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Amazon Loss Stings, but Long Island City Real Estate Shrugs It Off

Even without the retailer as a neighbor, commercial-property owners have attracted new tenants

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New construction towers over the Anable Basin in the Long Island City neighborhood of New York City. PHOTO: KEVIN HAGEN FOR THE WALL STREET JOURNAL

The urgent inquiries for office space from companies aiming to do business with [Amazon.com](#) Inc. have long ceased. The near-constant flurry of calls from would-be investors in commercial buildings and condominiums has eased.

But the real-estate market in Long Island City has done just fine in the year since Amazon nearly made it a new home. The Queens neighborhood was suddenly the hottest in New York City after the giant retailer said in November 2018 it [would open a headquarters there](#), bringing 25,000 employees to the area. Long Island City was just as suddenly deflated by Amazon's abrupt cancellation of those plans.

Even without Amazon as a neighbor, commercial-property owners have attracted new tenants, thanks to the area's relatively low prices and the abundance of new office space.

They leased more than three times the amount of space in the first nine months of the year than they did in that period during the previous year, according to Cushman & Wakefield PLC. Sales of commercial buildings rose 9%, according to B6 Real Estate Advisors.

Condo sellers have shrugged off Amazon's snub. In the third quarter, median asking condo prices were up 7.5% compared with the same period in 2018. Median condo sales prices climbed 7.7%, while asking rents were up 5.5%, according to figures compiled by StreetEasy.com. Long Island City outperformed the rest of the city on most measures, with gains in median rent being slightly higher in Manhattan.

Amazon's brief commitment to the neighborhood "put Long Island City on the world stage," said Thomas A. Donovan, a partner at B6 Real Estate Advisors. "Long Island City was already on the trajectory toward being a good downtown."

The real-estate firm Savanna may have had the most dramatic reversal of fortune with the pullout of Amazon. The retailer had planned to take a million square feet that was soon to become vacant at Savanna's One Court Square. Savanna worked quickly and signed a 332,000-square-foot lease with the health-care company [Centene](#) Corp.

The property owner also managed to woo back [Altice USA](#), the cable company that had been squeezed out by Amazon's commitment. Altice signed a deal for about 103,000 square feet at One Court Square.

Overall, owners of Long Island City office properties signed 1.2 million square feet of leases in the first three quarters of the year, far exceeding the 331,538 square feet recorded for the same period in 2018, according to Cushman. The vacancy rate, though still significant, dropped to 14.7% in the third quarter from 18.4% a year earlier, also indicating strong demand.

But asking rents for office space dipped 7.5% to \$40.65 a square foot in the third quarter, the third straight quarter of decreases, according to Cushman.

"Prices have come down because there is a lot of space on the market," said Neil Dolgin, co-president at the real-estate firm Kalmon Dolgin Affiliates Inc. "There is more supply than demand."

As with the office market, Amazon's announcement sparked a surge of activity in the residential market. At the time, groups of investors went from sales office to sales office by bus, and some brokers said they clinched deals by cellphone.

In February, when Amazon [backed out and the music stopped](#), sales continued although at a slower pace in the midst of a broader slowdown in condominium sales in the city. The number of investor-buyers looking for studio and one-bedroom apartments is down, brokers said, but purchases by people from Manhattan looking for larger apartments are up.

Amazon said it had planned to develop a new office campus along the East River, in an area known as Anable Basin. Now developer MaryAnne Gilmartin, chief executive of L&L MAG, and two other firms that control property in the area said they are talking to local residents and businesses about developing there.

L&L MAG is still "bullish on the location with or without Amazon," Ms. Gilmartin said.