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A market-rate future for the Bronx?

Development replaces demolition as borough stabilizes

By Alison Gregor

The recent history of Bronx real estate is a tale as much about demolition as development, but the future looks like an era of change.

A borough of stark contrasts, its northern section, which includes Riverdale, has always been ritzy and is now staving off large-scale development with restrictive zoning regulations. While the borough's less expensive areas have traditionally served as the steady source of housing for much of the city's working class, the South Bronx conjures up two principal images: Yankee Stadium and urban decay. Full of government-subsidized housing, the South Bronx is finally seeing the first tentative steps toward creation of market-rate condominiums.

As Bronx real estate prices rise, the question real estate professionals consider is simple: how high?

"There has been a steady stream of investment in the Bronx for the past two decades," said long-time Bronx developer Peter Fine, head of Atlantic Development Group. "We have done primarily rentals. But because the borough has increasingly stabilized, especially over the past five years, it's more viable today to try to do some kind of for-sale model."

The Bronx is hard to quantify as a potential ground for development, but some figures are clear. According to U.S. Census Bureau estimates, the Bronx is the city's second fastest-growing borough, behind Staten Island.

With almost 1.37 million people living in the Bronx, according to 2004 data, residential development has risen slowly and steadily. City building permit records show the rate of construction for apartment buildings is ahead of single-family houses.

Anthony Perez Cassino, chairman of Bronx Community Board 8, said the entire borough is undergoing a building revival. "I don't think there's anywhere in the Bronx that's not a good area to develop," he said.

Nowhere are the good times more evident than in the Riverdale and Kingsbridge neighborhoods in the northern Bronx, where zoning regulations were put in place to contain high-rise development in the swanky neighborhoods full of elegant single-family houses.

"This is the most development we've seen in Riverdale in several decades," said Bradford Trebach, an associate broker with Trebach Realty, which has operated in Riverdale for 33 years. "Most of these are luxurious condominium developments."

While the borough's northern environs duplicate an environment similar to surrounding posh Westchester County suburbs, the southern part of the borough is starting to blossom as prospective buyers get priced out of Manhattan.

While southern Bronx neighborhoods, such as Mott Haven, Port Morris, Melrose and Morrisania have seen their share of single- and multi-family homes in the past, they've also been home to large housing projects. Development of government-subsidized housing continues to this day, despite a legacy of problems with public housing, including crime, poor local schools and multiple generations of families living in poverty.

But developers have begun testing the market in the South Bronx with market-rate housing. The Jackson Development



(top) A rendering of the new Yankee Stadium, which will anchor a new commercial hub in the South Bronx; (above) Mario Procida has developed 1,000 housing units in the Bronx and recently finished a strip mall.

Group is putting up 28 condominiums in seven row houses near Yankee Stadium, which itself will be the site of a massive redevelopment effort that will see a new stadium next to the House That Ruth Built, as well as a hotel and convention center.

It remains to be seen if these market-rate units, with three-bedroom apartments reportedly going for \$235,000 and two-bedrooms selling for \$195,000, will actually find a market. Some developers say they are skeptical – though it's not out of the realm of possibility.

Some, including former Bronx borough president and Democratic mayoral nominee Fernando Ferrer, call for a balance between market-rate and affordable housing.

"While the resurgence of the Bronx has had a significant positive benefit on the borough," Ferrer wrote in an email to *The Real Deal*, "we must continue to be mindful of the effects a quickly rising market can have on the less fortunate New Yorkers. [But] the construction of new apartments does not necessarily mean the loss of housing families can afford. We can strike a balance by providing incentives for developers to include affordable housing units in their projects."

Mario Procida, head of Procida Construction Corp., has developed about 1,000 units throughout the Bronx since he began working there in the mid-1970s. His firm was one of the first to collaborate with the city's Partnership New Homes Homeownership Program.

"That has largely been the generator for the redevelopment of the most underserved areas of the city, like the Bronx," Procida said. "People may call it affordable housing, but it's really housing that meets the needs of the market."

Procida is working with L & M Equity Participants, Nos Quedamos and Melrose Associates to build a mix of 324 residential units of cooperative housing, rental apartments and multi-family homes in Melrose that will be affordable for people earning low to moderate incomes. He said that even with the cheap cost of land in the Bronx and increasing real estate prices, it's still not possible to do market-rate housing.

"It's very difficult to do anything here without government assistance," Procida said.

Martin Dunn, president of Dunn Development Corp., which has affordable projects going up in Morris Heights, Morrisania and Highbridge, agreed. He also said that, like everywhere else in New York City, the Bronx is seeing a shortage of land for development purposes.

"It used to be land was the last of our worries," Dunn said. "The obstacle used to be getting housing subsidies. But now, finding land is a significant hurdle."

As recently as 1999, Dunn said he bought a piece of land in the South Bronx at city auction for \$4 a buildable square foot. Within a couple of blocks of that site, the price of land has more than quintupled to \$25 a buildable square foot, he said.

"Land prices have just been jumping and jumping," Dunn said.

Other developers are a bit more optimistic. Ron Moelis, principal of L & M Equity Participants, said that besides the collaboration with Procida in Melrose, the company has about seven projects going on in that neighborhood, among others throughout the borough. L & M projects include two low- and middle-income rental projects at 156th Street and Melrose Avenue and 1011 Washington Avenue.

"There is starting to be more middle-income, even upper-middle-income housing being developed since the Bronx is more affordable than other parts of New York City," Moelis said. "Neighborhoods are gaining commercial infrastructure, and I think that will help."

Besides the new Yankee Stadium, there is other commercial development stabilizing the Bronx. BTM Development, a unit of the Related Companies, has plans for a 1-million-square-foot shopping mall called Gateway Center to go up at the former Bronx Terminal Market near Yankee Stadium. The Hutchinson Metro Centro in far-flung Pelham Bay increased the borough's Class A and B office space by 25 percent when it opened in June 2004 with nearly 500,000 square feet. Following the project's initial success, there are now plans to add another 650,000 square feet at the site.

A new mall of at least 200,000 square feet will be going in this year at 230th Street and Broadway in Kingsbridge, and Procida said his company has just completed a 14,000-square-foot strip mall and other commercial space at the Hub.

All of this new commercial development adds services for a borough that has been drastically underserved through the years, property developers say.

"There hasn't been much commercial real estate development over the past 20, 30 years," Fine said. "Since the population has stabilized and there is more solid housing stock, I think developers are feeling more confident there's a demographic base to do commercial development."

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