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# Upper Manhattan Real Estate Report

## 2018

272 LENOX AVE., NEW YORK, NY 10027  
HISTORIC SITE OF JAMES VANDERZEE'S 1934 STUDIO

# ABOUT HARLEM LOFTS

Harlem Lofts is a boutique real estate sales firm located in Harlem, NY, maintaining a sharp focus on seller representation while maintaining the largest proprietary database of buyers possible.

Our structure is unique to the industry. With a core group of industry professionals driving our employee-owned firm, we are divided into three separate interconnected divisions: Research, Sales, and Rentals. Value, efficiency, and asset expertise drive our business model. Our approach to real estate begins with research, which in turn drives our strategic sales model and marketing approach. We tailor each sales campaign to leverage our expertise and professional relationships to achieve the best results for the parties involved. We also strive to utilize the most efficient sales process possible for each asset being sold. This team-based approach allows us to provide a consistent and seamless execution for every transaction from evaluation through closing.

Harlem Lofts covers all major residential property types. We maintain a very sharp focus on seller representation in Upper Manhattan and specialize in townhouses and condominiums by leveraging our proprietary database of buyers.

From the initial consultation through closing, our salary-based professionals are dedicated to achieving optimal results for our clients. Combining the insights of veteran brokers with the latest real estate market intelligence, we find solutions that meet the specific needs of every one we work with.

Cultivating long-lasting relationships within the real estate community is essential to the success of our firm and our clients. We are members of the Real Estate Board of New York and the Manhattan Association of Realtors which was absorbed by The Hudson Gateway Association, and we syndicate our offerings across all major marketing platforms, as well as via direct mail when appropriate.

Contact us today for a comparative market analysis, listing information, or our latest market reports.

~Robb

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# FROM THE DESK OF ROBB PAIR



Fire! It's the first thing that comes to my mind as I reflect on the past year. Fire can warm your home, cook your dinner, or be used to describe a real estate market's appreciation, as in, "Harlem's real estate is on fire!" Thankfully, the Harlem housing market has been on fire for a firm stretch, and now we're finally seeing that blaze become more manageable. Manageable is a good thing because we don't want to repeat the smoldering past that came after the 2005-2007 buying blitz.

During the past 12 to 16 months, those who went out on a limb to purchase aggressively in this market, or took on projects requiring deeper pockets, are now showing a few bumps and bruises. This is evidenced by the number of stale listings currently on the market that have been for sale for an appreciable amount of time.

Townhouse owners and buyers have responded to the 2017 market climate by maintaining a holding pattern while waiting for the most opportune time to buy or sell. I personally found myself in the same situation recently when my family and I contemplated the timing of our townhouse sale. Generally speaking, I find a majority of townhouse owners sell when the decision makes the most sense for them personally, not merely in response to the market's prevailing winds of change. At the start of 2018, we've seen pricing strength coupled with volume decline indicating a great deal of owners are postponing their sales even as we're sitting near or at record prices for the area.

The clearing out of fringe investors during the 2007-2009 housing recession was the absolute best thing that ever happened to Harlem's and Upper Manhattan's property values. The shrunken values coupled with former President Obama's FHA loan increases created perfect opportunities for prospective residents/homeowners to buy. New homeowners were able to obtain federally-backed loans in order to purchase 1-4-family homes for prices equal to the new FHA loan limits. It was exciting to see buying a home in Harlem and Upper Manhattan made perfect sense for so many new people! Now, more than almost a decade later, our neighbors are benefiting from the significantly increased value of their homes.

All these 'sparks' are leading to wonderful news for our lovely/handsome/exuberant community! Improvements to local infrastructure, followed by more restaurants, grocery stores, local businesses, solid block associations, and service providers attracted and held diverse individuals like myself, looking to raise a family and call Harlem our home for the duration. Long-term residents did a great deal to help maintain pricing strength this past year by holding onto their properties which lead to the decline in volume. We are passionate about Harlem. After surviving the 2007-2009 market decline, the light ("fire") at the end of the tunnel continues to burn brighter and further tempers our resolve. We are dedicated to making Harlem and Upper Manhattan an even better place to call home, and we strive to help our neighbors achieve their real estate goals all while building a stronger community together. Let's keep the home fires burning.

Sincerely,

Robb Pair  
Founder and President, Harlem Lofts, Inc.

# HARLEM LOFTS' TEAM



**Robert D. Pair**  
*President,  
Principal Broker*



**Jim Simari**  
*Senior Property Advisor*



**Craig Rothfeld**  
*Director of Research*



**Stephen Melvin**  
*Operations/Finance*



**Neil Sempio**  
*Chief Financial Officer*



**Janita Mercado**  
*Executive Assistant  
to Robert Pair  
and LRES*



**Jessie Zhao**  
*Finance and Accounting*



**Brent LeGunn**  
*Associate Broker*



**Patrick Welch**  
*Research Specialist  
and LRES*



**Gregory Pendl**  
*Licensed Real Estate  
Salesperson*



**Nadine Pinkett**  
*Design Architect  
and LRES*



**Barbara Quintero**  
*Licensed Real Estate  
Salesperson*



**Jonan Everett**  
*Licensed Real Estate  
Salesperson*



**Kira Sippio**  
*Assistant*



**Luis Carmona**  
*Superintendent*

## ABOUT THIS REPORT

Our Upper Manhattan Real Estate Report is published annually. We gather our data from sources including our exclusive sales data, NYC public records, the Manhattan MLS, DOB, ACRIS, and REBNY. In order to reflect actual market value, we exclude properties with the following characteristics: those bordering Central Park and the Hudson River, extremely high/low sales, package deals, off-market sales, and income-restricted units. **To receive an individual comparative market analysis on your property, please email us at [Sales@HarlemLofts.com](mailto:Sales@HarlemLofts.com).**

