

# Four neighborhoods roll with punches

## Recession hits some locations harder than others

BY AMANDA FUNG

**F**OR YEARS, developer Leib Poretz dreamed about transforming St. George, Staten Island's commercial and governmental hub, into a place where Wall Street professionals could settle down in luxury condominiums. He planned to lure them with striking views of the harbor and prices only half those of Manhattan.

Today Mr. Poretz, Staten Island's largest developer, isn't dreaming—he's scrambling to refinance construction loans for two developments in the area that his bank recently put into foreclosure. In addition, the Brooklyn-based developer has put the brakes on two nearby 19-story condominiums.

"This neighborhood is not yet in gentrification," says Joseph Margolis, project manager for Mr. Poretz. "It would have been, if not for the economy."

And so it goes all across the city as the recession—which many people thought as recently as a year ago might bypass us—hits with increasing fury. Yet the impact of the downturn is highly uneven. In this report, *Crain's* takes a look at how four very different sections of the city are faring and rates the recession's impact on each.

### Big projects stalled out

**AFTER NEARLY 20 YEARS** of growth fueled by government agencies and back-office operations for big Wall Street firms, downtown Brooklyn made major strides in recent years attracting private businesses and diversifying its mix of commercial tenants.

Last year, companies including WPP's ad agency UniWorld Group and News Corp.'s Community Newspaper Group signed leases at MetroTech Center, according to Keith Caggiano, a broker at CB Richard Ellis Inc. At the time, landlords were dangling asking rents in the high-\$30s per square foot, but this year rents have fallen to the mid-\$30s and few deals are getting done. Meanwhile, a number of big projects that promised to make downtown Brooklyn the fastest-growing office market in the city



outside Ground Zero are on hold. Among those are Forest City Ratner's sprawling \$4 billion Atlantic Yards project, and City Point, which was supposed to transform the Albee Square site on Fulton Street into Brooklyn's tallest building, a 1.5 million-square-foot residential, retail and office tower.

The market for retail space is also in retreat.

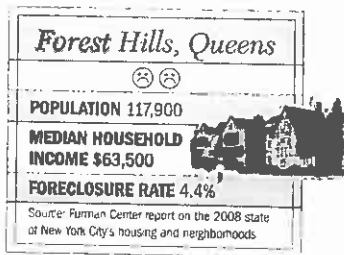
"At this current moment, the retail environment is on pause, like the rest of the city," says Joe Chan, president of the Downtown Brooklyn Partnership.

As of January, 20 of 100 shops on Flatbush Avenue in the neighborhood were vacant, according to Faith Hope Consolo, chairman of Prudential Douglas Elliman's retail leasing and sales division. Nearby, the asking retail rents on Fulton Street have fallen by a third from their high of \$150 per square foot in 2007, according to brokers.

Completing the trifecta of woe, a bumper crop of residential towers, including Oro, Forte and BellTel Lofts, have sprouted, following a 2007 rezoning that permitted taller buildings in the area. Many observers wonder if there are enough buyers to consume the supply of high-end apartments.

### Affluent oasis spared the brunt

**WITH ITS TREE-LINED STREETS** and mixture of handsome houses, well-maintained high-rises and bustling shopping strips, Forest Hills in Queens stands as one of the few city neighborhoods that have yet to see double-digit percentage declines in housing prices.



Instead, brokers say, home prices have eased 5% to 6% to date, buttressed by the area's solid housing stock, good schools and excellent transit links.

"Forest Hills is a good, vibrant neighborhood," says Tom Donovan, a partner at Massey Knakal Realty Services, who heads its Queens office.

Even so, the volume of residential transactions is off steeply, and bids are coming in well below asking prices.

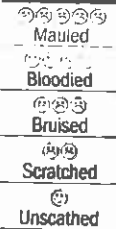
Meanwhile, vacancies are rising along the area's main retail strips.

"I started noticing vacancies in the early fall of last year," says Jack Soieimani, owner of Jacklyn's Boutique, an apparel retailer that's been in Forest Hills for 30 years.

The asking rents for storefronts on Austin Street have plummeted to around \$70 per square foot—less than half of the peak of \$150 per square foot hit in 2007.

Landlords are working with tenants to provide rent relief or other lease concessions to keep more shops from falling into the "available" category, according to Cory Zelnick, founder of brokerage Zelnick & Co.

### Recession Impact Rating



### Food markets holding up well

**JOBS MAY BE GONE** and the economy may be in shambles, but people still need to eat, and maybe even drink.

Boasting one of the world's largest food distribution centers—including the city's wholesale meat, vegetable and fish markets, plus warehouses for everything from spices to Budweiser—the Hunts Point section of the Bronx is holding its own.

Led by such neighborhood stalwarts as the 37-year-old, 60-acre Hunts Point Cooperative Market,

units, and The Pointe, with 58—have been put into foreclosure by banks holding \$47 million in construction loans.

Elsewhere in St. George, the good news is that the market for retail space has held up better, in part simply because it never moved much even at the peak of the economy.

"We weren't asking for pie-in-the-sky prices," says Mr. Pitera, noting that average asking rents for shops are \$30 a square foot, about the same as they were a year ago.

"The potential is here," Borough President James Molinaro says. "I am still very optimistic." ■



which alone has 52 member meat companies and roughly 2,400 employees, the neighborhood has seen vacancy rates remain relatively low, according to brokers and community officials.

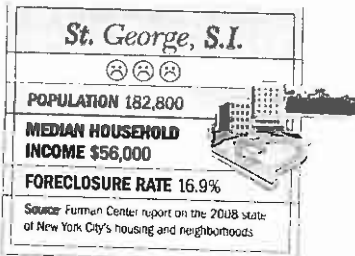
"There is no spike in vacancies, and demand for property remains strong," says Nick Burns, a director of sales at Massey Knakal Realty Services.

Last year, Hunts Point attracted a number of high-profile tenants, including Baldor Specialty Foods and Anheuser-Busch, both of which leased 200,000-square-foot facilities.

Last year, asking rents held up relatively well, slipping a modest 10% to 15% to around \$10 per square foot currently, according to John Reinertsen of CB Richard Ellis.

### Dreams for upscale housing fading fast

**WITH ITS NEWLY RENOVATED** ferry terminal and a stadium for its successful minor league baseball team, St. George finally seemed to have arrived. Staten Island's largest developer, Mr. Poretz, had hoped to catch the wave and have more than 600 housing units on the market this year, says John Pitera, a sales direc-



tor at Casandra Properties, which markets Mr. Poretz's buildings.

Instead, Mr. Poretz, burdened with financial setbacks, has 97 units on the market. Two of his more ambitious projects, both of which are fully built—The Pearl, with 101