

Amazon could turn LIC into a company town

Glut of new apartments and commercial space could have been a key selling point

By [Rich Bockmann](#), [Eddie Small](#) and [E.B. Solomont](#) | November 07, 2018 07:00AM



Jeff Bezos and Long Island City (Credit: Getty Images and Wikipedia)

Up until a little more than 24 hours ago, [Long Island City](#) appeared to be a neighborhood that was getting ahead of itself.

Real estate players spoke about a forest of apartment towers sitting dark at night as a metaphor for the area's challenge with new residential supply. And the heady days of "build it and they will come" for the neighborhood's office market seemed squarely in the rearview mirror.

But it may be because of those factors — not in spite of them — that Amazon is reportedly nearing a deal to put half of its [HQ2](#) in the neighborhood.

"Long Island City has been preparing for this moment," said Eric Benaim, CEO of the residential brokerage Modern Spaces, referring to the influx of residential units over the past couple of years.

Absorption, courtesy of Amazon

The news that Amazon may split its new 50,000-employee headquarters between Virginia and Long Island City, which the New York Times reported late Monday night, came as a surprise. It sent New York's real estate industry into a buzz Tuesday, with property owners and brokers spending much of the

following hours planning for what could be an influx of 25,000 new workers and residents.

If all those people landed in Long Island City, it would make the neighborhood something of a [company town](#). The figure is roughly one-fifth of the neighborhood's current employee population of 115,000, according to the Long Island City Partnership. And Gov. Andrew Cuomo even recently joked that he would rename Newtown Creek — which separates LIC and Brooklyn — as the Amazon River if the company moved to the Big Apple.

If the e-commerce giant were to allocate 100 square feet per employee — a rough industry standard for densely populated tech companies — that amount to 2.5 million square feet of space. That demand represents about 18 percent of the 13.7 million square feet of current office inventory, according to figures from Newmark Knight Frank, and would help with absorption.

The neighborhood had an availability rate of 26 percent in the third quarter, Newmark's figures show. And in just the previous three months it saw negative absorption of 1.5 million square feet — by far the most in a decade — as new projects came online.

Accordingly, industry players said Amazon's arrival should quell fears of a supply glut.

"They're going to bring tens of thousands of employees to the area, which I think will immediately help with the incoming supply that's coming to the marketplace in Long Island City," said Stephen Preuss, vice president of sales at Cushman & Wakefield, who specializes in Queens. "That single handedly can soak up or absorb most of the inventory that's coming to the marketplace that everyone is a little bit hesitant or worried about."

LIC's catalyst?

Sources said Amazon is likely to focus on the Court Square area — home to some of the neighborhood's Class A glass office towers — and the Factory District, where investors over the past few years have been transforming former warehouses into trendy office properties.

"There's a lot of available space in Long Island City," said Savills Studley's Jeff Peck. "There's a campus of several buildings within a one or two mile radius of each other that could accommodate those employees."

Amazon could take a big chunk out of that requirement at Savanna's One Court Square, where Citigroup is set to [vacate](#) 1 million square feet in the tower when its lease expires in 2020.

Also nearby, the 1 million-square-foot Falchi Building has a little more than 200,000 square feet of availability, while the 600,000-square-foot Factory Building has roughly 400,000 square feet.

Beinam also pointed to Tishman Speyer's the JACX at 28-07 Jackson Avenue, where a 1.2 million-square-foot office tower is currently under construction.

Peck noted that Amazon could help transform Long Island City from a neighborhood seen as a satellite to Manhattan's office market into a destination all of its own.

"The same thing happened in Midtown South and the Meatpacking District," he said. "Tech behemoths like Facebook and Twitter made those submarkets their homes. And then the mid-tier and smaller tech companies followed suit."

"The fact that Amazon would consider Long Island City now makes it a truly viable option for a lot of tenants," he said.

To be sure, there are some concerns about the area's infrastructure. Preuss said the top priorities to address — before a potential influx of newcomers — would be the subway system and the sewers, he said.

But Robert Glessman, executive sales manager at Douglas Elliman's Long Island City office, predicted Amazon's potential presence could provide a boost to projects in the area like the beleaguered Brooklyn-Queens Connector. He also expressed hope for a possible new stop in Queens on the Long Island Railroad.

"If industry starts moving in, then the city is going to have to keep pace because these big corporations are going to demand it," Glessman said, adding that the city would "bend over backwards if they think it's going to help their tax base."

"Senseless" development no more

Though Long Island City's residential building boom has been the source of some consternation, Amazon has the potential to turn the narrative for the neighborhood.

"I actually had some concerns about the inventory in that area," said developer George Xu, who described the pace of development as "senseless."

"I would not be worrying about the Long Island City area anymore," he said.

There's a projected 11,700 units to come online by 2020, according to the Long Island City Partnership. So even if 25,000 Amazon employees doubled up two people to an apartment, there still wouldn't be enough supply in the pipeline to accommodate them all.

Already, prices in Long Island City have been on the upswing. Asking rents are around \$65 per foot today, up from the mid \$50s per foot a year ago and \$35 per foot 10 years ago.

And speculators have jumped into the market. Stribling & Associates data shows that one-third of condos sold between January 2017 and August 2018 were purchased by investors. That compares to just 8 percent of investor-owned condos sold between 2006 and 2010.

"Investors were already here and favoring Long Island City over Manhattan because the price point is

lower and you're only a subway stop from Manhattan," said Stribling's Patrick Smith.

For those reasons, Rockrose Development was among the early developers who bet on Long Island City, where projects include Linc LIC and Eagle Lofts, a 790-unit rental where studios start at \$2,800, according to president Justin Elghanayan.

Today, Elghanayan said, most of the big sites are built or in play. "We're in the middle of a big wave of development," he said, "and I would say there's one more wave out there after this current one."

There's no shortage of projects coming down the pike, featuring both rental and condo units. For example, Stawksi Partners is planning a 66-story, [920-unit](#) rental tower on 24th Street with 920 units. The Durst Organization's [Queens Plaza Park](#), a 958-unit rental building, is slated to become the borough's tallest tower at 710 feet. And just last week, developer Chris Xu got approval from the state Attorney General to begin sales at his 802-unit Skyline Tower in Court Square, the first [\\$1 billion condo project](#) in the borough.

Marcus & Millichap's Eric Anton likened Amazon's move to China's plan to extend infrastructure outward to countries in Europe, Asia and Africa.

"It would be the Belt and Road project for New York," Anton said, pointing to how Amazon's move will radiate outward to other parts of the city.

Long Island City, Anton pointed out, is just a short ride on the 7 Train subway to megaprojects on the Far West Side like Hudson Yards and Manhattan West, where Amazon currently has its New York offices.

"If indeed they're bringing that many people to Long Island City," he said, "it's the biggest success for New York in 10 years."

Tags: [Amazon HQ2](#), [long island city](#), [Queens Multifamily Market](#), [Queens Office Market](#)



