



West Harlem's real estate to reap rewards of Columbia University's expansion and Taystee Building - by Orry Michael and Dusan Racic

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Northern Manhattan has been a hotbed for commercial real estate investment in recent years, due largely to its relative affordability and the upside potential offered by many of its neighborhoods, such as West Harlem. With construction currently underway at the famed Taystee Building, and as

Columbia University continues to expand its colossal Manhattanville campus, property prices in this up-and-coming area are destined to appreciate.

Uncertainty leading up to the Housing Stability and Tenant Protection Act of 2019, N.Y.'s new rent regulation laws enacted on June 15, made an impact on every sub-market in the first half of 2019, and Northern Manhattan was no exception. The region's investment sales market saw 37 transactions consisting of 62 properties for a total gross consideration of \$644 million, according to our company's mid-year sales report, which can be found at <http://arielpa.nyc/investor-relations/research-reports>. Compared to the first half of 2018, transaction, property and dollar volume slid 57%, 48% and 21%, respectively.

Nearly every asset class softened on a year-over-year basis, but the multifamily sector – which saw sales slip 67% to 21 transactions and dollar volume slump 53% to \$255.7 million – was predictably the weakest performer. Development sites fared comparatively well in the first half, recording 11 sales worth \$133.7 million, representing drops of just 15% and 6%, respectively, compared to the same period a year earlier.

Overall, East Harlem and Washington Heights were the most transactional neighborhoods from January through June, with 10 sales each, but Central Harlem was not far behind, with nine sales. A majority of investor capital was spent in East Harlem, which comprised 48% of Northern Manhattan's total dollar volume.

Nevertheless, investors, both private and institutional, have increasingly been setting their sights on assets in the region encompassing West Harlem, Hamilton Heights and Morningside Heights. In June, ICER Real Estate purchased a portfolio of 9 multifamily buildings on Saint Nicholas Ave. and Edgecombe Ave. in Hamilton Heights for \$30.5 million, which translates to approximately a 5.6% cap rate.

The pipeline in these three neighborhoods speaks volumes. According to Recity analytics, about 4.1 million s/f is expected to come online in West Harlem/ Hamilton Heights/Morningside Heights across all product types by the end of 2021. Through 2021, 1.95 million residential units, 75,800 s/f of retail, and 574,000 s/f of office space are anticipated to hit the market.

The appeal of these areas is partly a result of pricing as multifamily buildings are more affordable than other Northern Manhattan neighborhoods. Since 2015 the combined average price per s/f for multifamily properties in these neighborhoods was \$382 per s/f, sharply below multifamily assets in Central Harlem and East Harlem, which averaged around \$420 per s/f.

Real estate in West Harlem's Manhattanville, once an industrial hub that inhabited breweries and factories, oozes with upside potential since the neighborhood is on the cusp of major economic growth tied to several ambitious endeavors. The latest project could prove to be most powerful: The renowned Taystee Building. The 350,000 s/f property is located on 450 West 126th St. between Amsterdam and Convent Aves.

Janus Property Co., one of Northern Manhattan's largest real estate owners, broke ground at the end of 2018 to construct a sprawling 11-story building that will house a combination of science labs and traditional offices. When completed, the iconic LEED-certified class A property, which Ariel Property Advisors played a pivotal role in its final capitalization, is estimated to bring 450 new permanent jobs to the neighborhood.

The Taystee building will serve as the anchor of the Manhattanville factory district and will augment other local institutions and developments in the area, providing an added stimulus to the local economy. The former Taystee Bakery site will not only be a major catalyst for the life sciences sector but will be a driver for continued economic expansion in a booming area of Harlem for years to come.

At the same time, Columbia University is altering the landscape of West Harlem. When finished, the university's Manhattanville campus will encompass 17 acres from West 125th St. to West 133rd St. between Broadway and 12th Ave. Columbia's endeavor, which is expected to cost around \$6.5 billion, encompasses 6.8 million s/f and is estimated to be completed by 2020. The campus' cornerstone is the 450,000 s/f Jerome L. Greene Science Center, the 60,000 s/f Lenfest Center for the Arts, and The Forum which features a 430-seat auditorium. In addition, the university's business school is undergoing a 420,000 s/f expansion across two buildings. It is slated to open in 2022.

On top of that, the university, in collaboration with well-known chef Franklin Becker, recently announced plans to construct a new food hall in the Jerome L. Greene Science Center that will be open to the public in the summer of 2020. Becker, who owns fast-casual lunch chains Little Beet and restaurant La Central, has played an integral role in bringing the New York food hall obsession to West Harlem. Additional retailers at the food hall will include Dear Mama Coffee and Steep Rock Bouldering, while trendy coffee shop Blue Bottle Coffee and Dos Toros Taqueria recently signed leases in Morningside Heights.

According to Columbia University, the Manhattanville campus expects to directly employ an estimated 2,500 people over the next 10 years, including faculty. Approximately 1,270 business students are expected to take up residence near the new buildings, which should positively impact rent growth and buoy the local economy.

Due to the above factors, the prospect for West Harlem's real estate is unquestionably positive. The neighborhood's relative affordability, coupled with the massive renovation of the famous Taystee Building and Columbia University's ever-growing footprint, should all but secure strong asset appreciation for the foreseeable future.

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