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BUSINESS / REAL ESTATE

Amid Long Island City Boom, Retail Growth Lags

By David Moin

Many are hopeful that the entries of Amazon and Bloomingdale's into the community will jump-start development.



A landmarked Pepsi-Cola sign stands in Long Island City near the site for a proposed Amazon headquarters in the Queens borough of New York, . The sign previously was part of a former bottling plant nearby. City and state officials promised at least \$2.8 billion in tax credits and grants to lure Amazon to Queens, where it would occupy a new campus built around a formerly industrial boat basin Amazon HQ , New York, USA - 16 Nov 2018
Mark Lennihan/AP/REX/Shutterstock

Long Island City has been a hotbed of luxury residential development and a mecca for Millennials looking to live close to Manhattan.

So why haven't retailers taken the bait?

"The streetscape is fairly empty. It's really a residential neighborhood with very little retail," observed Norman Roberts, vice president, managing creative director, FRCH Design Worldwide, who has lived in Long Island City for more than six years.

"Retail always lags. It doesn't want to come in before the people get here," said David A. Brause, chairman of the Long Island City Business Improvement District and president of Brause Realty



Silvercup Studios was formerly the Silvercup bread factory.

Lennihan/AP/REX/Shutterstock

Chipotle, Starbucks and The Sandwich King were about the most exciting retail entries in the past year, and Shake Shack is said to be eyeing the neighborhood. Big-box retailers like Target Corp. and T.J. Maxx, which are expanding around town, have left Long Island City out of the footprint, leaving denizens of the area little option but to venture to Williamsburg, the Queens Mall in Woodside or Manhattan for their wardrobing needs and Christmas gifts.

That may all be about to change thanks to Amazon.

Retailers and brands are likely to begin looking at Long Island City for store sites due to Amazon's plan to build a headquarters for 25,000 high-paid workers, as well as

Bloomington's relocating all its New York City-based corporate and support colleagues to Long Island City, involving about 1,000 employees, in 2020. Macy's will move some functions as well.

Amazon is considered a game-changer for New York. The Seattle-based e-commerce giant intends to build an 8 million-square-foot campus with a heliport for Jeff Bezos, the company's founder, chairman and chief executive officer, on the waterfront at Anable Basin, a section of Long Island City with docks and warehouses situated east of the southern tip of Roosevelt Island. Construction is expected to start in 2020 and finish around 2029. In the meantime, Amazon workers will be phased into the 53-story Citigroup Center at One Court Square in Long Island City, being vacated by the bank in 2020.

"Everybody wants Long Island City to be the next Brooklyn. I am predicting it's going to be more like Chelsea," said Faith Hope Consolo, chairman of The Retail Group of Douglas Elliman Real Estate.

"In Chelsea, Google became a siren for other tech firms to move there. Facebook and Spotify did follow," said Consolo. "Amazon is sure to have a similar effect on Long Island City. The area will have to adapt to accommodate incoming employees that will live, work and play there."

"Food, fitness, fashion and wellness — this is what Long Island City needs. The challenge is that there aren't any continuous retail corridors in Long Island City. There's been no fabric to the neighborhood."

According to data from the Long Island City Partnership, the community has about 265,000 square feet of retail, which is less than 1.5 square feet per capita. Long Island City has a population of roughly 250,000.

There have been 17,000 apartment units added to the area in the last 10 years, and another 10,000 will come online over the next three years, according to Brause of the Long Island City Business Improvement District.

“While residential rent rates have reached parity with Manhattan, retail rents remain inexpensive, according to Consolo, at \$75 to \$100 a square foot. “It’s still affordable for retailers.”

Consolo senses a demand in the neighborhood for better groceries, pharmacies, children’s shops, private schools and day care. “Maybe Amazon brings in Whole Foods,” which it owns. “Maybe you get a Dylan’s Candy Bar,” Consolo said. “Retailers are like sheep. They follow each other.”

Don’t expect a wave of fashion stores, though. Retail and real estate experts see food, pharmacy and convenience stores taking space first.

Several factors put limits on brick-and-mortar growth.

First, in many cases, new residential high-rises on or near Jackson Avenue, the biggest thoroughfare in the community, lack enough square footage, basement and storage space to support significant retail.

Next, Vernon Boulevard, the second largest thoroughfare running parallel to the waterfront, as Consolo observed, has a predominance of small lots occupied by shops only nine or 10 feet wide and in older walk-up buildings.

In addition, it’s hard to find a spot to park, due to restrictions on the streets.

There’s also the continuing question of just how much of an appetite Millennials, the demographic moving to Long Island City in significant numbers, have for brick-and-mortar shopping.

“My guess is that more and more retail will be food and beverage with a sprinkling of pharmacies, banks and nail salons, just the basics like a CVS,” Roberts said. “If you look at most of the residential towers, ground floors are vacant and just starting to fill up with a handful of coffee shops and quick-service food. In my building, there’s a virtual restaurant for delivery only. When I moved in, I started using FreshDirect. We still do.

“This is an underserved neighborhood that has learned to do without,” Roberts added. “It’s so connected to Manhattan and Brooklyn, you can easily get to those places where there is shopping already or you can have things delivered.”

“There is a deficiency of retail,” agreed Nancy Slavin, real estate agent for Douglas Elliman. “That will change — absolutely.” Slavin, a former senior marketing executive with Macy’s Inc., is working with Bloomingdale’s Inc. to assist executives and others interested in moving to Long Island City, where the department store is relocating offices from the east side of Manhattan.

