

THE REAL DEAL

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The Lower East Side Goes Upscale

Big Developments Target Millennials, Asian Buyers and Value Seekers

By Adam Warner



From Left: Isaac Henderson, Deborah Gutoff and Josh Caspi

The Lower East Side, a neighborhood long associated with counterculture, after-hours bars and rusty tenements, is getting a glossy makeover. “The most surprising aspect of the Lower East Side’s transformation is simply how fast it’s changing,” said Joshua Caspi, the owner of Caspi Development. The change has been ushered in by high demand for new housing stock, both affordable and market-rate, as well as major developments like the \$1.1 billion mixed-use Essex Crossing project and Extell’s One Manhattan Square, a luxury condo plan that has a projected sell-out of \$2.1 billion and is being exclusively marketed to overseas Asian buyers. It helps that the neighborhood is attractive to millennials eyeing art galleries, hip restaurants, nightlife and other cultural amenities. “It’s probably the most ‘affordable’ cool neighborhood in the city,” said Deborah Gutoff, a senior director at Eastern Consolidated. “Brooklyn has gotten so expensive that the Lower East Side looks good by comparison, and it is that much closer to the city’s employment centers.” Rents in the neighborhood managed to stay low for years as those in nearby neighborhoods like Soho and Nolita skyrocketed. But that’s changing fast as demand far exceeds supply. As renowned songwriter, and neighborhood native, Irving Berlin said: “Everybody ought to have a Lower East Side in their life.” For more on the changing face of the neighborhood, we turn to the experts...

Deborah Gutoff

Senior Director, Eastern Consolidated

How much are prices up or down by on the rental side? And what are we seeing in terms of rental development in the neighborhood?

We're seeing monthly residential rents range from \$2,100 for a studio to \$7,000 for a two-bedroom, with the average price per square foot rising to as high as \$80 for renovated, amenitized product. Our analysis of four multi-family buildings that sold in the last six months shows that these properties will be maintained as rentals in the near term, and in at least one case, repositioned as a luxury rental with high-end retail.

How much is buying/renting activity up or down by on the LES now compared to the last few years? Is there a serious influx of buyers/renters or has activity started to recede?

The influx of millennials is driving up rents because many apartments are shared, with young people paying between \$1,500 and \$2,000 per month in rent for a bedroom. While this 25- to 35-year-old demographic is willing and able to pay high rents, we're not seeing many of them enter the condo market because they enjoy the flexibility of renting or can't afford to buy yet.

What's going on with retail rates on the LES? How much are they up or down by in the last year or two?

The increased foot traffic that Essex Crossing's 1,000 new apartments, office and retail is expected to bring is already being factored into the area's retail rents, which are now well over \$100 per square foot, a threshold rarely seen before on the Lower East Side.

What kind of development or investment opportunities are you looking for in the LES? Any deals you can share with us right now?

We're currently marketing a 11,825- square-foot mixed-use apartment building for redevelopment at 125 Rivington Street, one block from Essex Crossing, for \$11.4 million. The investor/user interest in this property has been particularly strong.