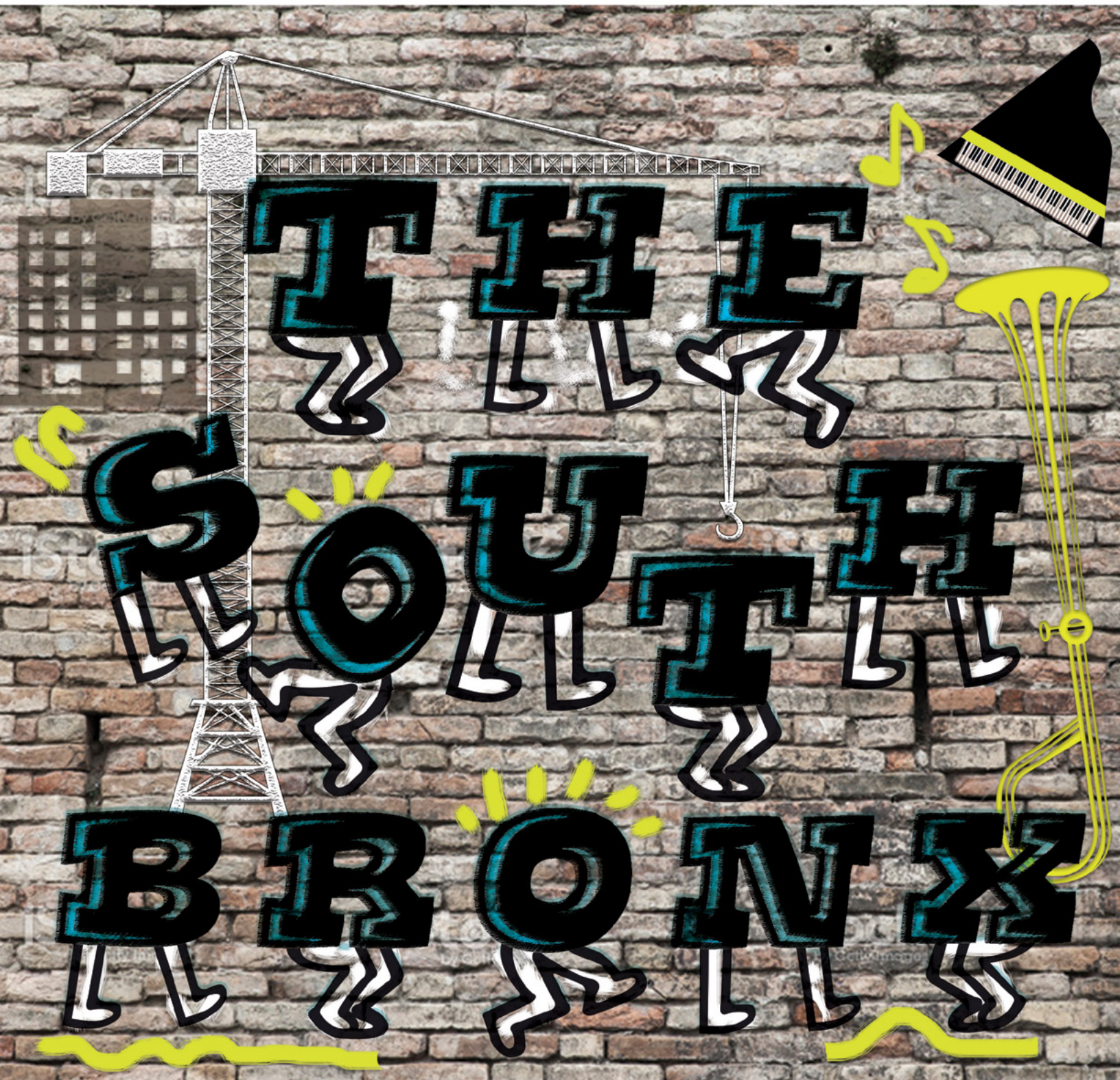



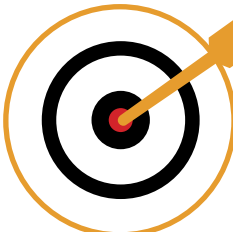



NEXT STOP: THE SOUTH BRONX



Next Stop: The South Bronx

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Perfectly Positioned

For many years, the industrial and residential waterfront enclave known as the South Bronx was emblematic of the the downtrodden, urban decay that much of New York City experienced in the 1970's and 1980's. However, for nearly a decade various voices, in and beyond the media, have declared the birthplace of graffiti and hip hop culture the city's next "hot spot". Recently, we've begun to see a significant increase in South Bronx real estate development and, as a result, growth in the area's hospitality and commercial sectors, indicating that the perfectly positioned neighborhood has ultimately reached an inflection point. The South Bronx has not seen this aggressive style of investment in the past and now prominent developers are coming in and scooping up land at record prices. This level of investment, combined with existing area changes such as marked population growth, strategic rezoning, planned waterfront revitalization, comparatively low land costs and rising rental pricing, all indicate that a real estate boom is underway.



A Changing Borough

On An Upward Swing

Transactions

Laying The Groundwork

Closer Than You Think

A Changing Borough

On An Upward Swing

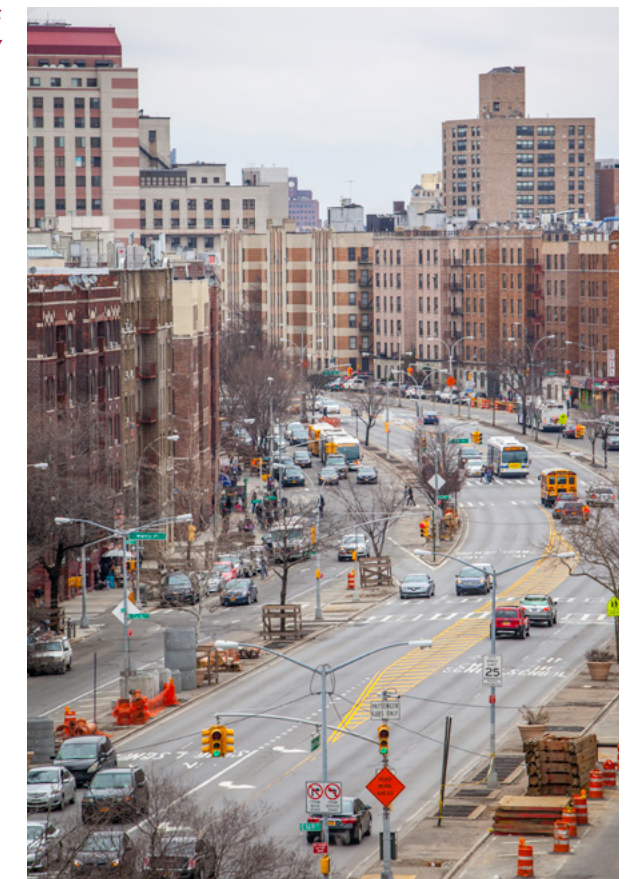
As a whole, The Bronx is on an upward trajectory, and the borough's population growth is a major indicator of its resurgence. While the entire city is growing faster than anticipated — New York has already surpassed its projected 2020 population — recent census figures show The Bronx as the fastest growing borough in the