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NEW YORK

Amenities War Breaks Out in Long Island City Rentals

Developers of luxury apartments face a swelling supply amid a building binge

By Josh Barbanel

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A rendering of the Jackson Park development in Long Island City, Queens. PHOTO: TISHMAN SPEYER

In search of an affordable apartment near her midtown office, Lauren Dana found an embarrassment of riches in Long Island City.

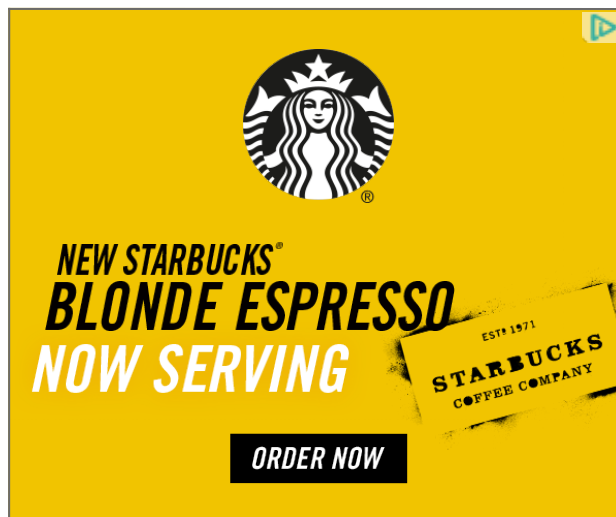
The once-run-down industrial area is in the midst of a transformation into a residential destination.

The problem for developers—and



the opportunity for renters—is that supply, especially for luxury rentals, is beginning to outpace demand.

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2017 alone, from soaring glass towers 56 stories tall to a low-slung industrial-style building, according to data from rental market consultant Nancy Packes Inc. More than 3,000 additional units are expected to come to market in each of the next two years, according to Ms. Packes.

Swelling supply is forcing some developers to trim rents and agree to other concessions, even as they roll out upgraded finishes, with washers and dryers even in small studios, and a smorgasbord of amenities from swimming pools and gardens to basketball courts and game rooms.

“People are being overwhelmed by the choices,” said Patrick W. Smith, a broker at Stribling & Associates who specializes in Long Island City. “I see a lot of great options in the buildings that are coming online now. There is an amenities war going on.”

Median rents in new buildings in Long Island City and nearby neighborhoods in northwest Queens reached a peak of \$3,365 a month in July, after accounting for landlord concessions, and have slid each month since, according to Jonathan Miller, an appraiser and president of Miller Samuel Inc. In January, the median rent was \$2,765 a month, down nearly 18% from the peak.

The concessions typically include owner-paid brokerage fees and one or more months of free rent on a one-year lease. In January, the median rent on new-developments leases in the area fell 13.5% from January 2017, after accounting for concessions.

The weakness in pricing was similar to a pattern that developed in downtown Brooklyn a few years ago as a large number of buildings came on the market, Ms. Packes said. Eventually those units were absorbed. Since Long Island City rents are lower to begin with, they will have faster rent growth as the new supply is absorbed, Ms. Packes said.

Developers of the latest group of luxury rental buildings say they are satisfied with the pace of leasing so far, and that the competition is actually helping sales. The activity is exposing more potential renters to the advantages of the neighborhood: excellent transportation, lower rents than comparable buildings in Brooklyn and Manhattan, and new retail ventures, from restaurants to coffee shops and a new bookstore.

Jackson Park LIC, a new complex of three high-rise towers along Jackson Avenue and adjacent

to Long Island Railroad tracks, will have 1,871 apartment units all told. Erik Rose, a managing director at the developer, Tishman Speyer, said he was pleased with “velocity and pricing” since the first building, a 44-story tower, began leasing in November.

The other two towers, including one 53 stories tall, are due on the market next year. The complex has a 1.6 acre outdoor garden and an indoor and outdoor pool. It is situated next to a subway stop one station away from Manhattan.

The competitors were “definitely driving traffic and interest to Long Island City” and calling attention to its transportation advantage, said Mr. Rose.

One building, ARC, a 10-story, 428-unit building that is new construction but resembles a factory or loft conversion, has a marketing campaign that targets its many competitors. A billboard down the street from Jackson Park has a headline “Antiglasstower.com,” a website for ARC.

Annika Schimmer, a dance teacher who runs a nutrition and health food blog, 50shadesofavocado.com, fell in love with a one-bedroom 7th floor apartment that her broker at Citi Habitats showed her. It had a large open kitchen, she said, perfect for her cooking, and a view of Manhattan. She and her husband are due to move there in a few weeks.

At Hayden, a 51-story building that went on the market last Spring, 85% of the 974 apartment units have been leased, said Justin Elghanayan, president of the developer, Rockrose Development Corp.

“The influx has not stopped, there is a huge demand,” he said.

Part of that demand is the rent advantage. The median rent for a new-development apartment is \$2,765 a month in Queens, compared with \$3,103 in Brooklyn and \$4,750 in Manhattan, according to Miller Samuel data.

For Lauren Dana, it was the convenience of her commute to Manhattan that persuaded her to try Long Island City, and a lower rent that lured her to Hayden, where she is due to move in soon.

She said Williamsburg was out because of the planned shutdown of the L train to Manhattan next year.

Ms. Dana was temporarily living with her parents in Montclair, N.J., while commuting to a job at Pandora Media Inc., near Grand Central Terminal in East Midtown. When she moves in a few days, her commute will be three subway stops, about 10 minutes, she said.

Working with a broker at Modern Spaces, she looked at several Long Island City high rises, and found that they were very similar. The Hayden didn't have a pool, but it offered two months free rent rather than the standard one month, as well as a year of free internet and cable, and free use of the gym for a year, bringing her costs down.

"I didn't need a pool, I needed a more comfortable month-to-month rent," she said.

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