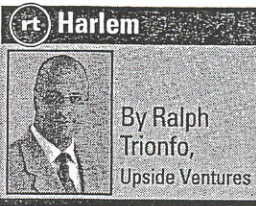


Our vision of the Harlem Renaissance: It was just a matter of time!



Harlem's current real estate excitement has been likened to a renaissance, but the best is yet to come. Today, Harlem is hot, but in three to five years it will truly shine.

There's hectic movement on all three fronts: retail, residential and commercial. The pace of construction is rapid. I began to canvass Harlem back in 1997 when most investors resisted Harlem, but those with a vision have been enjoying the good times now.

Activity is at a fever pitch with builders, brokers, buyers and speculators rushing to Harlem. The opportunity to capture a nugget in the gold rush remains strong in the near future, but eventually the bargains will become limited because the supply will catch up to the demand. The rationale behind the Harlem demand is simple: You are still in Manhattan, but not paying downtown prices. Not yet anyway.

I am always eager to pursue projects in Harlem. We have been very successful in orchestrating several high profile transactions including office leasing and development site sales that will result in new market rate housing. I have a special connection and roots in the community because I was raised in Harlem. Now I am following in the footsteps of my grandfather who began acquiring properties in Harlem in the 1940s. I truly enjoy working with sellers, landlords and tenants in the Harlem market and playing a role in its transformation.

Retailers flock to Harlem. The hottest market is for retailers, for whom the time is ripe to set up shop and service the growing population. Starbucks, Body Shop, Pathmark, Nike, to name a few, are now regulars in Harlem.

We are in the process of reselling 2490 Frederick Douglass Blvd., at the corner of 133rd St., a five-story corner mixed-use apartment building with 12 apartments and five stores. We bought it as a shell with minor fire damage for \$1.5 million last year. Now we have it on the market for \$2.5 million with a strong interest to create condominiums and reposition the retail component to attract a national credit tenant. This is an example of the strong demand to find rehab opportunities which produce considerable upside in value.

The Harlem Auto Mall, the largest car sales and service center in the city, opens in August. The joint

venture of Potamkin Auto Group and General Motors occupies the blockfront from Second to Third Aves. between 127th and 128th Sts.

East River Plaza, a 450,000 s/f complex from 116th to 119th St. along the FDR Dr., is also planned. Another mall is slated for a mostly vacant site between Second and Third Aves. and 125th and 127th Sts.

Residents prefer to own. In the residential market, condos are stronger than rentals because people prefer to own. Many of these owners are professional people who were born and raised in Harlem and are returning to their roots to live and raise families in the neighborhoods where they grew up.

In terms of new housing, a site at Fifth Ave. and 124th St. was acquired last summer under a long-term ground lease with an aggregate lease value of approximately \$42 million by 2002 Fifth Ave., LLC. The plan is to build a nine-story co-op apartment building consisting of 23 units, a retail component, sublevel parking for 32 cars and a community facility. Upside Ventures represented both the landowner and the developer.

We also negotiated the transaction involving a 7,500 s/f site with four contiguous vacant lots at 65-71 East 130th St. between Madison and Park Aves., which was originally acquired for the world headquarters of Sheltering Arms Children's Service. Since the original purchase, the children's agency found another site, and the new buyer is close to completing a market-rate, seven-story condominium apartment building. Upside Ventures was the sole broker in both transactions.

In one of the largest deals to date for a raw warehouse in Harlem, we negotiated the sale of two interconnected brick-mill loft buildings. The buildings total 13,000 s/f at 417 West 126th St., between Morningside and Amsterdam Aves., for \$138 per s/f. The selling price demonstrates how fast property values have risen in Central Harlem. The buyer is a developer/contractor who may occupy the block-through loft building or seek a zoning change to convert the buildings into condos.

In Harlem, condos are commanding \$700 a ft., compared to \$1,200 per s/f in Chelsea. The average brownstone shell in central Harlem, valued at \$400,000 four years ago, sells for \$900,000 today, and median sales prices of co-ops and condos have jumped to \$309,000 from \$60,000 in 1995.

Commercial and office markets are mixed. Harlem could be very attractive for the office and commercial market, perhaps sym-

bolized by President Clinton's presence. Main attractions include access to the 212 telephone area code; a convenient commute from anywhere in New York or across the east; Harlem or Hudson Rivers, and plenty of desirable 125th St., Fifth Ave., Madison Ave. and Park Ave. addresses.

Though companies can easily launch new offices from Harlem, so far there has been some reluctance to move north from midtown Manhattan. This was evident when we were engaged to represent a tenant seeking to sub-lease 14,500 s/f of pre-built office space at 4 West 125th St. last year. We executed an intelligent and broad campaign targeting firms that would likely desire such an address and quality of space. In the end we found a local organization

with a strong presence already in Harlem to occupy the space.

A lot of companies would like to tap into the office market and have a Harlem address; especially with the business incentives offered by the city. Many are non-profit agencies, while some Fortune 500 companies are moving there. However, I do not see a very strong office presence there today because most office buildings are not built on spec.

Harlem Park, planned for completion in 2006, is a \$236 million, mixed-use commercial and residential development featuring a 204-room Marriott Courtyard Hotel. A major catalyst in the resurgence of Harlem, it will include more than 100,000 s/f of retail/restaurant space, as well as 10 floors of luxury residential apartments. The center is directly across the

street from the 125th St. Metro North Station through which 270,000 commuters pass daily. Brokers representing the commercial space have been aggressively trying to secure tenants for over two years. I believe the task will become easier once the building is up and the area continues to blossom.

Unlike SoHo, Tribeca, Battery Park and other parts of Manhattan, there are still great real estate opportunities to be had in Harlem for developers, buyers and brokers who have the foresight to take advantage of them by staking their claim early.

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