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Lower East Side Condo Boom Attracts Wealthy Buyers

The once sketchy neighborhood is drawing a mix of investors and affluent young professionals.



Rendering of 150 Rivington, a seven-story building with glass walls divided by cast-fiberglass panels, built on the site of a former matzo factory in Manhattan's Lower East Side neighborhood. PHOTO: VOLLEY STUDIO

By JOSH BARBANEL
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The Lower East Side is coming of age.

Once a hotbed of punk rock and drug trafficking, and more recently galleries and hip restaurants, the neighborhood is undergoing a condominium boom. Nine new projects, typically priced below those of many other Manhattan neighborhoods, are on the market and others are expected soon.

The new condos, many in contemporary buildings with large glass windows set near 19th century red-brick tenements, are drawing a mix of investors and affluent young professionals.

Along with them, developers and brokers say, are many older and more established buyers such as Randall Wiston, an oral surgeon from White Plains, and his wife Dana, two empty-nesters drawn to a neighborhood once known for cheap rents. The couple are in contract to buy a three-bedroom penthouse listed for more than \$3.7 million.

"It is a vibrant, young, fun, cool, hip place," said Dr. Wiston, who is 56 years old and thinking ahead to retirement. The Wiston's penthouse is located at 150 Rivington—a seven-story building with glass walls divided by cast-fiberglass panels, built on the site of a former matzo factory. The building has 45 units, of which 10 are in contract, said Millie Perry, a broker at Stribling who is marketing the units.

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Other beaten-down neighborhoods that are prime candidates for a comeback include the East Village, Hell’s Kitchen, and Harlem, brokers said.

Five blocks away, at 242 Broome Street, the developer, Charles Bendit, co-chief executive office of Taconic Investment Partners LLC, said a number of buyers came from the Upper East and Upper West sides and the suburbs, and were looking for a place with history and a “neighborhoody” feel.

“It is a reminder of the past, but also the beginning of a new future,” he said.

The Lower East Side was a prime destination for immigrants in the late 19th and early 20th centuries, including a large influx of Eastern European Jews. It later suffered from abandonment, poverty, drugs and crime before starting to rebound in the 1980s to be one the trendiest neighborhoods in the city.

At 242 Broome Street, a 14-story building of glass and angled metal panels is rising on what had been a city-owned parking lot. It is on the outer edge of the \$1 billion Essex Crossing development on an urban-renewal site created decades ago. The new development will include rental housing and condos, public markets, a new multiplex movie theater and a bowling alley.

One strong appeal of the Lower East Side to condo buyers is that you can walk to many of the priciest downtown neighborhoods, such as Tribeca and Soho, but the units’ asking prices are significantly lower than in those areas.

That means there could be more potential for the value of a purchase to rise, brokers say.

Since the beginning of 2012, the average price a square foot on the Lower East Side and the East Village rose far slower than in other downtown neighborhoods, said appraiser Jonathan Miller, creating potential opportunities.

Still, the new projects, with their stylish kitchens and large windows, typically are priced far above the recent neighborhood benchmarks, at well over \$2,000 a square foot, which works out to more than \$1.4 million for a 700 square foot one-bedroom apartment.

Leonard Steinberg, president of brokerage Compass, who is marketing a new condo building at 196 Orchard Street, said the units have a much higher level of finishes than an earlier wave of rental buildings that followed the restaurants, bars and galleries into the neighborhood.

Yet, he said the high comparable rents at nearby buildings made it possible for investor-buyers to generate a significant rate of return by purchasing new condos and renting them out. The 14-story building of 94 condos on the corner of Orchard and East Houston streets replaced a strip of stores next to Katz's Delicatessen. A two-level Equinox gym will be in the base of the building. To tamp down purchase prices, some developers are creating more one-bedroom apartments than they would in other neighborhoods and keeping square footage low. At One Manhattan Square, an 80-story tower going up next to the Manhattan Bridge, 47% of the 815 condos are one-bedroom units.

Gary Barnett, president of the project's builder, Extell Development Co., said the goal was to keep price points and carrying costs low. The project also has a significant tax abatement, he noted.

Dr. Wiston said his grandmother settled on the Lower East Side when she landed in America as a young immigrant from Eastern Europe. His mother grew up on Hester Street, not far from where he is now buying.

He and his wife lived in a house in Chappaqua in Westchester County while his daughter grew up, and then downsized to a large condo in White Plains, he said.

Dr. Wiston said he and his wife are attracted to both the older, surviving food places such as Yonah Shimmel's Knish Bakery and Katz's, as well as new "hipster clubs" and restaurants.

"It is a bit more affordable," he said. When you go 10 blocks to the west it is literally double, if not triple, the price."