

In Yonkers, more room for the creative

Owners expand artists' space

BY JOHN GOLDEN
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“We found a gem in the rough when we took over this space five years ago,” said George Huang, co-owner and property manager of The Heights Real Estate Co. in Manhattan. He stood against a backdrop of sculptures, paintings and mixed-media art displayed along a long white-walled, pine-columned corridor illuminated by track lights in Yonkers.

Working artists have replaced the factory workers that occupied that space a century ago on gritty Nepperhan Avenue. Huang and

his brother and investment partner, Tony Huang, paid \$12 million in 2005 for 540 and 578 Nepperhan Ave., connected five-story brick buildings that total 150,000 square feet of warehouse and distribution, light manufacturing and studio space.

Today that space, excluding a recently built-out area, is about 90 percent occupied, Huang said. It includes nearly 60 working artists among its tenants.

The Huang brothers took over a piece of the city's proud and vital industrial past in the 40-building sprawl that is the former Alexander Smith Carpet Mills beside the Saw Mill River in Yonkers. The two buildings, which Huang said were built in 1900 and 1901, are listed on the National Register of Historic Places. They also took over and have expanded an adaptive reuse of factory floors

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—George Huang,
property manager,
YoHo Artist Studios, Yonkers

started by former owner Allen Eisenkraft, who about 20 years ago welcomed the first artists to the well-preserved industrial relic.

Eisenkraft branded it YoHo, an affordable alternative in artist lofts to the likes of Manhattan's high-rent SoHo. The new owners have continued the phased conversion to studio space with 16-foot-high ceilings and tall factory windows that yield abundant natural light.

Huang said his company is about to begin marketing and securing preleases for the latest addition to YoHo, 25 white-walled artist studios in about 10,000 square feet of fourth-floor space at 578 Nepperhan Ave. He expects to receive a certificate of occupancy in about one month.

Rents range from \$300 for entry-level space to \$600 and up at the high end, said
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George Huang, property manager at YoHo Artist Studios, is ready to market 25 newly converted studios at the former Alexander Smith Carpet Mills in Yonkers.

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Bankers warm up to real estate deals

BY STUART BERG

It's been a long, cold winter for real estate investors. For nearly three years, banks have restricted loans for multimillion-dollar real estate construction and acquisition deals.



But we have begun to see a thaw.

Although cash-poor investors remain frozen out of the market and construction loans are still hard to get, money is available

to investors with their own cash to invest, sufficient cash flow to cover the debt and expert help in negotiating terms.

So, if you've been sitting on the sidelines, now might be a good time to consider getting back into the market. While interest rates have inched upward from six months ago, they are still near historical lows. In addition, lack of easy money has driven out most of the speculators, so prices are good.

Several interesting trends have emerged in both local and national transactions:

Non-recourse financing is available again. With a non-recourse loan, an investor

is not personally responsible for making loan payments. The money is lent to finance a specific project, whose cash flow will be used to cover the debt. Very little non-recourse financing has been available in the past three years.

However, investors should be prepared to assume some risks. Because this market is just returning, bankers are asking for loan carve-outs, e.g., "bad boy" guarantees, which give rise to personal liability if certain acts occur, such as a bankruptcy filing and misappropriation of funds.

Pure construction loans are still hard to come by. Builders are managing to secure construction loans but the process is slow and takes a great deal of effort. A personal guarantee of the loan is almost always required. Lenders clearly prefer projects with existing occupants and cash flow.

More banks are lending to co-ops. Co-op associations are taking advantage of relatively low interest rates to refinance their underlying mortgages, particularly if their mortgages were written many years ago. Until recently, only a handful of lenders would consider such loans. The field of potential lenders is much wider now.

Cash continues to be king. Investors are supplying at least 30 percent of project equity.

