



## **New York City - A resilient market - by Shallini Mehra**

January 30, 2024 - Front Section



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As we have seen time and again, the real estate market is a resilient one. Despite the headwinds of high interest rates in 2023, we noted the following examples of the market's perseverance this year and themes that persist in both strong and weak markets.

#### Reinventions

Meridian Retail Leasing's John Roesch, director, and Garrett Kelly, senior director, recently leased the entire 4,500 s/f commercial building at 57 Great Jones St. to Atelier Jolie, Angelina Jolie's new endeavor, which includes a design workshop and gallery space for local artisans. The two-story building was once home to Andy Warhol and then later to Jean-Michel Basquiat. This ideal matchmaking between the storied space and the creative artistic endeavor allowed the leasing team to secure an attractive market rent for the landlord.

Ben Biberaj, a managing director at Meridian Retail Leasing, also recently leased 6 Avenue B at the corner of East Houston to G's Cheesesteaks, a N.J.-based quick-service restaurant making its New York debut. The location had been vacant for almost a decade, until ownership renovated the space, making it easier for potential tenants to visualize how it could be used. Ben points out, "Delivery conditions of a space are more valuable than ever, and the less a tenant needs to spend upfront, the stronger demand there is for any given location."

#### Cash is King

Liquidity is vital in today's market. Judah Hammer, a managing director at Meridian Capital Group, notes, "In today's environment, banks do not have a menu list of programs and products and there are no rate sheets – each transaction is deal and sponsor specific and completely relationship-based. Historically, many real estate sponsors haven't had a significant amount of liquidity, but today, cash is more king than ever. There are scenarios where holding significant accounts at certain banks can lower rates by 50 to 75 basis points. This discount can swing loan proceeds substantially between a cash-in, cash-neutral, or cash-out deal." Judah recently refinanced a 100-unit building in Prospect Lefferts Gardens. The sponsor of this refinance put sizable deposits in a bank with a new relationship lender and was able to reduce their rate by 60 basis points to 5.8%, which raised loan proceeds from \$11.7 million to \$12.5 million. Additionally, the 5-3-2-1-1 prepayment penalty makes refinancing easier when rates come down.

#### Repositioning and Rehabilitation

Asset appreciation often depends on value-add efforts. We recently sold 109 East 29th St. in NoMad, a free-market building that was previously converted in the 1990s from commercial to residential. The new owner plans to renovate the building with high-end finishes and add back a retail component to the ground floor, which will diversify and increase overall returns on the building.

We are also marketing a retail condominium at 128 East 28th St., which offers a blank slate and the opportunity to put in a variety of tenants, including a spa, nail salon, hair salon, barber shop, office,

convenience store, or general retail. The space spans two levels and features an elevator, making it even more appealing for repositioning potential.

And finally, although rent stabilized assets are relatively fixed in terms of their rent growth potential, there is upside if a building has significant preferential rents. Upon vacancy, an owner can charge the higher legal rent to the next renter. Currently, we are marketing two garden-style complexes in Far Rockaway at 10-07 Hartman Ln. and 31-41 Healy Ave. In addition to a prime location near the beach, the properties have more than \$400,000 in preferential rent upside that may be realized over time.

As evidenced above, the resilience of the real estate market shines through despite the obvious effects of challenges in 2023. From the vibrant matchmaking of iconic spaces like 57 Great Jones St. to the strategic leasing of 6 Ave. B, the market survives and thrives on innovation. Cash emerges as king in today's landscape, as Judah Hammer's financing insights reveal the critical role of liquidity, and repositioning and rehabilitation are catalysts for asset appreciation. In the ever-evolving world of real estate, adaptability and strategic vision are the driving forces for success in both strong and weak markets.

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