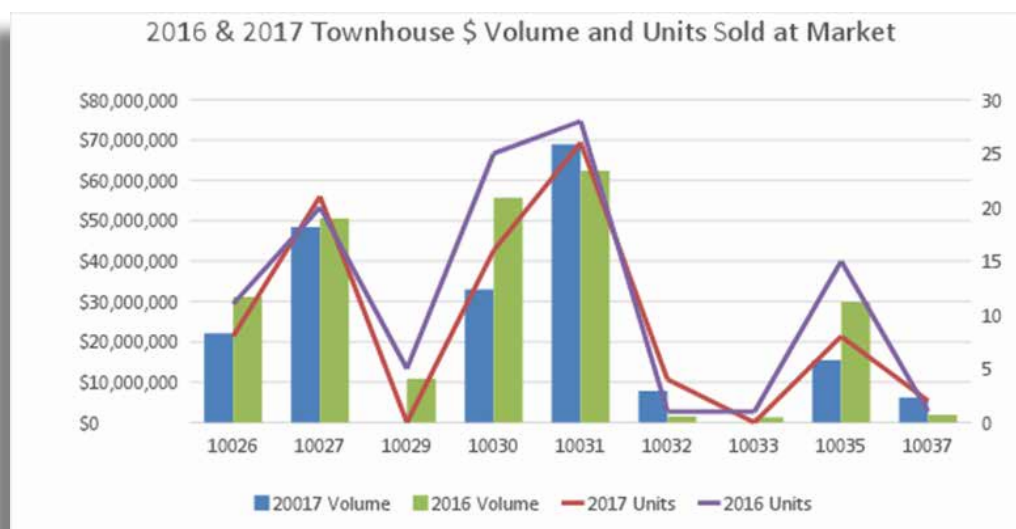
# 2017 TOWNHOUSE STATISTICAL ANALYSIS AND MARKET COMMENTARY

## OVERALL TOWNHOUSE MARKET TREND

Like a low reading on a barometer, the townhouse market of 2017 may be due for a change. We saw a six-month pause capture buyers' and sellers' attention starting in August 2016 with the kick-off of the presidential campaign followed by the election. Notably, as the stock markets reached new all-time highs in early 2017, we saw a spike in volume compared to the prior six-months as buyers and sellers of Upper Manhattan townhouses re-entered the market. However, most of 2017 was about buyers and sellers taking a collective breath to see what the future held. This was most apparent in sales volume. The market value of sales volume in 2017 was roughly 21% lower coming in at \$201,942,459 for 2017, which was down from \$245,034,153 in 2016.

## LONG-TERM OUTLOOK

There is a general consensus that over the long-term prices and valuations for Harlem townhouses will appreciate to levels we currently see elsewhere in Manhattan. We agree with this consensus. Valuations will converge as a function of price appreciation and the conversion of multi-family homes into single-family and two-family homes.



## BEHIND THE NUMBERS OF SELECTED PROPERTIES

Getting to the actual sale value of a particular real estate transaction can sometimes prove to be elusive. It is worth noting that several select properties sold at prices inconsistent with current market valuations for similar properties. We have chosen to leave such properties out of this report in order to improve analysis, pinpoint valuations, and ensure our statistics are relevant. Maintaining these standards produces several main effects, including but not limited to, decreasing the total units sold and smoothing market price averages. The following examples were found using a variety of data sources including several public information sites, private subscription-based sites, and the Realtor<sup>®</sup>-based multiple listings service that covers Manhattan. These conclusions are our opinions of the most likely scenarios and/or outcomes. Since no two owners are alike, or have similar intentions or outcomes, we can make no guarantees as to the accuracy of our opinions.





**321 West 136th Street**, located in Central West Harlem, was a relatively small Victorian home of approximately 1,500 square feet zoned in an R8 district. It had a great deal of air rights, and the property sold for \$3,525,000 last November at an astounding \$2,350 per square foot. Our research team determined that this high price was paid by a developer. According to paperwork filed with the city, he plans to tear down the townhouse and build a six-story residential tower. With this tear down we will unfortunately lose a piece of history and a beautiful turn-of-the-century townhome. The project could stand as an example for the support of the Landmarks Preservation Commission which is vital to the fabric and integrity of Harlem and Upper Manhattan.

