Business

Kingston’s Uptown real estate surge: helpful influx or toxic gentrification?

by Jesse J. Smith / June 18, 2017 / 3 comments

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From left, 301 Wall St.; 54 North Front St.; 66 North Front St.; 52 Maiden Lane. (photos by Dan Barton)

A red-hot real estate market has brought in to Uptown a tsunami of downstate money from investors willing to pay cash for properties at prices that would have been considered a good joke just a few years ago.

But the sudden turnover of parcels at lofty prices has also led to the departure of longtime commercial tenants — and concern for the future among those who remain.

Sale prices and rents on both commercial and residential properties in Uptown have been climbing steadily for the past few years. But a sampling of recent sales in the heart of the neighborhood's Stockade District — drawn from the Ulster County Multiple Listing System — shows the market hitting, and in some cases exceeding, the fever pitch of the years just before Great Recession.

At the corner of Wall and John streets, a former bank building sold in 2006 for $485,000. In 2010, at the recessionary nadir of the local real estate market, it was purchased by the Tonner Doll Co. for $435,000. In October, Tonner sold the building to New York City based developer Charles Blaichman for $925,000. A mixed-use residential/commercial building at 54 North Front St. with a tentative assessed value of $502,000 sold in April for $1 million. Across Crown Street, at 66 North Front, the former Columbia Beauty Supply, a 7,398-square-foot, three-unit commercial property is listed on MLS as "sale pending," with an asking price of $743,000. But local realtors expect the final sale price to come in higher, perhaps as much as $1 million.

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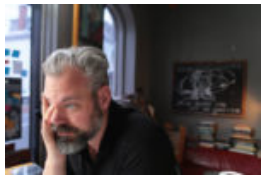

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A few doors down Crown Street from the former beauty emporium stands the Cioni Building, Kingston City School District headquarters. In 2014, as the board was weighing sale of the three-story, 22,680-square-foot building, the top bid came in at $660,000. Two years later, a boutique hotel chain made a tentative offer of $1 million on the property. The district's real estate adviser now thinks the property could ultimately go for more than $2 million. The board will find out next month when the open new bids on the building.

The same buying frenzy is impacting Uptown residential properties. At 52 Maiden Lane, an eight-unit Victorian found no takers in 2015 when it was listed at $400,000. The next year, the owner dropped the price to $365,000; in October, the listing expired without a buyer. When it sold on May 31, the final price came in at $565,000.

Forget the new Brooklyn. Are we the new Manhattan?

The new generation of investors, according to Kingston real estate brokers, tends to be young, very wealthy and attracted to the city's historic flavor and casual charm. In a hot market, stories are circulating of bidding wars and strangers from downstate showing up, checkbook in hand, ready to make cash offers on Uptown properties virtually sight unseen. When they do buy, more money is poured into

high-end renovations which transform workaday offices and no-frills apartments into luxurious spaces more reminiscent of Midtown Manhattan than Uptown Kingston.

"The people who are coming up here and doing this are, by local standards, staggeringly wealthy," said real estate broker Jon Hoyt, who owns property on Wall Street and follows the local market closely. "The kind of money that the average person on the street here can't even conceive of."

Another veteran Uptown realtor, Nan Potter, said commercial leases in the neighborhood had risen to around $14 to $16 per square foot, just a shade under the $18 rate that existed at the height of the market two decades ago. Potter, who handles Blaichman's real estate interests in Kingston, said that the neighborhood's up-and-coming profile had inspired the developer to invest in a planned boutique hotel at 301 Wall Street and another nearby on Pearl Street.

"It doesn't matter if they come from California, New York City or Long Island," said Potter. "They want to be here and be part of what's happening here."

The rent is too damn high

The rapid sale of Uptown properties has been accompanied by an equally fast-paced turnover in ground-floor commercial tenants as new owners seek quick returns on their investments and existing businesses balk at the new rents. At 54 North Front St., the clock shop, which has been in business since 1972, and Saker Guitar Works, which has occupied the space for 10 years, are both planning to move or close in the coming weeks. A fourth business in the building, Mark Ferraro's hair salon, has already closed up. It's unclear whether the pawn shop will follow. The last tenants in the upstairs apartments moved out earlier this month at the request of the new owners. Guitar store owner Ernie Saker said that he opted to move his business to a space in Midtown's Barcone Music Center after the new owners offered him a month-to-month lease with a 67 percent rent hike.

"They want to clear the place out for renovation," said Saker. "I figured if I have to go I might as well go now."