city, with a population that has increased nearly a full percentage point in the past year. The city's population growth has driven up real estate prices significantly in Manhattan, Brooklyn and Queens, leaving The Bronx, where land prices have long lagged behind the other boroughs, as an affordable alternative.

Bronx wide, year-over-year total real estate investment rose from \$1.1-billion to \$2.4-billion — a 54% increase from 2014. Across the borough residential projects are surging, with **approximately 8,000 new units hitting the market this year. Investor activity in the multifamily sector has also intensified; year-over-year sales of multifamily buildings increased by approximately 12%.** One of the notable transactions driving this increase was a \$112.5-million, 20-building portfolio acquisition that was completed in December by Related Companies in conjunction with New York City pension funds. This portfolio sale is a prime example of growing investor confidence in Bronx real estate assets. Notably, in the first quarter of this year, The Bronx accounted for more than one-third of the city's multifamily transactions, as transactional volume rose above \$470 million, and year-over-year asset sales improved in all areas of the borough.

As investor interest in Bronx real estate has increased, we've seen a direct rise in property prices. In 2015, the average price per square foot for multifamily buildings jumped from \$120 the previous year to \$160 — an increase of 32%. The residential rental market is on a strong upward swing as well. While rental prices in Manhattan and Brooklyn are beginning to stabilize, The Bronx is still seeing a steady increase. The borough's median rental price has risen to \$1,575 — a 9% year-over-year increase.

