

## LIC's Residential Boom Is Drawing Developers

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February 27, 2007



Silvercup Project

LONG ISLAND CITY, NY—Once a warehouse hub, Long Island City is seeing new interest from developers that some say will set the city on its own two feet and take it out of Manhattan's and Brooklyn's shadow. The recent rezoning of many parts of the area from industrial to residential is encouraging developers to consider the area that was once unattractive. Two recent deals, although small according to Manhattan standards, shed light to LIC's booming market.

Marcus & Millichap Real Estate Investment Brokerage Co. recently sold a 1.7-acre development site here at 38-50 21st St. The property received 23 competitive bids and ultimately sold for \$14 million to Jin S. Xu. Seller Pep Boys was represented by Marcus & Millichap's Mark Gjonbalaj and Glen Kunofsky. Bernard Strauss at Greiner-Maltz and Grace Liu of Great Eastern Realty secured the buyer.

The flurry of interested buyers and the higher-than-expected sale price point to the changing market. "It just continues to signify the changes that are occurring in the neighborhood," Gjonbalaj tells GlobeSt.com. "This particular site was always an auto-repair type property that wouldn't have served any other purposes if it wasn't for all the changes and new developments that are planned for the area and currently under way."

Queens Plaza Investors has yet to release plans for the site, but Gjonbalaj says it could be developed as warehouse, retail or residential. The companies that expressed interest in the property ranged from residential developers, self-storage developers, retail developers and warehouse users. "With the dwindling supply of warehouse properties due to residential conversions, we had strong interest from companies that wanted to build a warehouse property," Gjonbalaj says.

In a separate transaction, Dmitri Belyi and Constantine Alafoyiannis from Greiner-Maltz recently brokered the sale of a 5,000-sf former limousine center. Located at 38-30 Crescent St. the property sold for \$2.6 million to Sterling Hospitality, according to Greiner-Maltz president John Maltz. Sterling plans to build a 25,000-sf boutique hotel on the property--a first for LIC.

Maltz estimates the hotel will not exceed 60 units and may contain significantly less depending upon how exclusive Sterling wants to make the facility. Hotel developers are no stranger to LIC. Maltz tells GlobeSt.com that hoteliers have been looking at the city as a secondary location to Manhattan for a while now. Crowded Manhattan hotels full of domestic and overseas tourists and a lack of new development have pushed developers to look for hotel alternatives.

It is also significantly cheaper to build a hotel in LIC. Maltz says to make a hotel pencil rents must be in the \$100 per sf here, compared to rents of more than \$400 per sf.

So far, most of the warehouse property and empty lots are going toward residential purposes. Maltz says that in the next two years 3,000 new residential units will open. Five years from now LIC will have 10,000 additional units. Projects on the waterfront, started the trend, with almost 700 units slated to come online later this year along the water's edge at the Rockrose Queens West Development.

Plus there is the Silvercup Studios West Development. The two-million-sf, \$1-billion project, which will break ground later this year according to Gjonbalaj, will create 1,000 apartments and the largest movie studio on the east coast.

With all the development in the pipeline, Gjonbalaj says he is surprised there has not been office development yet. But he believes those projects are not far off. "With the office market getting much tighter across the board, I am surprised that I do not see more office development but it's only a matter of time before that begins its own cycle."