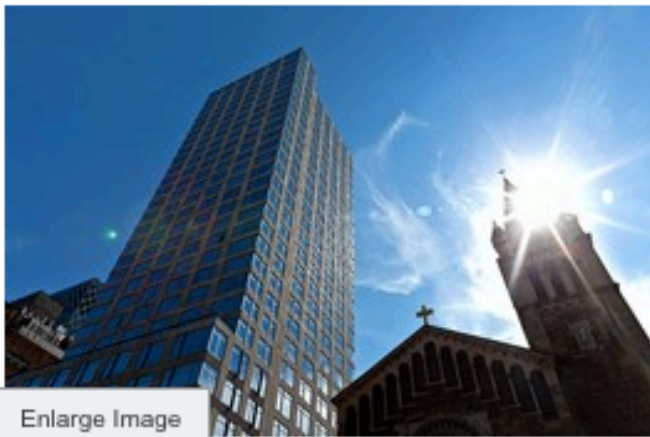


September 2, 2011

A Bonus for First Avenue: It's Not Second

The long-running Second Avenue subway construction has cut a deep divide on the Upper East Side, as many businesses along the Second Avenue construction route languish while many of those on neighboring First Avenue appear to be thriving.



[Enlarge Image](#)

Bryan Derballa for The Wall Street Journal

First Avenue has seen luxury condos, including the Laurel, pictured here.

Outside of the Beach Café, at Second Avenue and 69th Street, yellow cranes reach deep into the ground and a "muck house" dominates the street, designed to process the slimy substance they extract.

Due to the noise, scaffolding and garbage pile-up caused by the construction, owner David Goodside says his business is down 30%.

The MTA recently has made certain concessions, including ceasing blasting at

7 p.m. every night. But Mr. Goodside says it's not enough.

"We opened in 1968 and we're afraid that if things keep trending this way that this will be our last year. We can't sustain another year like this," he said.

Just blocks away, on neighboring First Avenue in the 60s and 70s, a flurry of new restaurants are arriving, including a wine bar called Felice and the ironically named Second Avenue Deli.

A high-end restaurant called Sushi Seki is also thriving.



This marks a reversal for the neighborhood, where Second Avenue was formerly the hot spot.

"Second Avenue has really been the place for food and entertainment, bars, pubs, sushi," said Dean Valentino of ABS Partners Real Estate LLC, who arranged the lease for Felice.

First Avenue, meanwhile, was dominated by bodegas, nail salons, diners and dry cleaners

But now that some of those restaurants on Second Avenue are closing—with around half of storefronts boarded over—it creates an opportunity for First Avenue to shine.

"They know many restaurateurs that are up on the Upper East Side on Second Avenue that are having an extremely difficult time," said Mr. Valentino.

But First Avenue suffers few of the ill effects of the subway's construction and will enjoy the same benefits. "Once that subway is in there, then First Avenue is in great shape because then you're only a block away," he said.

The Second Avenue subway is planned to eventually stretch from 125th Street to the Financial District.



Bryan Derballa for The Wall Street Journal

Cranes for subway construction along Second Avenue are hampering business.

Construction has started on much of the first phase, which encompasses the area between 63rd and 96nd streets. The first phase is slated for completion in December 2016, according to an MTA spokesman.

In the meantime, residents are concerned that the neighborhood is rapidly losing its vibrancy.

"All of my friends said, 'Stay away from the Second Avenue subway,'" said Steven Stolman, the president of a textile company, who recently moved to Second Avenue and 68th Street after 15 years in Florida.

"I live in a building shrouded by scaffolding and mesh, with jackhammers outside," he said. "But I really feel for the businesses. For them, there's nothing more important than their face to the public."

Retailers are calling for city officials to protect Second Avenue from losing more businesses in the next couple of years.

"Every day breeds new challenges to these businesses," said Micah Kellner, the State Assembly member for the area.

"This isn't six or 10 months of building construction. It's going to go on for seven years at a minimum. These neighborhoods need to be thrown a life line," he says.

Retail rents on Second Avenue are still quite a bit higher than on neighboring First Avenue, according to data compiled by the Real Estate Board of New York for The Wall Street Journal.



Enlarge Image

Bryan Derballa for The Wall Street Journal

Swings at St. Catherine's Park

The median asking rent for ground-floor retail space between 62nd and 72nd streets is around \$165 a square-foot, compared with \$113 on neighboring First Avenue, according to the data.

Still, First Avenue's numbers could be set to change as new restaurants open up on the street, say brokers.

An influx of professionals to a new residence for New York-Presbyterian Hospital employees at 1330 First Ave. and the Laurel, a luxury condo project on First Avenue and East 67th Street, could help draw even more upscale retailers and restaurateurs to the area.

Brokers point to evidence that the area already is maturing, such as the recently opened New York Kids Club, just west of Second Avenue, and GoLosi, a sophisticated Italian pizzeria on Second Avenue near 68th Street.

Louise Sunshine, a longtime real-estate marketing executive, recently moved into the Laurel from one of the Upper East Side's most prestigious addresses at One Beacon Court.

She said her new neighborhood has matured significantly in the last couple of years. "First Avenue was traditionally filled with trendy, young people. The Laurel has a very sophisticated, middle-aged, older population," she said.

At the Laurel, the sale of a penthouse closed in July for \$11.2 million, the highest price paid on First Avenue since 2007. That has helped bring in more high-end restaurants, according to Ms. Sunshine, citing the Second Avenue Deli, which recently opened its second location on the street.

"When a sandwich costs \$20, people have to have paid \$2,700 a foot for their apartment," she said.