

# THE REAL DEAL

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## Prices rising at the end of the tunnel

Second Avenue subway progress gives bump to Upper East Side property values

By Tom Acitelli

In mid-2013, Elaine Diratz, senior managing director of Corcoran Sunshine Marketing Group, noticed that the one-bedroom condos at 515 East 72nd Street, formerly known as Miraval Living, were selling briskly. There were more than 70 closings between summer 2012 and summer 2013 — about half the building's 142 one-bedrooms.

Diratz, whose firm was handling the marketing of the 329-unit conversion near the East River for developer Acheson Doyle Partners, soon put her finger on the reason behind the quick pace of sales: major milestones in the construction of the Second Avenue Subway, a little more than two blocks away. The milestones included some of the last subterranean blasts for the first phase of the project, from 63rd to 96th streets, which is scheduled to debut by the end of 2016.

Sales were lagging behind until it became clear the subway was really getting closer to completion, Diratz said. "I think the savvy one-bedroom buyers recognize the potential for the appreciation for these one-bedrooms by having that Second Avenue line there."



The MTA says the first phase of the new Second Avenue Subway is on track to start up by December 2016.

The Second Avenue Subway — which will eventually run 8.5 miles from 125th Street to Hanover Square — has been on the drawing board for decades, variously championed by politicians, transit advocates and urban planners. Commuters, tired of crowding onto the overstrained Lexington Avenue line, the only other subway serving the Upper East Side, were among the most vocal in pushing for the new "T" line, as it's dubbed.

And the real estate industry, of course, has a vested interest in the project coming

to fruition. For the first time, developers and brokers are reporting a spike in buyer and investor enthusiasm for developments east of Third Avenue, because of the recent progress on the Second Avenue Subway. They say property values on and around Second Avenue, as well as prices for condos and co-ops, could increase more than 20 percent because of the new line.

Prices on the Upper East Side east of Third Avenue have traditionally lagged those west of the avenue and closer to Central Park. The

lack of a subway line hasn't helped. "The whole problem with Second Avenue traditionally is that it's been too far away from the subway — that's why buyers have shied away," said Richard Steinberg, a broker at Warburg Realty who is doing deals along the corridor.

This dearth of a subway has not only translated into traditional buyer reticence: It's meant lower condo and co-op prices for the Upper East Side east of Third Avenue. In 2013, the average sales price of an Upper East Side condo from Third eastward was \$1.57 million, according to an analysis from Pete Culliney at real estate data provider CityRealty. Meanwhile, for the Upper East Side overall, what Culliney calls "core East Side," it was \$2.34 million.

The average price differences were just as pronounced for co-ops.

The first phase of the subway will undoubtedly close the gap, brokers and developers say. While it's unlikely Second Avenue — or avenues even farther east — will ever overtake swanky Fifth and Park in terms of price, they could more rigorously compete

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