Aside from bringing in thousands of jobs to the community, Amazon is expected to bring billions of dollars in tax revenue to the city, and also add congestion. It’s also seen as an excuse for landlords to raise rents and condo prices.

“It’s not cheaper to live in Long Island City anymore, but you are getting brand spanking-new buildings with rooftop decks, outdoor gardens, common areas with media rooms where you can meet people and entertain, state-of-the-art gyms with yoga studios and Pelotons, all topped off with spectacular views of New York City,” said Slavin.

According to Slavin, on average studios rent for \$2,500 a month, one bedrooms around \$3,100, and two bedrooms, \$4,000. Condos start at \$700,000 for a studio; one bedrooms, \$900,000; two bedrooms, \$1.3 million, and three bedrooms, \$2 million.



MoMA PS1 is near the site for a proposed Amazon headquarters. Mark Lennihan/AP/REX/Shutterstock

Long Island City, on the western tip of Queens, is bordered by Astoria to the north, the East River to the west; the New Calvary Cemetery to the east, and Greenpoint to the south.

Aside from modern dwellings, the most attractive features of Long Island City are its proximity to Manhattan, views of the skyline and Macy's Fourth of July fireworks, MoMA PS1, the Noguchi Museum, Gantry Plaza State Park along the waterfront, the two ferry outposts, Silvercup Studios, Rockaway Brewing Co. and several subway options.

There's also the giant red Pepsi-Cola sign, a vestige of the former bottling plant there and a reminder of how industry once dominated Long Island City. Among the other manufacturing departures over the decades: Sunshine Biscuits, Ronzoni and Brewster Carriages. Jet Blue, the Estée Lauder Cos. Inc., Uber, Lyft, Ralph Lauren Corp., Steve Madden and Metropolitan Life maintain operations in the community. Few people are aware that Long Island City was a bona fide city from 1870 until 1898, when it became part of New York City.

An early sign that Long Island City was ripe for development was in 1989, when the Citigroup Building opened. When built, it stood out like a sore thumb on the Queens terrain, like a refugee from Manhattan. Years later, apartment high rises and hotels started springing up. According to The Real Deal real estate magazine, Long Island City has been the most popular neighborhood in the outer boroughs for hotels, with 45 projects planned since 2010.

Much of the residential and retail development occurs on or near Jackson Boulevard. At 28-01 Jackson Avenue, near the elevated subway, the 1.1 million-square-foot JACX mixed-use project by Tishman Speyer is going up. It's where Bloomingdale's and Macy's jobs will relocate.

Aside from the dearth of retail, there's little landscaping. The density of residential high-rises, ongoing construction and dingy warehouses remaining from the industrial era give a gritty Gotham feeling to the area.

To compensate, new buildings bring the outdoors into their confines. The Forge, for example, a year-old, 272-unit luxury residential rental property owned by Brause Realty, has a courtyard and sculpture garden, a fitness center, an outdoor pool, an outdoor movie theater with a lawn and a grill for barbecuing, a green roof, a rooftop lounge, a sun room and is LEED-certified (pending Silver) as a green building.

The Forge reflects efforts by builders to retain the neighborhood's historic industrial character, said Brause, pointing to the use of historic materials and copper panels, as well as high ceilings, at The Forge.

The JACX has a similar approach. Its two 26-floor office-tower anchors will be linked by a landscaped quad where office workers will be able to socialize, dine or work.



Long Island City offers modern apartments with many amenities. Mark Lennihan/AP/REX/Shutterstock

Further capturing that “authentic feel” is a variety of independent businesses in the neighborhood, such as Book Culture, M. Wells Steakhouse and Levante, the pizza-centric Italian restaurant.

In its Nov. 13 press release revealing the deal to move into the community, Amazon promised that New York and Long Island City will benefit from more than 25,000 full-time high-paying jobs along with \$2.5 billion in corporate investment for waterfront

development, training for jobs and participating in job fairs. Amazon estimated it would generate incremental tax revenue of more than \$10 billion over the next 20 years.

Still, many residents and community leaders are opposed to Amazon coming to Long Island City. They have argued that it was not right for the city and state to provide \$3.5 billion to facilitate Amazon's move into the city, considering the wealth of the company, which on occasion has been valued at more than \$1 trillion. Opponents have also argued that the government subsidies would be better spent on improving the city's roads, schools and subways.

"Amazon brings in families, a big workforce and they have a culture. They take their dogs to work," said Consolo. "Amazon will create a different type of [retail] demand."

Amazon represents "a transformational shift in how people are going to view Long Island City and New York City," Brause said. "There will be a very large ripple effect" on communities in other parts of the city.

"A lot of the developments in Long Island City will accommodate new retail and restaurants," said Slavin. "Many people want to see what happened in Williamsburg happen here."



A former dock facility at Gantry State Park in Long Island City. Beбето Matthews/AP/REX/Shutterstock.

RETAIL SNAPSHOT*

Vernon Boulevard:

- Dai Hachi sushi bar and restaurant
- Sweet Chick fried chicken and waffles
- Bellwether restaurant
- Sushi Daizen omakase style sushi
- Vernon Blvd. Pharmacy
- Bareburger
- Vernon Grille
- Spokesman Cycles
- Nature's Prescriptions
- Bricktown Bagels & Cafe

JACKSON AVENUE

- Toby's Estate gourmet coffee shop
- Mu Ramen for Japanese noodles and appetizers
- Book Culture LIC
- Slovak Czech Varieties for food, gifts, books and other categories
- LIC Pilates

- City Owlets place space for kids

- Hibino LIC for Japanese food

- Starbucks

- PilatesWorks

Retail list provided by Douglas Elliman