In addition to these factors, The Bronx's land prices also play a substantial role in explaining the borough's allure. With land prices skyrocketing elsewhere, The Bronx's land prices, which hover in the range of \$50 per square

foot, compare extremely favorably to both Brooklyn (where prices average about \$240 per square foot) and Queens (\$180 per square foot). Affordable land is a significant factor in the borough's recent upsurge in development activity. Currently, The Bronx has **more than 13 million square feet of residential space under construction**, and we project that figure to grow in the third and fourth quarters of 2016.



Main Concourse, South Bronx

A Changing Borough

Transactions

The increase in Bronx transactional volume has been well documented, but the specific strength of the South Bronx warrants further inspection. Over the past year, there have been numerous notable multifamily transactions that have helped increase the area's multifamily investment sales volume. One notable example is the recent acquisition by Harbor Group International and York Equities of a 38-building, multifamily portfolio known as "The Bronx 1,000." At \$140 million, the transaction, which includes assets in South Bronx neighborhoods such as Lower Concourse, Mott Haven, Port Morris and Hunt's Point, represents the largest investment sale in the borough since 2013. Noted Brooklyn investor Joel Gluck also raised some industry eyebrows when he paid \$67 million for an eight-building multifamily complex in the Soundview section of the South Bronx. Lastly, Chestnut Holdings recently closed on the \$46.6-million sale of a 10-building portfolio, previously owned by Prana Investments, with buildings spread from the South Bronx to Fordham Manor.

In the coming years, the South Bronx's multifamily market will continue to appreciate, driving an increase in asset prices as well as rents.



Construction site, South Bronx



Clock Tower, South Bronx

\$1.1-billion
Committed in 2015

3.6-million
Per square feet in 2015

Over 3,000
New residential units
in 2015

Laying The Groundwork

The South Bronx, specifically the micro-neighborhoods of Mott Haven and Port Morris, are the ideal areas for a residential renaissance. Little over a year ago, experts heralded The Bronx as an area primed for new development, and looking at the numbers, these projections have proved correct.

The South Bronx real estate market exploded last year. *Investors and developers committed approximately \$1.1-billion, an 84% increase from the \$180-million spent in 2014. The massive dollar volume of 2015 has led to 3.6-million square feet of development and over 3,000 new residential units.* In addition to the increased investment volume, we're also seeing a marked increase in the pricing of these deals, as measured on a per-foot basis. In 2015, the median price per square foot for Mott Haven/Port Morris was approximately \$166, yet some properties traded at figures 60 to 70 percent higher than the median. Developers have been investing bullishly in the area, indicating that Mott Haven, Port Morris and the broader South Bronx could have even more potential than previously predicted.

Just like the booming Brooklyn neighborhoods of Williamsburg and Dumbo, Mott Haven and Port Morris are one or two subway stops from Manhattan, with waterfront locations that provide great views of Manhattan. The areas are also flush with vacant lots and industrial buildings in disrepair — the types of properties that have long been successfully converted by value-add developers. Additionally, several political and other external factors have laid the groundwork for the impending construction boom, including Borough President Ruben Diaz Jr.'s support for the progression of development in the area, Mayor De Blasio's \$200-million capital investment into the Lower Concourse; the opening of the Randall's Island Connector (a walking/biking pathway) and the planned revitalization of a substantial stretch of land along the Harlem River ("The Haven Project").



Industrial Buildings in South Bronx



Street view, South Bronx



3rd Avenue Bridge

As new buildings approach completion, developers will market their units above the approximate median rent of \$1,750 currently seen in Mott Haven, but when compared to the pricier rent figures seen in many parts of Manhattan, Brooklyn and Queens, the South Bronx can still be a solution. In fact, for both developers and their future residents, affordability has been a key in pushing this move to The Bronx.