**255 & 257 West 134th Street** were former rooming houses with approximately 2,025 square feet of usable residential space per building. The buyer paid \$3,350,000 for the packaged deal. Combined, this totaled roughly 4,050 square feet between the pair, which works out to a high price of \$827 per square foot. The buyer essentially paid for the land and air rights. The real opportunity for the buyer is the ability to build out approximately 10,314 square feet of residential space at a price of \$325 per square foot. A simplified model of the deal might look like this:

Developer Model	Total	\$/sf
Land Cost	\$ 3,350,000	\$ 325
Building Cost	\$ 2,578,500	\$ 250
Condo Sales Price	\$ 9,798,300	\$ 950
Developer Profit	\$ 3,869,800	\$ 375



### RECORD TOWNHOUSE SALE ECLIPSING THE \$4.1 MILLION MARK

We are particularly excited to mention our record sale price of a Harlem townhouse at 123 West 119th Street which is a 20-foot wide 1890's brownstone in the Mt. Morris Historic District. This record price was achieved by Harlem Lofts' proprietary sales and marketing program designed and proven to achieve the highest prices for sellers. To learn more about this proven process, contact us for a customized sales and marketing presentation.

## WHAT CAN WE LEARN FROM THESE AFOREMENTIONED EXAMPLES?

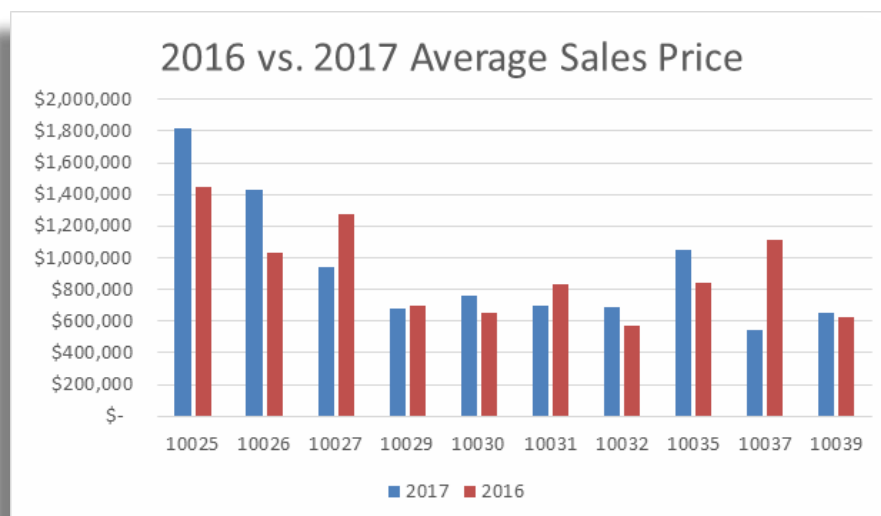
Engaging with real estate professionals is essential. Engaging a real estate firm such as Harlem Lofts, that is hyper-focused on your asset and local area, is the first step in unlocking the true value of your real estate. If you have a portfolio of properties that are producing income and you would like to unlock the real value of select assets (through exchanges, conversions, etc.), we can help. Our research department is constantly unearthing properties available for 1031 tax-deferred exchange. A 1031 exchange may position an owner to stay true to their long-term portfolio goals while simultaneously unlocking the development potential by exchanging out of one of their current properties. We have extensive experience with 1031 exchanges, primary residence deduction issues, and life estates.

## UNCLE SAM AND HARLEM REAL ESTATE

Some townhouses, which were once tax havens due to their ridiculously low assessments and big write-offs, have now become too much of a burden to their owners due to the difficulty of upkeep and changes in tax laws. Townhouse heavy portfolios may need some repositioning as many houses are becoming more attractive to investors than to end users. Many first-time buyers of upscale properties will remain on the sidelines and continue to rent or buy a condominium in a townhouse, thus leaving the role of renovator/landlord to the more seasoned veterans. Harlem Lofts believes that there will be significant opportunities for sophisticated sellers who have been waiting on the market to signal its next move.

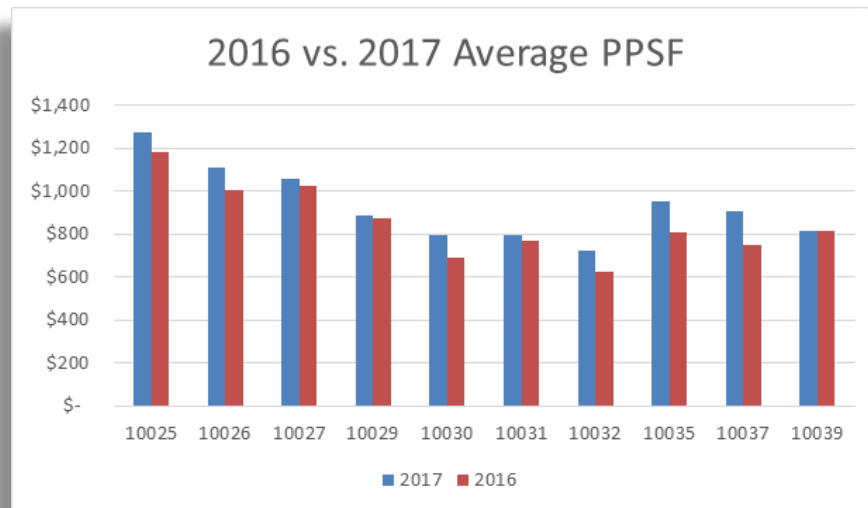
## CONDOMINIUM REPORT

For calendar year 2017, we have seen continued strength in pricing buoyed by a simple lack of inventory. The building craze of the past several years has slowed, and we have noticed that Harlem's condominium resale numbers have been outpacing new development at an increasing rate.

