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Northern Queens Year-End Market Review and What to Expect in 2014

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The second half of 2013 proved to be the stronger of the two. The Queens market saw a surge in properties sold getting the ball rolling quickly for 2014.

Per Massey Knakal's Year-End Property Sales Report, the number of properties sold in 2013 increased 17% from 2012, with Queens being the only market besides Northern Manhattan to have either matched or exceeded its 2012 numbers. The dollar volume remained remotely the same around $2.3 billion; however the number of properties sold increased from about 600 properties to just fewer than 800, with the second half of 2013 seeing 482 property sales alone.

On an average price per square foot basis 2013 numbers increased about 13% from 2012 to $296 per square foot. Again, the second half brought in the big numbers with an average of $322 per square foot. Property types including retail, elevator, walk-up, and office saw an increase in average price per square foot while mixed-use returned an average price per square foot at about the same as 2012 numbers.

Specifically in Northern Queens, there has seen consistency across the board with property sales increasing from the first quarter to the fourth quarter of 2013. The multifamily and retail markets stood out the most through 2013. Multifamily activity saw a total 53 buildings sold including walk-up and elevator apartments generating roughly $188 million in sales. The average price per square foot for elevator apartments in Flushing came in at about $234 per square foot and walk-up apartments came in at $220 per square foot.

Retail and mixed-use in Northern Queens both saw a significant increase in activity from the first quarter to the fourth quarter of 2013. Mixed-use sales in the first quarter showed a total value of $15,905,000 and jumped to $25,565,665 in the fourth quarter. Similarly retail sales started with $14,175,000 and ended with $99,715,085 in sales in the fourth quarter, for a total upwards of $200 million in sales combined for retail and mixed-use properties in 2013. The price per square foot

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value showed promising figures as well, specifically retail saw a high $1,726 per square foot for a 5,000 square foot retail property on Roosevelt Avenue in Downtown Flushing a prime area for retail in Northern Queens.

While the retail and multifamily properties seemed to be the most desirable, there has been significant activity in the development market in Northern Queens. A couple stand-out transactions include the 17-story mixed-use development planned for the old RKO Theater in Flushing as well as a large 180,000 buildable square foot development site with multiple plans in the works, currently NNN-leased by Ford in East Elmhurst at $95 per buildable square foot. Aside from the large mixed-use development including the RKO Theater and the even larger developments to come to Flushing Commons and Willets Point, there has been unfailing interest for development sites in the Northern Flushing area in general including hotel sites and residential development.

Although the second half of 2013 was a prosperous one not only for Northern Queens but for NYC as a whole, there is much speculation on what the commercial real estate market will bring in 2014. Although many questions arise, there is a positive outlook for the Northern Queens commercial market and many believe there will be a noticeable increase in overall activity from 2013 especially after such a successful second half.

The industrial market is expected to boom with the expansion of e-commerce. The market is expected to see a high demand for warehouse and manufacturing space due to a number of factors. Online retail giants like Amazon.com are looking to expand warehouse space to make for more efficient and quicker distribution. The retail market is also expected to see growth more so in high-end urban areas rather than the previously expected suburban areas like Long Island. The employment increase will help to keep retail in demand but it has to compete against the rise in e-commerce which has lowered the demand for brick and mortar locations.

The multifamily market this year has seen an extreme lack of supply, especially in Queens. Inversely, the demand for multifamily has remained high which we can expect to continue to see going into 2014. Most qualified owners are still achieving record low rates in the low 3% range for

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multifamily purchases. These levels of interest rates and below 1% vacancy rates entice current apartment building owners to refinance instead of testing this white-hot market, which feeds into the complete lack of product in this asset class.

With interest rates expected to have less of an impact than previously noted and a recovering economy we can expect to see the commercial real estate market taking off quickly in 2014. After a successful second half in 2013 we are expecting transactional turnover in Queens as well as the New York City metropolitan area to normalize in 2014 getting closer to 2005-2008 levels again.