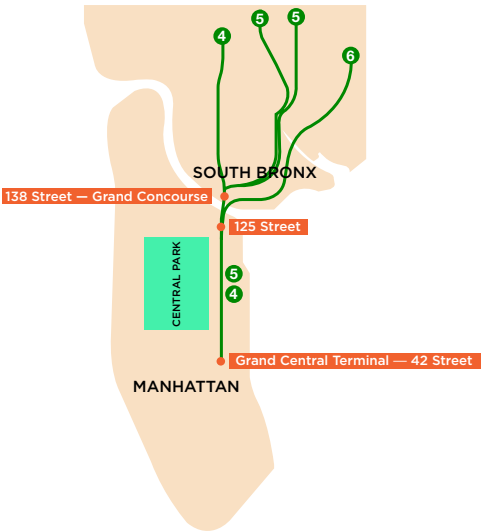
"GOOD BONES"



A Changing Borough

Closer Than You Think

Mott Haven and Port Morris are the first stops outside of Manhattan on the 4, 5 and 6 trains, providing neighborhood residents with a commute to Midtown of approximately 20 minutes. This easy access to Manhattan is a strong driver for many residents who work in the city but are seeking out neighborhoods that can balance affordability and convenience. With the area on the cusp of seeing a significant amount of *new, luxury-style developments being built, new residents will be able to reduce living costs, while still holding on to the amenities and conveniences that they are accustomed to enjoying.*



20 minutes to Midtown from South Bronx



149 St-Grand Concourse Subway Platform



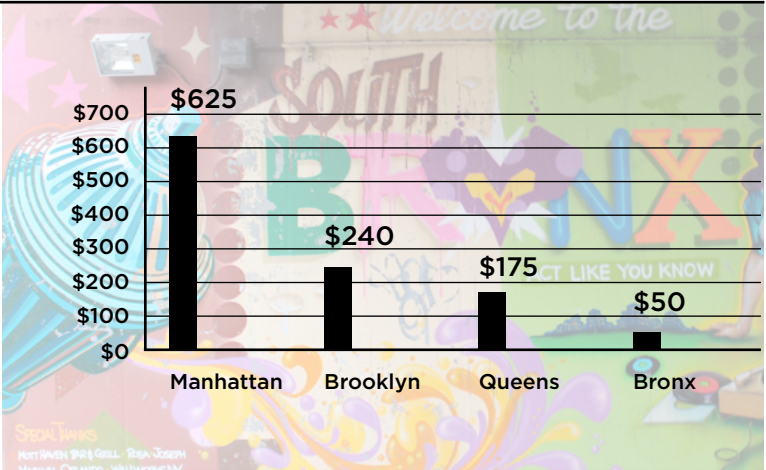
The 6 train

A Changing Borough

The Numbers

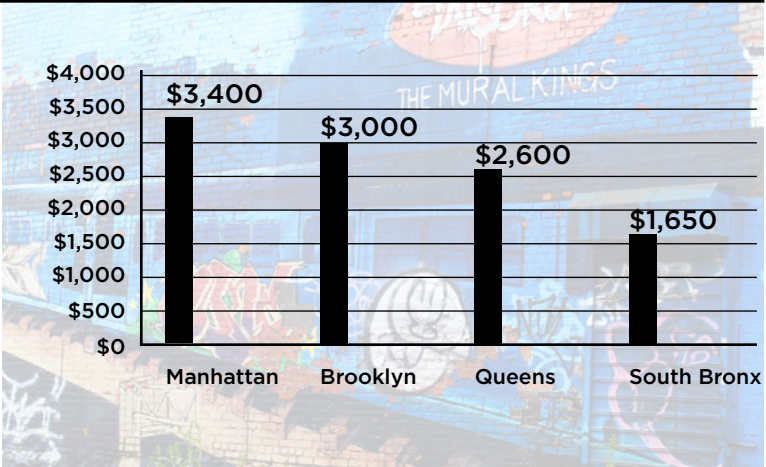
New York City Land: Average Price P/SF

The Numbers Just Make Sense.



Median Rental Pricing

It's About Affordability.



Bronx Multi-family Buildings: Average Price P/SF

The Growth Spurt Begins.



Developments On The Horizon

Residential

The Condo Play

Office Space

Hotels

Retail

Film
Production

Developments On The Horizon



Is Mott Haven destined to become New York City's next Williamsburg or Dumbo? That remains to be seen, but it is clear that the area has untapped potential, and developers have begun capitalizing on this opportunity and developing plans for market-rate housing. *Similar to what we saw in Williamsburg in 2005, plans are being submitted and ground has been broken for large-scale, luxury buildings complete with enticing amenities, including gyms, landscaped roof decks, shared recreation space, bicycle storage and swimming pools.* While these residences may be priced higher than others in the area, they're also bringing an entirely new paradigm of luxury development to the neighborhood.