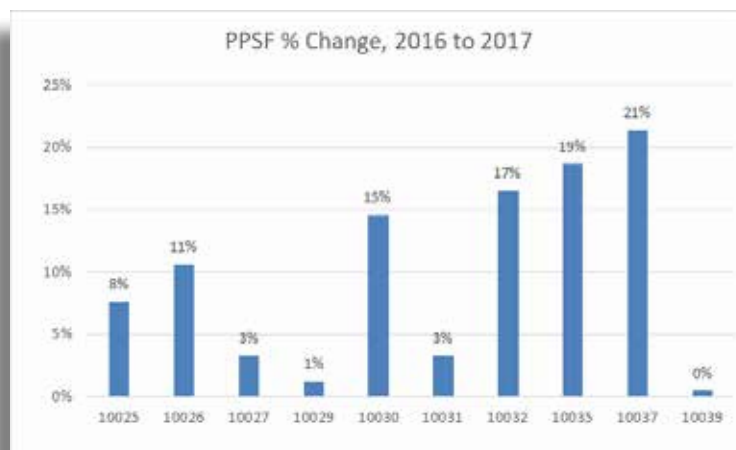


# CONDOMINIUM REPORT, CONT'D

Our bar chart of Average Condominium Prices Per Square Foot by ZIP Code illustrates the wide price disparity that still exists across Harlem and Upper Manhattan in condo pricing. However, condo sales records were set in a number of ZIP codes during 2017.



Below we have our Price Per Square Foot Percentage Change by ZIP Codes from 2016 to 2017. This graphically illustrates strong pricing across all ZIP codes. We expect the trend of roughly flat pricing to continue through 2018, although there may be another outlier due to large condominium complexes coming online. From records filed with the NY State Office of the Attorney General – Real Estate Financing Bureau, between January 1, 2016 and August 31, 2017 (latest date of published data), there were 27 new condominium offering plans submitted and accepted. Be on the lookout for our quarterly reports in which we will highlight some of them.



Overall, price by ZIP code on an unweighted basis climbed slightly from \$909,286 in 2016 to \$926,312 in 2017 which is an increase of 1.88% - barely below the inflation rate. On an unweighted price per square foot basis, we saw an increase of \$13 per square foot, or 2.5%, moving from \$910 per square foot to \$933 per square foot. In our opinion, the next surge of condominium demand will come from buyers looking for the townhouse experience without the headaches of owning and maintaining an entire townhouse. Developers able to tap into demand for the townhouse living experience will fare well in the future and we are intent on continuing to be a leader in the industry of this highly specific category of condominiums.



# Wow! THEY REALLY GOT A GREAT DEAL, OR DID THEY?

Between below-market and zero-dollar transfers, getting a grip on market statistics can be dizzying. Instead of casting a wide net which would include all properties (excluding zero-dollar transfers), our research department at Harlem Lofts digs down into each property sale on a daily basis. We notice many townhouses sell below what the market would likely fetch for the home for a variety of reasons. While some of these sales are innocuous inside deals (ie: between family members and related parties), others are predatory buyers taking advantage of a weak broker, a bad underwriter, or a distressed seller without proper representation.

When we first started to notice a decline in market volume in 2017, we had some trepidation that market value declines may soon follow. However, we were pleased to see that this was not the case. Analyzing the sales of comparable properties is crucial to making an accurate valuation. Consistency is the key here and that is why we maintain years of proprietary and public data on the sales of townhouses in the communities in which we specialize. We are pleased to report that the percentage of below market value transfers fell from 21% in 2016 to 19.7% in 2017. This indicates educated homeowners coupled with expert seller/owner representation can keep predatory buying at low levels. Below we have a side-by-side chart covering three years that illustrates how these numbers are consistently improving and indicating a more desirable and healthy Harlem housing market.

































## PRICE TRENDS IN SELECT ZIP CODES

Long-term, strong pricing power is seen in all ZIP codes for Upper Manhattan. While volume declined, prices remained strong, and most importantly consistent, in all ZIP codes. Most notably worth highlighting in 2017, was ZIP code 10037 which saw several strong sales close with record prices on lower volume while record transactions such as 123 West 119th and 208 Lenox Ave. helped buoy sales in 10026 and 10027 respectively.



# MARKET VALUE TOWNHOUSES SOLD IN 2017

## ARRANGED BY ADDRESS

\$2,125,000	\$1,300,000	\$3,075,000	\$2,200,000	\$2,776,996	\$1,275,000
					
2108 5 Ave	226 W 112 ST	317 W 112 ST	325 W 112 ST	318 W 113 ST	217 E 115 ST
\$2,150,000	\$2,298,308	\$1,500,000	\$2,310,000	\$1,730,000	\$4,150,000
					
57 E 118 ST	102 W 118 ST	329 E 118 ST	421 E 118 ST	80 W 119 ST	123 W 119 ST
\$2,795,000	\$3,500,000	\$4,250,000	\$2,500,000	\$2,625,000	\$1,487,500
					
