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2011 Year-End Market Update: North Queens

FLUSHING AREA

Flushing went through another transitional year in 2011. Many residential development sites have either begun construction or are in the process of completion after two years of sitting as empty lots from stalled projects. As there is more accessibility to construction financing this past year, commercial development sites have also began to rise from the ashes. For most of Flushing, retail and office rental prices have stabilized in $60 and $30 per SF range, respectively while Main Street continues to be the aberration with rents as high as $100 per SF. For the most part, the vacancies of 2010 have been filled, Industrial properties have also seemed to catch their footing but still carry an approximate 10% vacancy rate. Multifamily apartment buildings have remained the most desirable investment for investors and lenders alike with little to no vacancy and extraordinary overall property value.

Some typical examples of property expectations have been a few of my most recent sales in the Flushing market this year including 149-34 35th Avenue and 142-04 Bayside Avenue. The property on 35th Avenue was a triple-net asset which was leased to a school. The property attracted several offers and ultimately sold for $3,150,000 which equated to a 7% capitalization rate (return). This type of pricing would have been extremely hard to reach over the past couple of years and certainly would not have drawn the amount of offers we received had the market not seem the improvement it did. The property on Bayside Avenue was a multi-tenant professional office building with parking which sold for $3,125,000 or 10.5 times the gross rent. We were marketing this property for some time but it was not until this year that we received a greater amount of feedback due to buyers obtaining a greater loan to value underwriting

BAYSIDE AREA

The majority of Bayside has been idle in terms of property sale volume. Highlighting the activity, the Bell Boulevard corridor has seen four sales this year ranging between $450 to $550 per SF and all under the $2,000,000 mark. This pricing has been in-line with the past three years of sales for this area. Retail rental rates have also seemed to stabilize ranging from $25 to $45 per SF depending on the block. As well, the amount of vacancies has been cut in half to about 5% for most of the retail sections of Bayside. The slim Bayside office market has been stable with rents in the $20 - $25 per SF arena.

COLLEGE POINT / WHITESTONE AREA

The College Point and Whitestone areas saw a slight uptick from the 13 commercial property sales last year. Demand is significant especially with industrial properties which are the most abundant property type in the College Point area. Many users who are getting priced out of areas like Long Island City and Williamsburg have fled eastward where more reasonable pricing still applies to warehouse properties. Massey Knakal recently sold 112-20 14th Avenue, a 35,000 SF industrial warehouse property for $4,800,000 or $136 per SF to a business-owner who moved from Western Brooklyn to find comparable property at a lower cost. There were also a few retail and mixed-use properties that sold in the $200 - $300 per SF range. Land sales showed trades in the $50 - $100 per buildable SF category.

One assignment Massey Knakal is currently working on that may change the landscape for the Whitestone Waterfront is an 18-acre development site on Sixth Road. Massey Knakal has been exclusively retained for the disposition of this residential zoned land. It has 13-acres or 557,000 SF of upland area and is approved for 52 luxury homes in a gated homeowner's association with many of the projected home sites with direct water frontage. Whitestone, a very desirable middle to upper class residential enclave, could welcome a 'New Malba' community over the next couple of years. This is currently the largest residential development site in the borough and should have an immediate positive impact for the local community once the development finds a new owner and shovels hit the ground.

LITTLE NECK / DOUGLASTON AREA

In comparison to the other sub-neighborhoods, 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. However, 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 for the foreseeable future.