Residential

For example, in Mott Haven/Port Morris, The Chetrit Group and Somerset Partners teamed up on the \$58-million purchase of 260,000 square feet of industrial land along the Harlem River in Port Morris, with plans for a residential complex comprised of six 25-story towers. This is currently the largest and most significant development in the neighborhood. The partnership has already filed plans with the Department of Buildings for two 25-story towers (2401 3rd Avenue and 101 Lincoln Avenue) that will include 1,170 apartments and a community facility, as well as a restaurant and retail space.

Next to the site of Chetrit and Somerset's complex, at 198 E. 135th Street, Cheskel Schwimmer of CGS Developers has plans for a 25-story building comprised of 465 market-rate units and ground-floor retail.

At 477 Gerard Avenue in Mott Haven, Harshad Patel is planning a 13-story, 66-unit, market-rate residential building. This building also shares a lot with 500 Exterior Street, the under-construction, nine-story, 69-key hotel that Patel is bringing to the neighborhood.

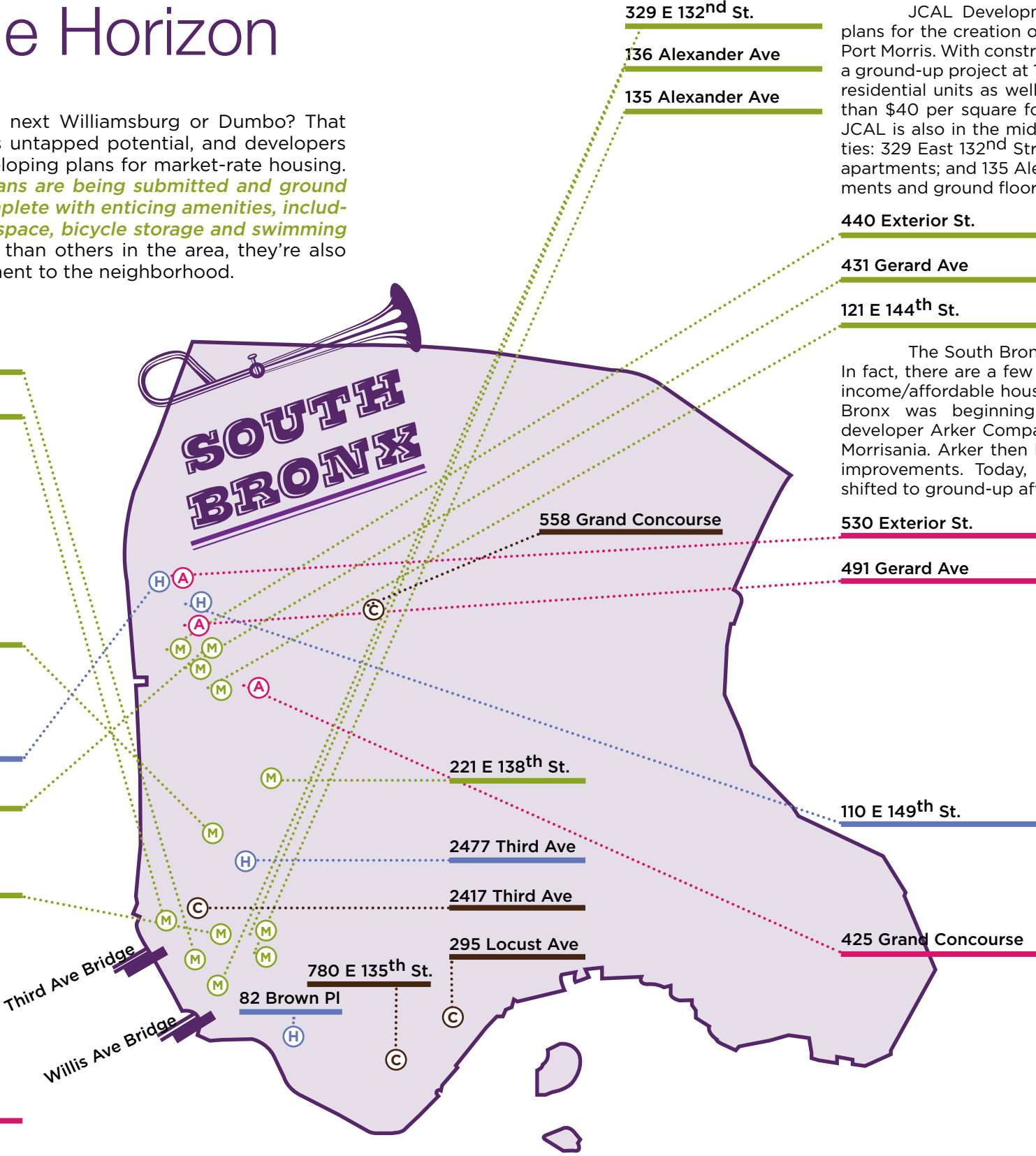
In 2002, pioneer Carnegie Management converted a piano factory at the corner of Lincoln Avenue and Bruckner Boulevard in Mott Haven into an apartment building known as The Clock Tower, which is now charging more than \$2,000 for a one-bedroom apartment. Today, they have plans for two more market-rate buildings, one of which will include an indoor pool — a first for the South Bronx — in addition to its 130 residential units.