128 W 119 ST	148 W 119 ST	38 W 120 ST	125 W 120 ST	355 W 120 ST	418 E 120 ST
\$1,975,000	\$2,375,000	\$2,460,000	\$2,390,000	\$1,655,000	\$2,505,000
					
2 W 123 ST	166 W 123 ST	357 W 123 ST	175 W 126 ST	311 W 126 ST	62 E 127 ST
\$1,431,327	\$3,750,000	\$2,450,000	\$1,525,000	\$1,600,000	\$2,000,000
					
35 W 128 ST	16 W 130 ST	30 E 130 ST	111 W 130 ST	126 W 130 ST	131 W 130 ST
1-FAMILY	2-FAMILY	3-FAMILY	4-FAMILY	5-6-FAMILY	7-9-FAMILY
					SRO



# MARKET VALUE TOWNHOUSES SOLD IN 2017































## ARRANGED BY ADDRESS, CONT'D...

\$2,855,000	\$1,925,000	\$2,175,000	\$1,850,000	\$1,700,000	\$2,720,000	
						
131 W 131 ST	153 W 131 ST	213 W 131 ST	219 W 131 ST	131 W 132 ST	226 W 132 ST	
\$725,000	\$900,000	\$1,670,000	\$1,920,000	\$1,339,325	\$1,675,000	
						
232 W 132 ST	250 W 132 ST	252 W 132 ST	194 W 134 ST	245 W 134 ST	255 W 134 ST	
\$1,675,000	\$1,328,000	\$2,100,000	\$1,510,000	\$3,525,000	\$2,060,000	
						
257 W 134 ST	121 W 136 ST	266 W 136 ST	307 W 136 ST	321 W 136 ST	250 W 137 ST	
\$3,205,500	\$1,950,000	\$1,595,790	\$1,700,000	\$3,050,000	\$1,625,000	
						
290 W 137 ST	210 W 138 ST	314 W 138 ST	611 W 138 ST	238 W 139 ST	318 W 140 ST	
\$3,300,000	\$3,175,000	\$2,890,000	\$2,250,000	\$1,700,000	\$1,200,000	
						
457 W 140 ST	456 W 142 ST	513 W 142 ST	519 W 142 ST	617 W 142 ST	629 W 142 ST	
1-FAMILY	2-FAMILY	3-FAMILY	4-FAMILY	5-6-FAMILY	7-9-FAMILY	SRO



# MARKET VALUE TOWNHOUSES SOLD IN 2017

## ARRANGED BY ADDRESS, CONT'D...

\$4,650,000	\$3,000,000	\$3,922,000	\$2,450,000	\$1,995,000	\$1,950,000
					
469 W 143 ST	472 W 143 ST	471 W 144 ST	515 W 144 ST	431 W 146 ST	602 W 147 ST
\$2,420,000	\$2,000,000	\$2,475,000	\$1,600,000	\$2,036,500	\$1,700,000
					
607 W 147 ST	409 W 148 ST	526 W 149 ST	420 W 150 ST	458 W 153 ST	552 W 161 ST
\$2,350,000	\$2,200,000	\$1,445,000	\$3,200,000	\$1,400,000	\$3,125,000
					
554 W 162 ST	63 Audubon Ave	6 Convent Ave	311 Convent Ave	334 Convent Ave	346 Convent Ave
\$2,420,000	\$1,600,000	\$2,100,000	\$2,200,000	\$1,600,000	\$3,450,000
					
427 Convent Ave	52 Edgecombe Ave	112 Edgecombe Ave	114 Edgecombe Ave	189 Edgecombe Ave	21 Hamilton Ter
\$2,000,000	\$3,535,000	\$2,800,000	\$4,590,000	\$2,597,000	\$2,675,000
					
27 Hamilton Ter	34 Hamilton Ter	103 Hamilton Pl	208 Lenox Ave	1984 Madison Ave	1991 Madison Ave
1-FAMILY	2-FAMILY	3-FAMILY	4-FAMILY	5-6-FAMILY	7-9-FAMILY
					SRO

# MARKET VALUE TOWNHOUSES SOLD IN 2017

## ARRANGED BY ADDRESS, CONT'D...

\$1,550,000	\$2,165,000	\$3,400,000	\$2,800,000	\$4,300,000	\$1,325,000
					
2040 Madison Ave	2052 Madison Ave	533 Manhattan Ave	33 MT Morris Park W	730 St Nicholas Ave	2 Sylvan Ct

\$1,560,000

16 Sylvan Ter

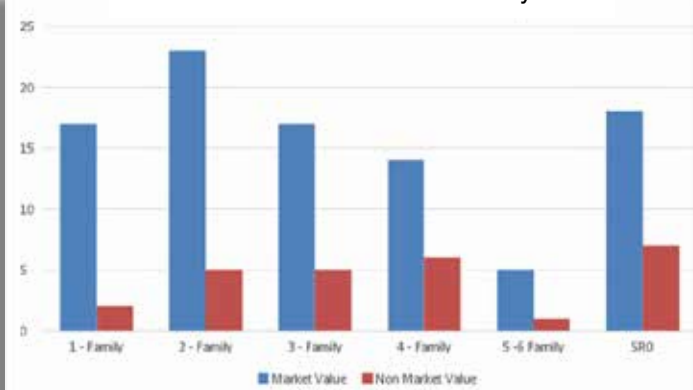
### Our Vision Statement:

