

# Roosevelt Island: Manhattan's Little Secret in the River

By EVAN MANTYK  
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NEW YORK—When is your neighborhood in Manhattan, but on a different island? Sounds like a riddle, but it's the story of Roosevelt Island, a 150-acre strip of land in the East River that is quietly transforming into one of Manhattan's most interesting neighborhoods.

The neighborhood today is described affectionately by residents as quiet, peaceful, safe, and clean.

"It's quiet, it's safe, very close to nature, there's birds and butterflies, big open space, you can sit under a tree and it's like living right next to the city but not in the city," said Heather Mosher, a Roosevelt Island renter and a mother for two years. "I love that, especially if you have a child."

The problem for developers of Manhattan's little secret, is just that—no one knows about it.

"Our biggest challenge is to get people to come to Roosevelt Island and once they're there, they love it," said David Kramer, principal at Hudson Companies, in an interview at his office near Union Square.

Hudson along with Related Companies are developing 19 acres of Roosevelt Island into prime Manhattan residential property for below-Manhattan prices.

The underlying problem, Kramer says, is that people don't know the Island can be easily reached by the F Train on the subway. Transportation to mainland Manhattan isn't confined to the Roosevelt Island Tram, which has earned notoriety from being in movies like Spider-Man and for leaving passengers stranded above the East River in 2006. The Island is also accessible via the 59th Street Bridge, which connects the Island to Queens.

"People haven't been there, or they think you can only get there by taking a tram, they don't realize that you can take the subway. A lot of our marketing materials say take the F," said Kramer.

Roosevelt Island, formerly known as Welfare Island, spent much of its last 200 years as a place for hospitals, a prison, and an insane asylum. By the 1970s, the asylum and prison were history and the State of New York leased the Island from the City, dropping the name Welfare and drawing up a master plan to divide the Island into two residential areas, Northtown and

Southtown.

In recent years, much of Northtown was developed, including a luxury residential building known as the Octagon. Much of Southtown, however, remained unused, including a huge abandoned nurses' residence. The 2000 Census put the population of the Island at around 10,000, many times smaller than other Manhattan neighborhoods.

With a State contract for big development, Hudson and Related demolished the abandoned nurses' residence in 2000 and embarked on an ambitious transformation of Southtown into Riverwalk, a nine-building residential town of manicured green space, sports fields, and good retail shopping.

The latest building, fifth of nine, is Riverwalk Court, a 123-unit luxury condominium due to open Spring of 2009. One-bedrooms are going for as little as \$575,000 and three-bedrooms for as much as \$1.4 million.

With four of the nine Riverwalk buildings complete, two under construction, and a Duane Reade and Starbucks now open, Roosevelt Island is going through a period of major change that most residents have welcomed.

"It's very funny, where a lot of areas are like 'We already have too many Starbucks,' on the island, when that first came, people began to feel like, 'Hey, we're part of civilization!'" writes Roosevelt Island 360 blogger Eric Schwartzman.

"They've added a lot of stuff [in Riverwalk] a Duane Reade and good pizza shop, I go to the Duane Reade all the time," said Mosher.

## Challenges and Opportunities

Challenges and opportunities still lie ahead for Roosevelt Island.

Despite its relatively low population, Island residents already complain of overcrowding on the F Train so bad that they have to wait for three or four F trains to go by before they can get on.

It's a problem common in popular neighborhoods that lie immediately outside Manhattan's centers of business. Similar areas include Williamsburg on the L Train line and the Upper East Side on the 4, 5, 6 Trains line.

"There are plans underway to have a Ferry stop on Roosevelt Island, and they're getting the permits, which will be great," said Kramer. He said he also heard plans floated of leav-



ISLAND OASIS: A rendering of Riverwalk Court and the Riverwalk Commons, which are currently under construction in Roosevelt Island, Manhattan. Riverwalk Court is a 123-unit luxury condominium due to open spring of 2009. IMAGE COURTESY OF RIVERWALK.

ing the first subway car on the F Train empty for Roosevelt Island riders—nothing firm on that though.

Another possible challenge, the current recession, has slowed business, said Kramer, but he remains unfazed because, in the long run, Roosevelt Island is a neighborhood that's becoming more attractive to real estate buyers, not less.

"If you're worried about where the market is going, whether it's going up or going down, your safest investment is buying in a neighborhood that's getting better, buying in a transitional neighborhood," said Kramer.

"Even when the market is having a correction, and even

as prices are going down, if the neighborhood you are in is getting better than that creates value over time."

Other such transitional neighborhoods, Kramer mentioned include Fort Greene and Windsor Terrace in Brooklyn, and Washington Heights in Upper Manhattan.

# Home Prices Drop Record 18 Percent on Year in October

NEW YORK(Reuters)—Prices of U.S. single-family homes plunged a record 18.0 percent in October from a year earlier, Standard & Poor's said on Tuesday, with the drop in prices accelerating as the broader economy deteriorates.

Prices fell at the fastest monthly pace since March, an indication that government steps, such as encouraging lenders to modify delinquent loans, have not cushioned the housing bust, which continues to weigh on the economy.

"So far all of the government efforts to help the housing market have not worked and the situation will probably worsen until there is an improvement in the jobs market," said Peter Morici, economist and professor of business at the University of Maryland in College Park, Maryland. "The housing market should continue to tumble for a while and there is no reason to believe that home prices will stop falling unless more is done to stem the foreclosures and boost the jobs market," he said.

The Standard and Poor's S&P/Case-Shiller Home Price Index for 20 metropolitan areas fell 2.2 percent in October from September, accelerating for the fourth straight month.