Market
Rate Projects

Hotels

Affordable
Housings

Commercial



JCAL Development, a longstanding developer in The Bronx, has plans for the creation of additional market-rate apartments in Mott Haven/Port Morris. With construction almost complete, they have started marketing a ground-up project at 136 Alexander Avenue, a four-story building with five residential units as well as commercial space. The building's pricing (more than \$40 per square foot) eclipses that of any other building in the area. JCAL is also in the midst of constructing two other neighborhood properties: 329 East 132nd Street, a 12-story building comprised of 91 market rate apartments; and 135 Alexander Avenue, a four-story building with six apartments and ground floor commercial space.

Treetop Development has plans for two large rental buildings in Mott Haven, respectively located at 440 Exterior Street and 431 Gerard Avenue. Using an affordable housing bonus from the city, these properties will likely include affordable units to increase the available FAR.

The South Bronx boom is not just producing market-rate buildings. In fact, there are a few large projects on deck that are focusing on mixed-income/affordable housing. Approximately 18 months ago, when the South Bronx was beginning to attract more investors, affordable housing developer Arker Companies paid \$85 million for an 18-building portfolio in Morrisania. Arker then began investing an additional \$70 million in capital improvements. Today, however, the vision of numerous developers has shifted to ground-up affordable housing projects.

Near the banks of the Harlem River in Mott Haven, Monadnock Construction and Signature Urban Properties are constructing a unique, multi-building development that represents a major change for the neighborhood. The first of the three buildings, which has already secured DOB permits, is a 13-story structure that will rise at 530 Exterior Street, and will include 157 affordable apartments. The second building, 491 Gerard Avenue, will rise 12 stories and house 136 affordable rental units. The third piece of the development will be a 10-story, 152-key Hampton Inn, which will include ground-floor retail and a rooftop lounge.

Another notable affordable development is "Thessalonian Manor," a vision of Urban Builders Collective and CMC Development. The two-building project, which will be located at 960 Prospect Avenue in the borough's Morrisania section, will add 120 affordable units to the area.

At 425 Grand Concourse in Mott Haven, the city has granted development rights for one of the most substantial mixed-income, mixed-use developments in the area to Trinity Financial and MBD Community Housing Corp. The energy-efficient, 24-story, 300,000-square-foot complex will feature 241 affordable housing units, a charter school, medical facility, supermarket, space for cultural programs and a large amount of common outdoor space. These developments make it clear that, while the South Bronx is seeing a large influx of market-rate housing, the neighborhood will also experience growth in the affordable segment.

Developments On The Horizon

The Condo Play

With the surge in new rental properties coming to the neighborhood, we may begin to see developers and capital providers gain confidence that condos are a good play. One particular developer may be making that move, and eager investors are waiting on the sidelines to see how he fares. Anthony Gurino of Tahoe Development, who was an early entrant in Williamsburg, is planning a seven-story, 50-unit building at 221 East 138th Street in the Lower Concourse Rezoning Area. Although Gurino publically announced that the project was going to be condos, he has since pulled back and has said that they (Tahoe Development) have not a formal decision whether to construct condos, market-rate apartments or a combination of the two.