*To represent and advise property owners on how to maximize the value of their real estate asset(s) in conjunction with their financial objectives.*

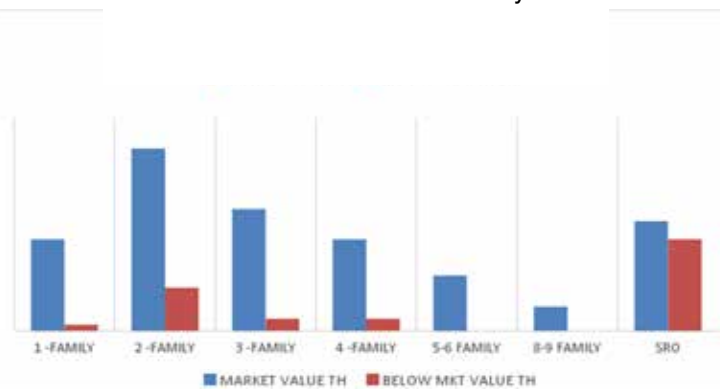
## WHAT'S SELLING?

Market value single room occupancy (SRO) sales volume vs. non-market value SRO sales volume jumped this year relative to 2016. This is a very good sign for the townhouse market as a whole! It means that more and more SROs were delivered vacant than in years prior, where many were sold well below market, or with tenants. This type of situation adversely affects the value and quality of life in the building. There are many new affordable housing opportunities that are better set up to handle this market, as well as providing better amenities for these tenants. Please see page 17 for an editorial.

2017 Townhouse Sales Volume by Use









2016 Townhouse Sales Volume by Use





# 2017 BELOW MARKET TRANSFERS

\$50,000  2081 5 Ave	\$1,533,000  419 E 116 ST	\$1,320,000  49 W 119 ST	\$424,798  436 E 120 ST	\$1,386,200  10 W 122 ST	\$81,250  30 E 126 ST
\$60,000  173 W 126 ST	\$842,500  17 W 127 ST	\$925,000  11 E 129 ST	\$530,000  242 W 132 ST	\$2,250,000  146 W 136 ST	\$1,962,500  207 W 136 ST
\$200,000  220 W 136 ST	\$10,000  239 W 136 ST	\$850,000  264 W 136 ST	\$1,320,000  519 W 141 ST	\$1,330,000  611 W 142 ST	\$72,500  404 W 146 ST
\$1,600,000  462 W 146 ST	\$15,000  401 W 147 ST	\$816,425  524 W 175 ST	\$2,650,000  383 Convent Ave	\$284,240  244 Lenox Ave	\$700,000  953 St Nicholas Ave

Below market transactions are at record lows largely as a result of educated homeowners coupled with expert seller/owner representation. Please refer to page 9 for more details.

						
1-FAMILY	2-FAMILY	3-FAMILY	4-FAMILY	5-6-FAMILY	7-9-FAMILY	SRO



# How Do You UNLOCK EQUITY IN YOUR TOWNHOUSE?

## HIRE A CONTRACTOR TO CREATE BELOW GRADE AND/OR OUTDOOR SPACE!



### GUEST COLUMN BY CRAIG ROTHFELD DIRECTOR, HARLEM PROPERTY RE+DEVELOPMENT

TOP THREE “ADDED VALUE” TIPS FOR TOWNHOUSE OWNERS  
AND A “MUST DO” OPTION FOR OWNERS READY TO TAKE THEIR HOME TO MARKET!

**Tip 1: Penthouse Additions** - Penthouses immediately increase the value of your home with year-round outdoor enjoyment. After constructing decks and roof gardens for several years, we turned our attention to designing different types of penthouses that were accepted and approved by the NYC Department of Buildings under the Penthouse Rule. With townhouses selling at over \$1,000/sq ft and the cost of a penthouse running \$400-500/sq ft, an owner adds immediate accretive value to a home and reaps the outdoor lifestyle benefits at the same time.

**Tip 2: Roof Decks** - Create a space for wet bars, hot tubs, outdoor kitchens, and heaters for year-round enjoyment. In 2002, we started adding simple roof decks, then clients wanted a water source for roof gardens, then wet bars, and now hot tubs, full outdoor kitchens, and heaters connected to city gas for year-round enjoyment. Rooftop living has become one of Harlem's best kept secrets as it opens up an entirely new world of outdoor space on top of your building.

**Tip 3: Cellar Renovations** - Create recreation space, a home theatre, gym, and/or laundry room. Most townhouse cellar spaces are still being used as oversized mechanical rooms. Renovating these mechanical rooms to the correct size can free up the square footage needed to create recreation space, laundry rooms, a home theatre, a full bath, or all of the above. This will create an environment more desirable than anything you could have imagined from your original cellar space.

ARE YOU CONTEMPLATING THE SALE OF YOUR HOME?

IF YES, THEN TAKE ADVANTAGE OF A HPRE+D'S FULL HOUSE INSPECTION PROPOSAL!

Before listing your home for sale, the first step is to have a real estate professional and licensed general contractor conduct a full house walk-through to suggest repairs and cosmetic changes that will maximize the return on your investment. These changes insure your broker is not explaining away water stains when he could be speaking to buyers about unique features of the home. A senior project manager at HPRE+D is available to conduct a thorough walk-through with any Harlem Lofts agent or broker. You will receive a written report (a \$750 value) at no charge, and it comes complete with a pricing estimate and photos.

