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COMMERCIAL REAL ESTATE

Price and Proximity Draw Fashion Industry to Long Island City

Square Feet

By RONDA KAYSEN JUNE 21, 2016

Two years ago, the online fashion retailer Gwynnie Bee had outgrown its Long Island City headquarters. But when larger options in the Flatiron district and Downtown Brooklyn proved too expensive, the company's chief executive, Christine Hunsicker, decided to double down on the Queens neighborhood that is increasingly attracting New York fashion companies.

Gwynnie Bee, a clothing rental service for plus-size women, moved about a mile last June, to the Factory, a one-million-square-foot warehouse at 30-30 47th Avenue.

Unlike Manhattan, the traditional fashion hub, and Brooklyn, the hip alternative, Long Island City is drawing more in the clothing industry because of its convenient 10-minute subway ride to the garment district in Midtown and low rent. For years, rents have been rising in Manhattan, and now that Brooklyn has established itself among fashion designers as a worthy alternative, rents are rising there, too. So developers are turning aging Long Island City warehouses into airy,

modern spaces where tenants can design, assemble, distribute and photograph their merchandise.

“This is just in its infancy,” said Jeffrey I. Peck, an executive managing director of Savills Studley, who is working with three fashion companies looking to lease space in the neighborhood. “Brooklyn started it, in that you don’t need to be located in Manhattan anymore. But I think Long Island City, with its transportation advantage, is quickly rising and becoming not only acceptable, but desirable.”

Price is of course a factor. In Long Island City, the average asking rent for office space was \$33 a square foot at the end of the first quarter of the year, compared with \$56 a square foot in the garment district or \$73 a square foot for prime areas in Midtown, said Joseph J. Sollazzo, a real estate economist for the CoStar Group. Tenants in the garment district have faced steep rent increases since mid-2010, when the average asking rent was \$38 a square foot.

“We’ve seen very dramatic rent growth in the garment district,” Mr. Sollazzo said, referring to rents between West 30th and West 42nd streets from 5th Avenue to the Hudson River, an area that includes Penn Plaza, “compared to Midtown as a whole.”

Brooklyn is no bargain, either. In Downtown Brooklyn, the average asking rent was around \$40 a square foot during the first quarter. New or renovated properties like Dumbo Heights and Empire Stores command more than \$70 a square foot, Mr. Sollazzo said.

“Brooklyn was so much more expensive than Long Island City — I mean so much more expensive,” said Ms. Hunsicker, who started Gwynnie Bee in her Alphabet City apartment in 2011.

At the 90-year-old Factory in Long Island City, which was once a Macy’s warehouse, asking rents range from \$40 to \$45 a square foot.

Fashion companies are noticing. In April, J. Crew leased 60,000 square feet for its Madewell division, moving from the East Village. In January, Polo Ralph Lauren leased about 19,000 square feet to use as a photo studio for its products. And last

August, Macy's leased some 150,000 square feet, reclaiming a section that had once been the department store's fur vault, according to Newmark Grubb Knight Frank, the leasing agent for the Factory.

Atlas Capital, which owns the Factory with Square Mile Capital Management and Invesco Real Estate, bought the deteriorating building in 2014, intending to renovate it and market it to tenants in the technology and creative industries that might be drawn to the rapidly changing neighborhood. Atlas is restoring the facade and mechanical systems, and adding a 4,000-square-foot lounge to the lobby, part of a \$25 million investment.

"We turned away tenants that we didn't think were the right mix or right profile," said Brian S. Waterman, a vice chairman for Newmark Grubb Knight Frank. "We were looking to create a Chelsea, meatpacking feel."

One advantage for Long Island City is its proximity to Manhattan. With a dozen subway stations serving seven train lines, two Long Island Rail Road stations and access to the Queensboro Bridge and Queens-Midtown Tunnel, the trip can be as short as five minutes in places. But it feels far away. Much of the area lacks the shops, restaurants and bars that make a neighborhood an appealing place to work, or hang out afterward. So developers are trying to make warehouse lobbies feel like destinations.

Consider the Falchi Building across the street from the Factory. In 2012, Jamestown Properties bought the building, at 33-00 47th Avenue. It was built in the early 1920s as a warehouse for the Gimbels department store.

The building now has a bustling ground-floor marketplace with vendors like Doughnut Plant and Stolle Bakery, and seating for diners. Although its roster of longtime tenants includes jewelers like Tourneau, which has had repair shop there since 2006, other fashion companies have recently shown interest, said Haley L. Fisher, a director at Cushman and Wakefield, the leasing agent.

In March, the Related Companies and GreenOak Real Estate bought two Long Island City warehouses: the Paragon Building and the Blanchard Building. A \$30 million renovation of the Paragon, at 21-00 49th Avenue atop the Hunters Point

subway station, updated the vacant office building with new windows, elevators and a penthouse with expansive city views. The Blanchard Building, at 21-09 Borden Avenue is also being renovated, a \$15 million investment, with plans to add a beer hall.

“We want to make both buildings an interesting place both for the office tenants to be, but also a destination for people to go,” said Patrick Sweeney, a senior vice president at the Related Companies. “We have seen several companies that have looked in Brooklyn and have come and said ‘It’s too expensive’ or ‘We can’t find the right space.’”

Mr. Sweeney said prospective tenants were attracted to the plans for Paragon and Blanchard at their prices. Both buildings will open next year, with asking rents in the low \$40s to low \$50s a square foot.

At the Factory, a rotation of food trucks, including Red Hook Lobster Pound and Kimchi Taco, now park in front of the building. Atlas plans to add a fitness center and fill the lobby with food and beverage vendors to create a marketplace atmosphere. Last week, the event planner Space in the Raw hosted a charity fashion show on the seventh floor, with views of Manhattan.

Among the building’s quirkiest features is a sculpture of a twisted school bus at the far end of the lobby. It also has a freight elevator, painted with orange and green swirls to look like the gaping mouth of a dragon with welded iron monsters suspended from the ceiling. Both art installations predate Atlas’s ownership of the building.

Ms. Hunsicker of Gwynnie Bee said she was drawn to the Factory because of its unvarnished character. “I love high ceilings and industrial space,” she said. “It had a very good feel to it, a very good vibe. It had energy and it had life.” She also said she liked being able to bring her dog, a Shar-Pei named Mabel Ming, to work every day.

Buildings like the Factory appeal to creative companies because the space lends itself to innovation. Large, open floors and high ceilings allow the flexibility to use the space for multiple purposes. Oversize windows let in natural light.

“The spaces that exist in Brooklyn and specifically Long Island City are really conducive to this kind of flexible manufacturing and retail,” said John Clifford, a founding principal at S9 Architecture, a designer of the interiors for the Falchi Building. “They have a lot of character. They’re still raw enough. They haven’t been polished.”

Correction: June 21, 2016

An earlier version of this article misspelled the given name of a director and Cushman and Wakefield. She is Haley L. Fisher, not Hayley. Because of an editing error, an earlier version of the article also misstated the address of the Paragon Building. It is at 21-00 49th Avenue, not 21-00 Borden Avenue.

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