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“DOWNTOWN LOOKS UP”

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As the national spotlight targets the banking and real estate industries, analysts are divided over the future of NYC real estate, especially in regards to the last six months. In spite of what news sources have said about the current state of the market, we have found that although activity has been slow through late spring and the summer, prices have not decreased. However, there remains a static gap between what a seller expects their property to fetch and what a buyer can afford to pay given the lending situation. Larger property sales (over \$50 million) have come to a virtual standstill, especially since banks have tightened their lending standards, expecting a higher return with some type of recourse in the event of a default.

Focusing on the SoHo/Chinatown/Hudson Square submarket, prices have held an overall increase from 2007 to 2008 but the gap between high and low prices have narrowed. SoHo in particular continues to overreach average sales prices in NYC.

SoHo continues to be the staple of the downtown market as people clamor to live and work in the area. Forbes has named 10013, a zip code encompassing SoHo and TriBeCa, the most overpriced zip code in the U.S., which means that investors and users are overpaying for property in this area simply because of its locale. In 2007, not only did SoHo apartments have the highest median rent of all NYC neighborhoods in every category, the coveted one-bedroom apartment also had the highest increase in median rent over the last year. Office vacancies in SoHo are the lowest of all NYC neighborhoods at a mere 1%. It is still growing further south as name brand stores such as

CB2 and Topshop take up space on Broadway below Broome Street, away from the traditional “heart of SoHo”.

The beginnings of what has made SoHo great have also started to spread westward as new developments spring up in Hudson Square. Projects such as the Trump SoHo, the Grand Street Hotel and Robert De Niro’s Greenwich Hotel have elevated the neighborhood’s reputation in NYC



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as an area of commerce with new restaurants and boutique stores. However, new ground up condo developments that have not broken ground have been troubled as financing and buyers are scarce.

Hudson Square continues to rise as cutting edge office tenants from Midtown and Midtown South are moving to the lower rents of this emerging area without having to give up the amenities they're accustomed to. Creative sector companies such as MTV, Viacom, The Guggenheim Foundation and designer Yohji Yamamoto have all taken space in the area. Architecture firms and design groups help define the area as a vibrant and energetic office area. Newsweek signed a lease for 163,000 SF at 395 Hudson Street and international advertising magnate Saatchi and Saatchi renewed a lease for 819,000 SF of space at 375 Hudson Street. These leases have helped anchor and solidify the presence of Hudson Square as one of Manhattan's fastest growing neighborhoods. According to a CBRE leasing report, Hudson Square has accounted for 60% of office leasing in Midtown South. These improvements even launched a proposed Hudson Square BID.

Drawn by the availability of large scale development opportunities in the downtown area, hotel and office developers have staked claim to some prime sites in which to utilize the high 10.0 FAR that comes with the M1-6 zoning. Millions of buildable square feet of undeveloped property give the area promise as one of Manhattan's last remaining frontiers. Talk of rezoning in the southern portion gives hope to residential developers interested in the area who need a variance on the commercial zoning. These and other developments over the next couple of years will bring Hudson Square up to its full potential as a live and work neighborhood, raising property values to match its neighbors to the east and the south.

The phrase "gentrification of the Bowery" has been well documented in recent times as the Bowery has changed dramatically from the days of transient hotels and abandoned warehouses. The New Museum of Contemporary Art started the revitalization of the Bowery, and many residential and hotel developments have brought a stream of young designers and new restaurants into the neighborhood. Here, too, was a mecca for new condo developments and while most are near completion, many have been stalled in light of the current market conditions. Although the old ways of the Bowery are now quickly becoming extinct, the area will most likely profit as it represents the boundary between SoHo, NoLita, and the Lower East Side.