

REDEVELOPMENT OF INDUSTRIAL FACILITIES INTO RESIDENTIAL HOUSING

Redevelopment of industrial facilities into residential developments continues to dominate the landscape in New York City and the boroughs.

Currently, the New York commercial and industrial market is viewed as extremely tight with prices rising each day. Prominent developers such as the Annalex Group, Toll Brothers, Milestone Group and Avalon Bay are actively looking for large sites located in prime areas such as Queens or Brooklyn. Ideally, the banks like to finance the properties as rentals. One centrally located development site currently on the market has an offer of more than \$100 million. Just 2 years ago, this property would have sold for 40 percent less.

Long Island City's first residential condominium development site is viewed as the basis for this price adjustment. Developers are looking at the success of Arris Lofts, which is located at Court Square near the Citibank Building. With prices averaging \$700 per square foot, 50 percent of the apartments have been spoken for. This success has encouraged developers to have confidence in the Long Island City area. They see that there is a big demand from families willing to relocate from New York City and parts of Queens, and the acquisition cost in Long Island City is 40 percent cheaper than other areas — with almost the same return. One

property still available, a 205,000-square-foot development site having three-street frontage and no height restrictions is perfect for a condo or rental.

As a result of Long Island City's success, other Queens submarkets such as Astoria, Sunnyside and Flushing, are seeing an overflow of interest. People are now realizing that in today's market climate of low interest rates and 90 percent financing, they can afford to purchase a condominium, but cannot afford to be in the prime locations. Therefore people are willing to travel 20 minutes more to join the submarket where there is an existing residential neighborhood and already established amenities.

In Brooklyn, the success of Schaefer Landing and the recent development of the areas surrounding McCarren Park have brought tremendous response from developers. This area is considered a prime location, with apartments offering Manhattan skyline views, neighborhood parks, a new large city pool, and the amenities that are in the neighborhood, i.e., restaurants, supermarkets and art galleries.

Strong continued development is being supported by high absorption rates.

— David Junik, senior director for Greiner-Maltz