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Across the East River and Poised for Growth

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The many advantages of Long Island City, [Queens](#), as an alternative commercial district in close proximity to Midtown [Manhattan](#) have long been promoted by the city: qualities like great transportation, cheap space and sweeping views of the island just across the East River. Now, with nearly a million square feet of commercial office space coming out of the ground within the next year, the vibrancy of this submarket in Queens will be put to the test.

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Court Square Place, a 16-story building, is the first commercial property in Long Island City built on speculation.

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Transactions

At the head of the line is the new Court Square Place, the first commercial property built here on speculation. The 16-story 275,000-square-foot building near the 48-story Citigroup tower is owned and operated by the [United Nations](#) Federal Credit Union, which will move into the buildings second through seventh floors by the end of the year and is marketing the other floors to potential tenants.

By any measure, the building rivals new construction in Manhattan. Designed by HLW International, an architecture and engineering firm, it is being built by the Tishman Construction Corporation, builder of 7 World Trade Center.

Rents in Long Island City are considerably lower than for new construction in Midtown Manhattan. The annual asking rent at Court Square Place is \$42 a square foot, but with state and city incentives for relocating there, tenants will pay closer to \$26. Space of this quality could cost \$85 to \$100, or even more, in Midtown.

Yet, leasing activity has not exactly happened at a frenzied pace, despite skyrocketing rents and minuscule vacancy rates in Midtown. The building has been marketed by JRT Realty Group since early this year without securing a tenant, although Greg Smith, executive vice president of JRT, is confident there will be announcements by the end of the year.

Theres been a lot of activity, Mr. Smith said on a tour of the building. Were talking to enough tenants to fill half the space. Until very recently, the building wasnt ready to be shown.

If the current overall commercial vacancy rate in Long Island City 2.9 percent is any indication, there is demand for space. According to Cushman & Wakefield, of the total 7.1 million square feet in this submarket, only 204,000 square feet is available. But some of the new construction will start to show up in the statistics soon. In addition, one of Long Island Citys most visible tenants, the Metropolitan Life Insurance Company, is said to be looking to move to the former Verizon building on 42nd Street and Avenue of the Americas after just five years in its current space at Queens Plaza North.

Companies can be in Long Island City in a comparable building for 50 percent of the cost of Midtown, said Patrick Gardner, senior vice president at Cresa Partners, a corporate real estate advisory firm. But despite all of the savings, its very difficult to get tenants to pull the trigger and move there. MetLife is finding that theyve lost key personnel. The biggest asset is the employees, and as long as the job market is reasonably healthy, people will want to stay in Midtown.

In addition to the nearly one million square feet currently rising out of the ground in Long Island City, including a second Citigroup tower and the United Nations Federal Credit Union building, several other projects are in the planning process.

Gotham Center, formerly called Midtown East, is being developed by Tishman Speyer Properties, which also owns Rockefeller Center and the Chrysler Building. If all goes as

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planned, this project could eventually expand to occupy two large parcels along Queens Plaza, creating as much as three million new square feet of office and retail space.

There is also Silvercup West, a planned development by Silvercup Studios that received final approval from the city in August. Plans for this mixed-use project along the East River include 650,000 square feet of commercial space in addition to residences and sound stages.

We consider Long Island City to be Midtown East, said Stuart Match Suna, president of Silvercup, the largest film and television production center in New York. Our project is modeled in part on what's been happening on the West Coast, where office space geared toward media companies is springing up around film studios.

Given an explosion of film and television production in [New York City](#) in the last two years, a targeted commercial office sector is perhaps less of a gamble than building on speculation in hopes of catching the overflow of Midtown. But even that might not be such a gamble after all.

Even if the United Nations Federal Credit Union building does not lease its space immediately, it is still a good investment for the credit union, according to its vice president and general counsel, [John Lewis](#). We identified Long Island City three years ago as the place to be, he said. Call us lucky or smart, but before we even move in, the building will have appreciated by 30 percent, based on independent appraisals.

The Long Island City Business Development Corporation, a business improvement district, had no comment on the possible move of MetLife out of Long Island City, but Andrew Ebenstein, the district's operations manager, said that even if true, it was merely a blip in the progress of the area's commercial and retail sectors.

Like everything, you need the critical mass, Mr. Ebenstein said. You can look at how much is being built, and it's moments away. Most large projects are not yet constructed and waiting for anchors. As soon as a tenant is signed to the U.N. building, it will signal what the market is and will be.