The construction of condominiums would be a significant move for the neighborhood though. With the saturation of luxury rentals in the outer boroughs there is a clear demand for condos. That demand combined with the affordability of The Bronx indicates that a surge in the South Bronx condo market may begin sooner than later.



New Construction Site in South Bronx



Willis Avenue Bridge

Office Space

The resurgence of the South Bronx goes beyond residential and hospitality. Buoyed by several prominent developments, this section of the borough is once again becoming a prominent commercial center.

In 2015, Hornig Capital and Savanna purchased a 172,000-square-foot commercial loft building in Mott Haven for \$31 million. They've rebranded the eight-story building as "The Bruckner Building," commenced a \$12-million capital improvements program, and, in conjunction with the new residential developments coming to the area, are hoping to enhance the live-work scene in the South Bronx.

In addition to Hornig and Savanna's commercial conversion, a JV of Bluestone Group, Altmark Capital and Princeton Holdings recently acquired a six-story industrial building at 780 East 135th Street in Port Morris. The new owners have yet to finalize plans for the vacant building, but are expected to convert the structure into creative office space or live-work artist lofts.

Bluestone and Altmark also just closed on similar style, 7-story industrial building at 825 East 141st Street in Port Morris. The \$44-million deal, brokered by Yosef Katz of GFI Realty Services, closed for approximately \$186 per-square-foot.

The conversion of former industrial space into office space is a strong move towards fully pushing the South Bronx into the next chapter of its existence. With the live-work scene in Brooklyn still in the relatively early stages, the development of significant residential and creative office space in Mott Haven and Port Morris will hasten the neighborhoods' complete transformation.

Hotels

With many rental projects now in the South Bronx pipeline, the area is certainly positioned for new product in other asset classes. That said, some developers, feeling the uncertainty surrounding the 421-a tax exemption, have decided to go in a different — and safer — direction with hotels. In addition to Harshad Patel's two hotels (one being a Hampton Inn), both of which are coming to Mott Haven, there are several notable projects in the pipeline. The first is another Patel project: 2477 Third Avenue. Purchased in 2009 for \$60 per buildable square foot, the property, with construction underway, is slated to become a four-story, 84-key Comfort Inn.

Developer Amritpal Sandhu has filed plans for a 12-story, 133-key hotel located at 82 Brown Place in Port Morris, between Bruckner Boulevard and the Harlem River freight yards.

New Jersey-based developer Nehalkumar Ghandi has filed plans for two new projects in the South Bronx. The first is an 11-story, 82-key hotel with ground floor commercial space in Concourse Village and the second, an eight-story, 72-key hotel at 1164 Wheeler Avenue in Soundview that traded for approximately \$74 per buildable square foot.



Filtered Coffee in South Bronx



Construction Site (Comfort Inn), South Bronx



New Mixed Use Building at the corner of E. 134th St. and Alexander Ave.

Retail

The retail pipeline in the South Bronx is not yet as robust as that of the residential market, but the success of the two asset classes are closely related, and we can expect the retail to grow once we see more residential completions. Within the past year, however, a Starbucks opened near the Related Companies' Bronx Terminal, just north of Port Morris and Mott Haven. Much like Whole Foods, when Starbucks begins making inroads into a neighborhood, it's a clear sign that the area will enjoy increased vibrancy.

A little further south, change is on the horizon as well. Aside from Charlie's Bar & Kitchen, Mott Haven Bar & Grill and Ceetay, retail in Mott Haven and Port Morris has been scarce. In early April though, Filtered Coffee opened its doors in Mott Haven, with financial backing from Somerset Partner's Keith Rubenstein. The popular coffee house, which has a look and vibe reminiscent of Williamsburg, has big plans for the new location. In addition to offering free WiFi, the shop also host poetry readings and live music events that will surely shape Filtered into a neighborhood hotspot. In addition to Starbucks and Filtered

coming to the South Bronx, Birch Coffee has plans to open in Hunts Point. Established in 2009, Birch Coffee has six cafes in Manhattan and one in Long Island City. Its entrance to the South Bronx speaks volumes to the neighborhood's newfound attraction.