*HPRe+D is a fully licensed and insured general contractor.*



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# NYC CERTIFICATE OF OCCUPANCY AND LETTERS OF NO OBJECTION

## GUEST COLUMN BY JAMES GAVRITY, CEO

TGI Title Guarantee, Inc.  
d/b/a US Land Title Services  
40 Exchange Place, Suite 1205  
New York, NY 10005  
(212) 776-9211  
jgavrity@titleguarantee.com  
www.titleguarantee.com

It is becoming more and more common for purchasers, attorneys, and lenders to require more than just a note stating that a property built prior to 1938 without a Certificate of Occupancy can legally be used as intended. The NYC Department of Buildings (DOB) typically did not require a Certificate of Occupancy before January 1, 1938, to confirm the legal use of the property.

In cases where parties in a real estate transaction are worried about the legality of the current usage of a property that was built prior to 1938, the DOB issues a Letter of No Objection (LNO). This is a letter directly from the DOB stating that they have no objection to the current usage of the property and a new Certificate of Occupancy is not required.

Properties built before 1938 in Harlem and Upper Manhattan, as well as areas in Brooklyn, have seen a tremendous increase in value over the past ten years. This trend has also increased the need for LNOs issued by the DOB. Because of this increase, the city has formalized the process. However, it is still rather time consuming and expensive. The cost to gather all the documents together and submit the request to the city can be close to \$1,500.00 and take anywhere from 3-6 months to obtain. At TGI, Title Guarantee, Inc., we have the experience and the expertise to help obtain these LNOs in an efficient and timely manner.

## WHY LETTERS OF NO OBJECTION ARE IMPORTANT

When investing a million dollars in a property, built prior to 1938, that you believe to be a legal, three-family residential dwelling, it is important to obtain substantial proof that your intended use of the property is legal. A tax classification can give you an idea of how usage of the property is viewed by the city, but the Department of Finance and the Department of Buildings may not always have their records in order and they may not be able to confirm. Obtaining LNOs from the DOB will give you legal confirmation that your property in question can legally be used as intended.

You might be interested to know you can obtain a LNO for a property that has an existing Certificate of Occupancy. For example, let's say the property has a Certificate of Occupancy stating the property is a two-family dwelling. Currently it is being used as a one-family dwelling. You can submit for a LNO where the DOB states they do not object to the usage of the property as a one-family. It should be noted that if there is any increase in usage to an existing Certificate of Occupancy, such as going from a two-family to a three-family dwelling, usually requires a submission of plans to the DOB.

*Title Guarantee offers title services to business, individuals, and institutions.*

*This article was prepared by James Gavrity in his personal capacity and the capacity of CEO of TGI Title Guarantee, Inc. The opinions expressed in this article are the author's own and do not necessarily reflect the view of Harlem Lofts, Inc., its employees, or its owners.*

# AFFORDABLE HOUSING

## SYNOPSIS OF VARIOUS NEWS REPORTS AND SYNDICATIONS

Mayor DeBlasio's affordable housing initiative will create many long-term opportunities for certain property owners (particularly townhouses) in Harlem to maximize the value of their property. Hopefully, this will also benefit Harlem's renters who have been struggling in recent years.

When a developer allocates a portion of a project to low income housing, the price per square foot on the build out of the 'affordable' portion can be absorbed by the project by using inferior finishes, giving lesser views, etc. Therefore in its early stages, the property's low income portion of expenses vs. income move more in unison. However, the required return on investment capitalization, or cap rate, will be set by the market. Therefore, the other renters in these buildings will have to increasingly pay the difference as the buildings age and maintenance costs increase per unit.

We see this as a tremendous opportunity for owners of properties, such as townhouses and older properties, able to collect market rents and spread expenses fairly among residents. The long-term math on a project with an affordable housing component is quite simple; as time goes by, renters will likely be unwilling or even unable to pay for their neighbor's living expenses, thus leading them to rationally prefer addresses that do not require them to. We believe this will be a windfall for townhouse owners looking to sell or rent. Furthermore, we believe that there will be an explosion of condo conversions of townhouses due largely in part to sophisticated buyers unwilling to rent in these aforementioned buildings and who are looking for the prestige and quiet sanctuary in Manhattan that only a townhouse can provide.

We are pleased that the mayor's office has taken such a strong initiative to protect renters in Harlem by not pricing them out of the market. Groups like the Goddard Riverside Law Project also play a key role in protecting single-room occupancy tenants. We have been in this neighborhood a long time and we have a vested interest that neither its character nor its people be lost.