Investors are cashing in on debt. Investors with cash are buying non-performing mortgages and working with the mortgage holders to convert the debt into equity. Lenders are willing to sell poorly performing mortgages at a discount so they can remove them from their balance sheets. If investors have enough cash to acquire the debt, they have a good chance of generating an internal rate of

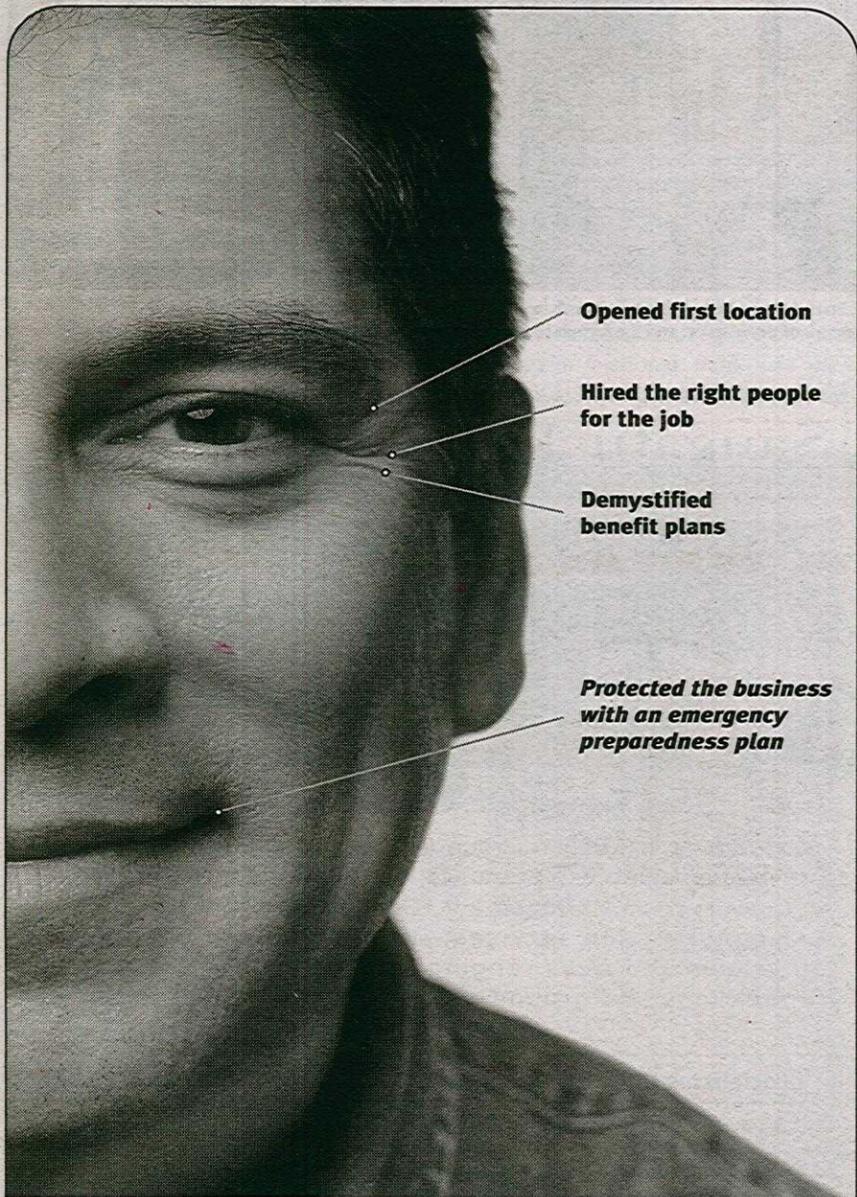
return of 20 percent to 30 percent when the loan is restructured or ultimately foreclosed and the property is sold.

It's best to resell the property quickly, since its value may be at risk if it remains unoccupied too long.

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Although no one can predict when a robust real estate lending market will return, clearly spring is in the air. There are good opportunities for experienced, savvy and entrepreneurial real estate investment companies. Money is available to investors with solid track records and cash flow.

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Huang.

Most artists who rent at the YoHo show up in evening hours, said Huang. Outside their studios, they share what Huang called "user-friendly" communal spaces in which they mingle and freely display their works.

"When we first came here, these were more artist-tenants," he said. "Now these are more members of an arts community. It's a very tightly woven arts community that we have here."

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Huang noted the new addition will

Yoho Artists Studios is planning to hold its annual open studio weekend on May 14-15.

As part of a grand-opening promotion of the newly converted fourth floor, the property manager, George Huang, said artists who sign leases in May will receive 25 percent off their rent for the first three months.

The Yonkers center's website is www.yohoartists.com.

increase the number of studios and potential tenants by nearly 50 percent. "That's when a community with a small 'c' becomes a community with a capital 'C' — critical mass," he said.



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