Coffee shops are not the only indication of the shift we're seeing in the South Bronx . North of Mott Haven in Concourse Village, the former Bronx General Post Office is undergoing a large transformation. Interior demolition work is underway on the three-story building that Young Woo & Associates purchased for \$19 million in 2014. Upon completion, the converted structure will house approximately 64,000 square feet of retail space on the ground floor (including an open market), 105,000 square feet of office space on the second and third floors, and a 7,000-square-foot rooftop restaurant. This unique space will not only be an attractive draw for residents of the South Bronx, but will also create jobs and stimulate the local economy.

Film Production

What would a former industrial, waterfront neighborhood be without a little glitz and glamor? Just a few months after York Studios went public with its purchase of a 10-acre lot in Soundview, where the company will construct a 300,000-square-foot film and television production facility, Silvercup Studios announced that it is expanding beyond its Long Island City location by adding 120,000 square feet of production space at 295 Locust Avenue in Port Morris. In a bygone era, The Bronx was home to multiple film and television production companies, and it appears that the entertainment industry is coming back to the borough. In addition to the cachet Silvercup is bringing to the neighborhood, the job creation will play an important role in strengthening the area's economic growth and security.



Filtered Coffee in South Bronx — Interior



Filtered Coffee in South Bronx — Interior



Mott Haven Bar & Grill

What's Next

What's Next?

Some may be skeptical about the likelihood of a complete revitalization of the South Bronx, but, as we've seen in other NYC neighborhoods, once an area begins to thrive, its ascendance is nearly a foregone conclusion due to the resulting influx of investment activity. As this current trend of development expands, the South Bronx waterfront is now being treated almost as if it's the city's new frontier. Considering the vision and capital investment of a few influential developers, it is in many ways like a newly discovered section of New York.

With big names like Related, Chetrit, Sampson, RXR, Savanna and Hornig all planting their flags, the stage is now set for the South Bronx to continue its revival. Over the last decade, there have been dramatic changes in numerous Brooklyn and Queens neighborhoods, and while those boroughs will continue their growth, it's now time to shift some attention to the ongoing transformation of The Bronx.

The city's population growth keeps surpassing expectations, and investors have been developing in various neighborhoods in attempts to meet that demand. That said, active markets lead to rising prices, and, as some developers are being priced out of Manhattan and Brooklyn, The Bronx is an obvious affordable alternative. Additionally, the increase in residents priced out of neighborhoods that seemed affordable in the recent past makes the South Bronx particularly important right now, as it provides a housing solution for many young professionals and families.

Prominent developers with strong financial backing will continue to commence new construction, and barring an economic collapse, within a few years we'll start to see a very different version of the South Bronx.



Renovation underway at the former Ruppert Ice House



Construction site, South Bronx



THE SOUTH BRONX
MAY JUST BECOME
THE BULLSEYE

<p>\$98,000,000</p> <p>Manhattan 13 Building Package New York, NY 361 Apts, 17 Stores & Antenna</p>		<p>\$35,250,000</p> <p>3060 Broadway New York, NY 36 Apts & 5 Stores</p>	
	<p>\$44,000,000</p> <p>825 East 141st street Bronx, NY Commercial Building</p>		<p>\$27,000,000</p> <p>322-326 East 82nd Street New York, NY 67 Apts</p>
<p>\$11,465,000</p> <p>1221-1225 Sheridan Ave. Bronx, NY 105 Apts</p>		<p>\$6,000,000</p> <p>Fordham 4 Building Package Bronx, NY 35 Apts & 2 Stores</p>	

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About GFI Realty Services

GFI Realty Services is a full service commercial real estate brokerage firm. We pride ourselves on maintaining the highest standards of client service, accountability and excellence. Collectively our brokers bring decades of experience to the investment sales team and a level of expertise that is unmatched. We extensively cover all of the NYC metropolitan area with a primary emphasis on multi-family assets. In the last ten years we have negotiated **over a thousand transactions totaling billions of dollars** across the five boroughs. GFI Realty Services, LLC knows New York!

Because of our many years of service, our professionals have built **long-standing relationships and intimate market knowledge** that render us invaluable to our clients and business partners.

As one of the most active and successful firms in the business, we pride ourselves not on the size of our deals but on our ability to work closely with our clients and to understand the individual needs as well as the unique complexities of each deal. At GFI, our focus is on having as much contact as possible with our business partners and clients. We know the key to successful business relationships and closings is having direct client interactions over the phone or in face-to-face meetings. Our experience gives us knowledge of the market that few others have achieved.

It's who you know.



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