



Hot commodity: Industrial properties like this Hicksville warehouse are in demand. PHOTO: Bob Giglione/LIBN

NYC RE boom sparks commercial LI migration

By: David Winzelberg June 23, 2014 Comments Off

Michael Koullias knows he's sitting on a gold mine.

Koullias, the owner of a Long Island City furniture supplier called [Manhattan Cabinetry](#), has been receiving an increasing number of calls from developers who want to redevelop the 1-acre site now housing the company's 44,000-square-foot manufacturing and distributing facility. The developers envision a hotel, office tower or apartment building.

Here since 1986, Koullias has seen the changes in the Queens neighborhood once dominated by factories and warehouses. Now, older commercial uses are being joined by a growing number of residential high-rises and mixed-use projects, as developers try to capitalize on the strong demand and high prices of New York City housing. Robert Knakal, principal of Manhattan-based [Massey Knakal Realty Services](#), said New York City zoning has changed significantly over the last decade to allow industrial properties to be redeveloped into housing or hotels. This has fueled the big spike in real estate values in places like Greenpoint and Williamsburg in Brooklyn, and Astoria and Long Island City in Queens.

"Land values have escalated so much that the price you get is too tempting to pass up," Knakal said. "Industrial businesses are looking at what the real estate is worth. Often, it's very compelling for them to sell."

Koullias is among those considering a sale. If he moves, he'd rather relocate his business to eastern Queens than cross the border into Nassau County – "Too far for my business," he said – but real estate brokers say more displaced borough-based business owners are looking at industrial spaces on Long Island.

The resulting migration of manufacturers and distributors from Queens and Brooklyn who've been cashing in on, or priced out of, their real estate could boost demand and further tighten a Long Island industrial market here that's

already short supplied. The overall vacancy rate in Long Island's industrial market was 5.1 percent in the first quarter, down from 6 percent in Q1 2013, according to a report from [Newmark Grubb Knight Frank](#). Looking to capitalize on the scarcity of available industrial properties in Nassau, Rechler Equity Partners, owners of Long Island's largest industrial portfolio, has just put one on the block, asking \$18.45 million for a 167,754-square-foot warehouse and distribution facility on 7.69 acres in Hicksville.

Rechler Equity principal Mitchell Rechler acknowledged the trend of businesses selling their properties in Queens and Brooklyn for "crazy prices," and acknowledged that some of those companies are now looking for Long Island space.

"We think some of those businesses are good candidates for a property like this," Rechler said.

Developer Gerald Wolkoff, who owns several industrial properties in Long Island City, said some real estate prices there have nearly tripled in the last five or six years. Wolkoff is awaiting demolition permits to raze a couple of industrial buildings he's owned for more than 30 years and start work on twin residential towers with 1,100 apartments on Jackson Avenue, a redevelopment known as [5 Pointz](#).

But Wolkoff said he hasn't seen many displaced New York City firms looking to relocate on Long Island. He said this area has missed the boat on attracting businesses leaving the city, with many of them opting for places with more diverse housing choices and vibrant downtowns like Jersey City and Hoboken.

"Mom and pops and the small-business owner who lives in Astoria or Manhattan, they're not coming all the way out here," Wolkoff said. "They'd rather go into New Jersey."

That's a battle being fought every day by the [Nassau County Industrial Development Agency](#), which is currently working with a half-dozen businesses forced to relocate from the boroughs, according to Joe Kearney, the IDA's executive director.

Last year, the Nassau IDA helped two Queens companies relocate to Long Island. The agency gave tax breaks to Jesco Lighting Group for its move from Glendale to Port Washington and Display Technologies for relocating from College Point to Lake Success.

Kearney said IDA Director of Business Development Nick Terzulli is in New York City at least one day a week meeting with prospective migrating firms.

"We're getting more and more of it now," Kearney said.