhood. In Community District 11, one of the biggest beneficiaries of the city's housing programs from 1987-to-2003, 8,938 units of its housing received some type of assistance. New housing developed through HPD included several low-income housing developments, mixed-income housing developments, affordable cooperatives, and owner-occupied town houses. Today, only a small number of vacant city-owned properties remain in East Harlem, and between 1990 and 2010, the population grew by 9% to 120,511.

A new zoning plan for East Harlem has the potential to usher in another wave of development and, at the same time, better serve the community by encouraging the development of affordable housing and the addition of new services.

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