The price drops, both on a year-over-year and month-over-month basis, were more severe than analysts had expected, based on a Reuters survey of economists.

Several factors such as employment have worsened since October and Morici expects prices to continue falling.

"People are skeptical about the underlying value of properties, which is making them cautious and fearful," he said.

S&P said its composite index of 10 metropolitan areas declined 2.1 percent in October from September for a 19.1 percent year-over-year drop, also a record for the index which dates back to 1988.

"The bear market continues; home prices are back to their March 2004 levels," David M.

Blitzer, chairman of the Index Committee at Standard & Poor's, said in a statement.

Through October, Standard & Poor's index of prices in 10 cities has fallen 25.0 percent from its mid-2006 peak, and the index of prices in 20 cities has dropped 23.4 percent, he said.

The 20-city index dates to 2000.

The U.S. housing market is in the worst downturn since the Great Depression as a huge supply of unsold homes, tighter lending standards and record foreclosures push down home prices.

The crumbling housing market has ripped through the recession-hit economy by cutting personal wealth, curtailing construction and undermining sales of appliances and furniture.

Economists believe the housing market will not begin to recover until home prices fall far enough to stimulate demand, which has dropped off precipitously as potential buyers stay sidelined.

Data through October showed continued broad-based declines in the prices of existing single family homes across the United States, with 14 of the 20 metro areas showing record rates of annual decline and 14 reporting declines in excess of 10 percent versus October 2007.

Phoenix remains the weakest market, reporting an annual decline of 32.7 percent, followed by Las Vegas, down 31.7 percent, and San Francisco down 31.0 percent.

Prices in Miami, Los Angeles and San Diego were close behind, with annual declines of 29.0 percent, 27.9 percent and 26.7 percent, respectively.

New York, buoyed by plentiful jobs and big bonuses in the financial sector in recent years, showed a more modest annual decline of 7.5 percent.

Home prices in New York, however, are considered to be vulnerable headed into next year, with rampant financial sector layoffs expected to take a toll on real estate.

# How to Buy Foreclosed Property

By WEIMIN TAN

There are three major stages of the foreclosure process where a buyer can buy a foreclosed property: (i) Pre-foreclosure, (ii) Auction, (iii) Bank Real Estate Owned (REO).

Pre-foreclosure: This is the first stage where an owner misses 3 or more mortgage payments and is in default. It is sometimes called the Lis Pendens (pending lawsuit) stage. A buyer may be able to buy at this stage directly from the owner or through a broker who is listing the property on the MLS (multiple listing service brokers use). The owner's benefit to selling the property at the pre-foreclosure stage is that his credit would not be as adversely affected compared to having the bank actually foreclose on the property. To the owner, the property will no longer be his anyway. Hence the remaining alternatives are to sell it at the pre-foreclosure stage himself or have the property be taken away by the bank and sold at auction. With the latter, his credit score will be severely impacted.

Buying directly from the owner can be as simple as responding to the owner's For Sale advertisement. The process is very similar to a regular property viewing process—the buyer makes an appointment, views the property and negotiates on the price. Perhaps the only difference is that the buyer may know the owner is in the pre-foreclosure process (through some investigation) and this provides an advantage to the buyer.

There are also aggressive buyers or businesses that identify properties in the Lis Pendens stage, find out the owner's contact information and then contact the owner directly without the owner actually marketing the property for sale.

Alternatively, an owner may hire a real estate broker to market

the property via the MLS. The broker may also negotiate a short-sale with the bank, where the bank agrees to accept a lower payment relative to what is owed.

Auction: This is the stage where a property is being put for auction to the public and occurs after the pre-foreclosure stage.

By now, the bank would have taken over the property, evicted the former owner and the property would have been boarded up. Usually, there is limited opportunity to view an auction-ready property prior to bidding. Chances are that a buyer may get to view the auction properties for about 15 minutes through a group tour and this is no way to thoroughly access the condition of a property. With 20 people looking at the same property, a buyer will not have the privacy or time to properly assess repairs needed.

Properties being auctioned usually need a lot of repair, because the former owners likely destroyed the property on purpose, and it is very important to access the cost involved in detail. However, the buyer would not get this opportunity for proper assessment.

For buyers reference, the winning bidder is often victim of Winner's Curse—paying too much because of competitive pressure. At an auction where many are bidding for the same property, there is a lot of emotion and competitive pressure. Auctions create the illusion that the buyers are getting a good deal when in fact they are not.

Bank Real Estate Owned (REO): If nobody outbids the bank at the auction, the bank ends up with the property. These

bank owned properties are called REOs (Real Estate Owned). Banks are in the business of banking and not property ownership. As such, banks need to minimize their portfolio of REOs. A large portfolio of REOs tells investors that the bank made many bad mortgage decisions.

To get rid of REOs, a bank may market the property directly or hire a real estate broker to list on the MLS. The upside is that these properties are listed at a discount and banks are often will-

ing to negotiate. The downside is that the discount is a function of the rehab work needed. More than likely, the repair cost would double what the buyer originally estimated. The initial estimate is often based on major repair items. The costs increase because the buyer will find a hundred other minor items that need to be fixed. The "bargain" that you get from buying a REO is largely based upon how efficiently you can rehab the property.

Properties at the REO and Auction stages usually require substantial repair. Reasons include unhappy former owners who deliberately destroy the property and poor maintenance. If you decide to venture into buying a foreclosure, do your research, develop a strong team (especially your broker and contractor) and be very careful about repair cost estimates.

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