



The demand for development in Queens: 88% of neighborhoods to see an increase in activity - by Isak and Pietrogiacomo

June 18, 2019 - New York City

Rubin Isak,
Goldenwood Property Advisors

Mark Pietrogiacomo,
Goldenwood Property Advisors

Queens has been in the national press a lot in the past few months, with the news that Amazon would bring their headquarters here, then backing away due to political nonsense. Thankfully, due to the growing New York City population, the advent of the new Opportunity Zone law coupled with

developer appetite for all neighborhoods of the borough, we have seen a steady stream of development transactions in Queens.

Three interesting projects showing the sheer strength of the development market in Queens are:

1. Permits were filed for 22-44 Jackson Ave., dubbed "5 Pointz Towers;" a massive, two-tower, 1 million s/f project standing 498 ft. tall, boasting over 1,100 apartments with roughly 40,000 s/f of commercial space.
2. The sale of 55-01 2nd St. in Long Island City that sold in May for \$285 million. The 330,000 s/f site is zoned R7-3 with a C2-5 overlay, abutting Newtown Creek. This zoning allows for a 1.65 million buildable s/f project as-of-right.
3. The sale of 9601-9641 Queens Blvd. in Rego Park in May for \$13 million. This one-story retail building is situated on an irregular 83.73' x 104.66', 9,400 s/f corner lot. The zoning is C4-2 (R6 equivalent) and allows for 32,000 zfa for a mixed-use project, and 45,000 zfa using the community facility bonus. The site has existing retail, so this is a perfect future development site directly in front of the train station. This sales price equates to over \$400/zfa as-of-right and \$288/zfa with community facility.

Supply and Demand

The simplistic "X" graph with demand decreasing and supply increasing both tied to an increasing price point is the very first thing taught in every economics course. It applies to everything, real estate being no exception. Owners and brokers can set asking prices, developers can assign a value to the highest and best use, but in the end neither party fully controls the price; they simply accept the price that the market dictates. Of the five boroughs, Queens has seen the most demolition and new building permits, showing that demand is on the rise.

As of the date of this article, 52.6% of neighborhoods in Queens have already seen more approved new building permits than the entirety of 2018. Among these are primary markets such as: Flushing, Long Island City, Hunters Point and Astoria. There are also secondary markets with strong numbers as well: Jackson Heights, Corona, Elmhurst, have all seen at least 50% increases in permits filed from 2018.

In 2018 alone there was just under 14 million zfa proposed for construction in Queens, this was the most since 2014 (16.5 million zfa). The average size of each site is roughly 45,000 zfa, a metric that has remained consistent for the past five years in Queens. These midsize sites are attractive to developers, big and small.

10,285 units have been proposed for the borough, of these, 37% are located in Long Island City and Astoria. 1,359 units in Jamaica and 1,017 units in Flushing complete the top four and account for 60% of all proposed units in the borough.

Looking towards the future of this year, 88% of neighborhoods are expected to see an increase in development activity. While trends can be fickle, there is little doubt that the demand for development sites in Queens is on the rise once again.

Sitting on a Queens Chamber of Commerce panel this past spring discussing Opportunity Zones in the borough, it was extremely evident from the standing room only crowd that this law would be a hit. Fast forward months later and the excitement has only grown stronger. We are now in discussions with multiple funds who want to get smart about specific neighborhoods in Queens where Opportunity Zones can be found. This will only translate to more development site transactions in the very near future.

Knowing the data, the real numbers, is key to what we do; but we also have a true real-world pulse on developer appetite. We recently sold the Shalimar Diner site in Rego Park for \$6.55 million and the Neptune Diner site in Astoria for \$10.35 million. Both corner Queens institutions will make way for new modern developments that will shape those respective neighborhoods for generations to come. The developer frenzy on those sales was staggering. Development in Queens is king.

Rubin Isak is a founding partner and Mark Pietrogiacomo is a vice president of operations at Goldenwood Property Advisors, New York, N.Y.

New York Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540