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Records show that all units are still for sale at the Blue Rhythm building in East Harlem. (PHOTOGRAPH BY [unreadable])

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That empty feeling

Nabes fear the worst as condo, co-op sales stall

BY JASON FINK
jason.fink@am-ny.com

Chris DeMarco has lived in East Harlem for all of her 42 years and has never seen a building boom comparable to what's happened recently.

At the same time, as the economy slows and demand for condos and co-ops softens, she wonders whether her neighborhood will be stuck with empty or half-finished buildings.

"The condos are not selling," said DeMarco, as she stood on East 115th Street, off First Avenue, where at least two new buildings have gone up recently. "There's new apartments, but nobody's moving in."

Condo sales in Harlem dropped by 76 percent in the third quarter of 2008, according to propertyshark.com, which compiles real estate data.

Long seen as one of the vanguards in the steady march of gentrification in Manhattan, neighborhoods like East Harlem could serve as canaries in the coal mine for a coming glut of condos and co-ops, especially at the higher end of the market.

"Transactions have basically stalled, and inventory is on the rise," propertyshark.com CEO Bill Stanford said of the Manhattan sales market. "People are not buying."

Indeed, inventory in Manhattan in September reached its highest level in eight years, at 10,761, according to a report prepared by the Corcoran Group, while sales in the third quarter dropped to the lowest level in five years, coming in at just under 3,000. The average price of a Manhattan apartment in the third quarter fell 11 percent to \$1.48 million, according to Miller Samuel, a real estate appraisal firm.



A new apartment building is under construction at West 114th Street and Frederick Douglass Boulevard in Harlem. (JIM COLESON/IMNY)

"There's definitely more supply than there is demand right now," said Gea Erika, the principal of Erika Associates, a real estate broker. "I don't see any turnaround until at least the third quarter of next year."

In East Harlem, the Blue Rhythm, a 15-unit condo building, has yet to sell a unit after more than two months on the market. Prices for

two-bedroom apartments have been cut by as much as 23 percent, to about \$619,000, while some of the one-bedrooms have been reduced by about 10 percent, to \$358,000.

Most analysts attribute the drop in demand to the Wall Street meltdown, which has meant less cash in the hands of buyers, paired with the credit crisis, which has made getting a mortgage far more difficult.

What's more, Europeans, whose real estate spending sprees masked the softening market for the past year or so, are no longer buying.

"The dollar was weak against the Euro and we had a lot of investors," Stanford said. "That has ended."

MANHATTAN BY THE NUMBERS

Total property sales	Average number of days on the market	Percentage of sales from new developments
Third quarter 2008: 2,654	Third quarter 2008: 134 days	Third quarter 2008: 30.1
Third quarter 2007: 3,499	Third quarter 2007: 123 days	Third quarter 2007: 32.5
Percentage change: -24	Percentage change: +9	Percentage change: -2.4

SOURCE: PRUDENTIAL DOUGLASS ELLIMAN REAL ESTATE