Across the street and a half a block up, meanwhile, Sean B. Nutley and partner J.T. McKay are preparing to move their high-end home-goods store Bluecashew from their current location on Montgomery Street in Rhinebeck to 37 North Front St. There, they will share space with a vintage clothing shop in a storefront that for decades contained J&J's hobby shop. The new space, Nutley said, will be a "concept store" featuring a demonstration kitchen. Nutley started Bluecashew in High Falls in 2005 and moved to Rhinebeck four years later. Nutley said he's always wanted to open a store in Kingston but, until recently, did not see a neighborhood that could support his business model.

"I don't think we could have done this four years ago, Uptown just didn't have enough walk-in traffic," said Nutley. "It was all offices, doctors and lawyers and people going about their nine-to-five lives."

The influx of new money and new business has made some longtime business owners who cater to the neighborhood's existing mix of residents and weekday office employees nervous about their future. Jay and Diane Reeder have run Knightly Endeavours — a Renaissance-style clothing and custom bridal boutique — since 2002. Three years ago, Diane started Kingston Candy Bar in the front of the space serving homemade chocolate, gourmet doughnuts and other sweets. Last year, Reeder said, Ulster-Greene ARC bought the building housing her shop, an ARC day program and a computer repair shop for $750,000. Since then, she said, a management company hired by the agency has turned down their request for a long-term lease, offering them a six-month extension instead. Reeder said that she believed other businesses in the neighborhood were in similar straits: caught between new landlords eager to realize a return on their investment and the economic realities of Kingston. (At least one other tenant of an Uptown building reported similar woes but didn't want to speak on the record.)

"It is a fantasy for someone to come here and think they're going to pay a million dollars for a building and suddenly people with hundreds of thousands of dollars in disposable income are going to come flooding through the doors," said Reeder. "People in Kingston don't have that kind of money and I can only charge so much for jelly beans and doughnuts."

Flip this building

Hoyt agrees that there is simply not enough money around here to support an entire neighborhood of upscale retail establishments and eateries. But, he said, buyers may be looking less at potential income from new properties and more at resale value.

"When we were getting into the bubble in 2005, 2006 I would hear people say things like, 'What does it matter if the rents can't support the price? I'm going to sell it for 20 percent more next year,'" said Hoyt. "And what we're seeing now is close to that kind of a thing."

Reeder and others worry that if the scale tips too far, Uptown Kingston could face a wave of gentrification that will threaten the very things that make the neighborhood an attractive place to live and work. A Wall Street lined with pricy boutiques and gourmet restaurants, they say, might appeal to tourists up for a weekend at a boutique hotel or an airbnb, but will offer little for current residents. Potter said landlords, old and new, share an interest in preserving the character of the neighborhood and would have to balance that with the need to make a return on their investment.

"It's not in our interest to drive out existing businesses. People understand that it's important to keep that mix of what Uptown is," said Potter. "At the same time, when you have investors paying $1 [million] or $2 million for properties, they're going to have to drive rents higher to support that sale price."

Mayor stresses sustainability

Mayor Steve Noble, who recently hosted a forum on "equitable development" at City Hall, said this week that Uptown had seen repeated boom-and-bust cycles over the years. It would, he said, take careful and thoughtful attention to issues like parking, green space and zoning to create lasting economic growth.

"We're seeing a new wave of people showing interest in Uptown," said Noble. "The challenge we face as a city is to make that growth much more sustainable."

Part of that challenge, Noble said, was to ensure enough affordable housing to keep existing residents and the businesses that cater to them in the neighborhood. Noble said that the city was exploring the idea of a "community land trust." Modeled on traditional land trusts that buy property to preserve open space, community land trusts can purchase property in downtown areas with the goal of maintaining stable residential and commercial markets and cultivating small businesses that contribute to a neighborhood's character, but might be priced out on the open market. Noble added that economic growth and more visitors to the neighborhood would effectively lift all boats and allow existing tenants to ride out changes in the market.

"If we're able to make sure that Uptown is prosperous, that we have year-round activity there, [existing business owners] are going to be able to go ahead and pay those higher rents," said Noble.

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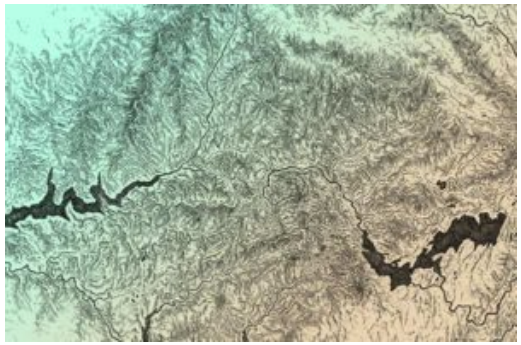

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Part of the story that people are missing here is the opportunity this creates for existing businesses and existing unused real estate sites.

First, Kingston’s business climate hasn’t been healthy for a very, very long time. Since IBM blew out of town it has been a painfully slow slide downward. Now, we have turned the corner and the influx of new money, new investment, and ultimately new business is the best possible thing we could hope for – there are