## EAST HARLEM REZONING

The long talked about East Harlem rezoning was given final approval on November 30, 2017. This plan aims to improve the vitality of the neighborhood and improve the quality of life of East Harlem's residents. At the heart of the plan are increases in building density along key corridors and the addition of a large number of affordable housing units to be added on both private and public property throughout East Harlem. Select initiatives include:

- Better air quality
- A new waterfront park between 125th and 132nd Streets
- Increased ease of access to the area's open spaces
- Programs to better educate residents regarding the non-harassment of renters to leave their homes
- Redevelopment of the La Marqueta retail and food marketplace
- Additional properties to be added as city landmarks
- The preservation and enhancement of the neighborhood character

The Legal Aid Society of New York has filed suit against the East Harlem rezoning plan the city council approved last year. The advocacy group, that ironically is funded by the city, has alleged that the city has employed flawed methodology that miscalculates the consequences of the zoning action upon the community's rent regulated tenants. We will have to wait and see how this plays out as some have dug their heels in to fight these changes they believe will drive out low income residents and materially change the neighborhood.



# LUXURY RENTAL REPORT

Beginning in 2012, our annual rental report missive started off with the following opening sentence: “Owning a luxury rental property in Harlem and Upper Manhattan, regardless of the size, has proven to be a good investment over the past several years.” This statement was unchanged through 2015, and while owning a luxury rental property in Harlem and Upper Manhattan is still a great investment, this language needs to be slightly changed when recapping 2017. In short, rental prices seemed to have peaked for the time being, and in many cases dropped between 5% and 10%.

The flattening of rental prices in Upper Manhattan can be attributed to several factors. First, rental prices in Upper Manhattan have risen quicker, farther, and higher than any other part of Manhattan over the past five years. Whether this rise ranks as #1 or #3, the point is that rental prices in Upper Manhattan have had an almost vertical trajectory for the past eight years following the post-housing crisis lows of 2010. Second, there is now more supply (i.e., more luxury market rental units) in Upper Manhattan than at any other time in history. Third, several other outer borough areas have seen massive infrastructure and investment in rental properties (most notably the South Bronx Mott Haven area, Long Island City Queens, Astoria Queens, and Roosevelt Island). With the completion of the Second Avenue subway line and proximity of these areas with easy access to subways to Manhattan, Upper Manhattan is seeing pricing competition with new construction in the rental market.

However, Harlem’s popularity continues. A December 21, 2017, article authored by Tanay Warerkar entitled, “West Harlem,” tops *StreetEasy*’s list of 2018 neighborhoods to watch, and a January 26, 2018, article entitled, “The Best New York City Neighborhoods to Grow Your Family,” by Nikki M. Mascali, both highlighted West Harlem in particular and Upper Manhattan as destination spots for families.

Our conclusion, owning a luxury rental property in Upper Manhattan will continue to be a great investment over the next 15 years. However, we’d caution owners to not bank on the same rise in rental prices that have occurred over the past 5-7 years. We recommend modeling more tepid increases of between 0% and 4%, and don’t be surprised if you have some year-over-year percentage declines based on historical real estate cycles.

Please contact us to discuss the market value of your rental apartment(s) and receive complimentary data on closed rental deals.

Craig A. Rothfeld  
Director of Research

Brent LeGunn  
Associate Broker



25 Hamilton Terrace  
studio, \$1,599



120 West 119th Street  
1-bedroom, \$2,500



123 West 120th Street  
2-bedroom, \$2,999



West 119th Street  
3-bed triplex, \$5,300

# 101 PROPERTY MANAGEMENT TIPS



**GUEST COLUMN BY JIM SIMARI**  
**SR. PROPERTY MANAGER, HARLEM PROPERTY MANAGEMENT**

**In last year's report I revealed Tips 1 and 2. Here are the next two tips:**

**Tip 3:** Recent changes to city building regulations now require residential building owners to install apartment identification and directional markings and signs.

Effective March 30, 2018, the New York City Fire Department adopted a rule that requires each apartment door to have reflective or photo-luminescent signs at each entrance and on every apartment door. These signs should be installed low to the ground and no higher than 12 inches from the floor.

This requirement is for any residential building with more than two units and is meant to assist firefighters, first responders, and building occupants to identify apartment numbers in smokey conditions that obscure the regular apartment door number signs.

**Tip 4:** Every building in New York City is required to color code their sprinkler/standpipe pipes. Local Law 58/09, which went into effect on March 3, 2010, requires certain pipes to be painted a particular color based on their function. All exposed, vertical sprinkler pipes must be painted red, combination standpipe/sprinkler valve handles must be painted yellow, and dedicated sprinkler system valves must be painted green. Owners must hire a licensed plumber, fire suppression contractor, or a holder of a FDNY Certificate of Fitness, to certify the painting was done correctly. A copy of this certificate must be kept on the premises at all times.

The deadline for compliance was June 2, 2010, so if you haven't already complied, you can receive a violation starting at \$500. However, it's never too late to comply, so be sure to have your building pipes painted and certified today!

## ABOUT HARLEM PROPERTY MANAGEMENT

Harlem Property Management, Inc., (HPM) is a full-service, customer-centric, sophisticated property management company that focuses solely on real estate with up to 50 units in Harlem and Upper Manhattan. This specialization allows HPM to leverage the depth of its knowledge and vast experience in the industry, its extensive resources, and its vital local presence to help owners maximize their investments.

Our uniformed superintendents and maintenance staff personnel are available 24 hours a day, 7 days a week to ensure our services are available when you need them.

If you have a property in Harlem and/or Upper Manhattan, you'll want to meet with us. We're confident that you'll benefit from that meeting, even if you decide we're not a match. Please call to learn how you can get more from your investment and your management company.



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# HARLEM

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