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NORTH QUEENS MARKET UPDATE

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Flushing Area

Arguably Queens' most desirable real estate marketplace, Flushing, went through an eye-opening year in 2009. Dozens of residential development sites remain as vacant lots, construction sites have stalled, and those sites who were able to reach completion are sitting with many empty units or the constant churning of broken contracts. Commercial development sites have not fared any better shown by the complete halt of The RKO Keith Theater and The Flushing Commons sites. Retail and office rental prices have dropped considerably even on key corridors like Northern Boulevard and Main Street showing new leases in the \$35 and \$45 range respectively. Industrial properties have seen values drop by 20% -30% from the past few years. Multifamily apartment buildings have remained the most desirable investment by far for investors and lenders alike with minimal reductions in vacancy and overall property value.

That being said, we are still seeing multiple offers for most properties in the Flushing marketplace, especially for quality product. We are currently experiencing a correction for property pricing and valuation but the overwhelming buying demand far outweighs the current property listing supply. For example, we are currently selling a warehouse on Barclay Avenue in Flushing with an asking price of \$1,550,000. Within two weeks of marketing we received 16 offers and because of the demand and level of activity 10 of those interested parties raised their offer within the following two weeks. Furthermore, we received 11 additional offers over that period. The excessive buying demand and lack of supply created upward pricing pressure despite the downward pressure of market pricing and ultimately the property went into contract for a price only 9% lower than the average pricing per square back for warehouses at the market height of 2007-2008.

The most notable development in Flushing is the near completion of Sky View Parc which is a \$1+ billion, 3+ million square foot, mixed-use site on College Point Boulevard and Roosevelt Avenue. The impressive national retail tenant roster include BJ's, Target, Best Buy, and Bed Bath and Beyond, and will include close to one million square feet of commercial space. There will be a total of 1,100 apartments in six towers and residences are priced from \$400,000 to over \$2 million. This development should be completed in the first half of 2010 and despite the tough economy should immediately create a new prime retail shopping and luxury residential hub to the Queens marketplace.

Bayside Area

Bayside has also gone through a lower-volume price-correcting year of 2009. You can drive along Northern Boulevard from the Clearview Expressway to the Cross Island Expressway to see several block-front and large demolished lots idling in a state of limbo waiting for the return of construction financing. Although, the commercial sites fought through the lack of financing and have completed construction have not had a problem finding tenants who will pay retail rents in excess of \$50 per square foot and office rents over \$30 per square foot as evidenced by the lease-ups of 208-01 Northern Boulevard and the 213th Street Northern Boulevard new construction.

The staple Bell Boulevard stretch North of Northern Boulevard has seen little change to tenancy and only two sales on the Boulevard for the entire 2009 year both of which were under \$1,400,000 and a total of four retail property sales in all of Bayside. The majority of rents are hovering in the \$40-\$50 range depending on the block and capitalization rates are in the 7%-8% range depending on the tenancy and upside potential. Additionally, there was only one mixed-use property and one industrial property sold in 2009 in Bayside. There was a complete lack of multi-family sales as none traded in the past year.

College Point / Whitestone Area

The College Point and Whitestone areas saw a total of 13 commercial property sales in 2009 with the majority being industrial and warehouse properties mostly trading around \$200 per

square foot and a handful of development sites which retrieved approximately \$100 per buildable square foot. The 13 sales represent a 50% drop in volume from the previous year and a close to a 70% drop from 2007. The extremely low volume of sales has been caused by supply constraint and not the lack of demand. The fact is demand is significant especially with industrial and warehouse properties which are the most abundant property type in the College Point area.

The largest and most notable development in the College Point area is the New Police Academy which has just started construction on the former NYPD auto pound. The massive 30-acre site, once completed, will house 2,000 recruits in one of the most state-of-the-art training facilities. The total cost for the first phase of construction is estimated at \$750 million and will create approximately 2,000 jobs. This development will certainly bring more traffic to the College Point Boulevard and 20th Avenue retail districts and should create an immediate need for housing throughout the surrounding areas.

Little Neck / Douglaston Area

The Little Neck and Douglaston areas typically have the lowest amount of turnover for the North Queens region due to the low commercial property inventory and long-standing ownership. In 2009, there were only a total of six investment properties sold. Three of those sales were residential development sites which sold for approximately \$150 per buildable square foot and the remaining three were retail properties which traded close to a 7% capitalization rate. The massive demand that is chasing the few assets in this area is actually driving prices above the level that fundamentals would dictate in today's marketplace. Along with continued low mortgage rates, this supply and demand imbalance should greatly benefit owners who are considering selling their property which should yield a sale premium in their favor.