



Harlem: Economic clouds are hovering, but a bright future is in the forecast

July 13, 2009 - Owners Developers & Managers

When the real estate market was booming in New York, the modern-day Harlem renaissance seemed inevitable. The construction of commercial projects like Vornado's massive office tower, as well as other retail spaces on 125th St. brought great promise.

New modern luxury residential condominiums seemed to rise up on each corner.

Today, the Vornado project has been officially scuttled as a result of the credit squeeze, as have several other hotel, office and mixed-use projects along the historic 125th St. corridor. And residential developers are seeing few if any buyers walk through their doors. Some condominiums in Harlem have converted to rentals, while others may soon find themselves in foreclosure.

Now, with the economic clouds hovering, the experts wonder, "How will Harlem weather the storm?" The short answer is: We will thrive.

Tough times aren't new to Harlem. No doubt it may take some time for the empty lots to be revisited by bright yellow bulldozers and hardhats. But unlike the past, it will be short lived by comparison to other parts of the city. Why? Because we have unequalled commercial opportunity and a rezoning engine filling our sails.

Already those of us who operate real estate businesses in Harlem are starting to see some good signs of movement. At Giscombe Realty, we have recently received several calls from downtown brokers' bargain hunting for commercial/retail properties in Harlem.

For those with access to financing, there are some excellent commercial properties for sale or lease. And, prospective tenants looking to leave neighborhoods like SoHo and Midtown are moving their offices and employees to Harlem where office rents are floating at \$36 a s/f, a substantial discount to Midtown.

For instance, the 12 story Lee Building, located at the corner of 125th and Park Ave., is almost 90% occupied and just completed a \$4 million renovation including a modern lobby, and upgrades such as flat screen televisions in the elevators. It is attracting new tenants with recent signings that include Rocket Studio, a high end music recording studio, Griffin Architect and Planners and the Greenstein Milbauer Law Firm, which relocated from Midtown.

When we look at retail today, there are a few more vacant stores on 125th St. Obviously, smaller shops are having a tough time. But the large chains like H&M, Starbucks, The Body Shop and others are still holding their own. They are a sign of the area's continued economic vibrancy.

And while retail leases ranged from \$120 to \$150 a s/f, last year, prices have now dipped down to \$80 to \$125 a s/f. With a minimum ten year horizon on store leases, even a dyed in the wool pessimist would realize there are deals to be made.

Let us not forget that last year the City passed the 125th St. rezoning plan which paves the way for mixed-use development. The plan, expected to produce more than one million s/f of office space

and more than 7,000 jobs, will clearly give Harlem an advantage over other communities as it emerges from this recession. And the plan ensures that buildings over a certain size include arts and entertainment uses for residents of the Harlem community and the entire city to enjoy. Harlem's 125th St. and surrounding blocks are now poised to become a unique new entertainment and office space market in Manhattan.

Last year, the sale of 16 retail buildings in Harlem sold for \$50 million - a record price for retail space along 125th St., a portfolio brokered by Giscombe Realty. Only time will tell if that price will turn out to be a bargain. But for the long term investor, I'm betting it will. Prime real estate is still available above 96th St.

With the rezoning plan, the Harlem renaissance which blossomed over the last decade will now extend its boundaries. There are lots more exciting things to come if we all work together and put our collective energies to the task at hand. The future for the city and Harlem is indeed bright.

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