



November 11, 2010

In West Chelsea, a High Line Boomlet

By SARAH KERSHAW

THE view of West Chelsea from the roof of 540 West 28th Street, a new condominium at 11th Avenue, prompts a somewhat irrational question: what housing crash?

All around, construction is buzzing and the landscape is filling up with new buildings and warehouse conversions, funky and sleek condominiums, hotels, galleries and public spaces designed by big-name architects like Frank Gehry, Jean Nouvel, Richard Meier and Annabelle Selldorf. And other projects once trapped in limbo by the mortgage and construction financing crises are moving ahead.

In the last four years, 27 residential projects have come on the market in West Chelsea, a submarket of Chelsea that runs from 14th to 30th Street, west of Ninth Avenue, according to an analysis by Streeteasy.com. A building boomlet that began a decade ago intensified after the rezoning for residential use of a 15-block area and the beginning phases of the High Line park.

Many of these properties struggled after the collapse of Lehman Brothers two years ago. But the market is coming back, developers and brokers say — through a combination of timing (the opening of the popular High Line), chic (art galleries) and edginess (the rezoning of an industrial area).

West Chelsea's growth came during a period of almost unheard-of building development citywide. In 2007, for example, 25,659 new units were completed. But in 2009 building permits — a measure of future building activity — fell by 90 percent, to 3,275 from 30,947 in 2008, and the decline has persisted in 2010, according to data compiled by the Furman Center for Real Estate and Urban Policy at New York University.

A relative lack of inventory in Chelsea is also sustaining demand in West Chelsea. There are 126 available units in Chelsea as a whole, from 14th Street to 30th Street, west of Fifth Avenue, according to Halstead Property. That is three more than were available last May.

But even in West Chelsea, there are pockets of hot and cold. The High Line will eventually run from Gansevoort Street to 34th Street. The first segment, stretching to 20th Street, is

open. The second, extending to 30th Street, is expected to open next spring, and likely to have a similar effect on apartments in that area.

At 540 West 28th Street, a 12-story building called +aRt, developers have so far had a hard time selling condos. Preconstruction sales of the 91 units began in September 2008, but sales were suspended from December 2008 until last May.

Since the units at +aRt — half a block from the 28th Street High Line entrance — recently returned to the market, with prices from \$500,000 to \$2.3 million, about 20 percent of them have sold, though most for 10 to 15 percent below asking prices.

Across 28th Street, AvalonBay Communities, a national developer, had signed a 99-year lease on about 60,000 square feet of land in 2007. A rental building with 600 to 700 units had been planned but stalled, although according to someone with knowledge of the plans who was not authorized to speak publicly, ground-breaking is anticipated for the middle of 2011.

Erik T. Ekstein, the principal of Ekstein Development and one of the developers of +aRt, said he was encouraged by the current pace of sales and did not regret setting his sights on West Chelsea. The first buyers are moving into the building this week, he said, and he is also developing a 30-unit rental building at 537 West 27th Street.

“We saw what was coming north, we saw the High Line coming, we saw the art galleries,” said Mr. Ekstein, who has also developed properties in TriBeCa and in Long Island City, Queens.

Among the first developers to march into West Chelsea in the last 10 years was Cary Tamarkin, the architect and the developer of 456 West 19th Street, where 16 of 22 duplexes, ranging in price from \$1.5 million to \$7.9 million, are in contract or closed. Mr. Tamarkin focused his marketing efforts on the proliferation of art galleries and exhibits of globally acclaimed painters and sculptors.

“Art was huge,” Mr. Tamarkin said. “It was the whole tag line of our building,” which is modeled after artist studios of the early 20th century.

“When we first started thinking about this four years ago,” he said, “the High Line was just kind of a dream and the area was scary; it had a scary component to it at night. But it has just flourished on a straight line up from that moment.”

He also designed and developed a building at 491-495 West Street in the West Village. But he said, “The West Village remains great, but it’s, like, done. It’s like living in the suburbs. It’s not edgy.”

While the art district always had cachet, art alone was not enough to sell West Chelsea, said Leonard Steinberg, a broker with Prudential Douglas Elliman who specializes in West Chelsea.

But then came the High Line, the elevated park that is, in phases, transforming an old trestle that snakes through the West Side of Manhattan into a tourist attraction. “Having an art gallery on your street doesn’t necessarily imply quality of life,” Mr. Steinberg said. “Art galleries are the first indicators of a turning neighborhood, but what’s happening now in West Chelsea is the perfect storm.”