RELEVANT ARTICLE

LONG ISLAND

FROM

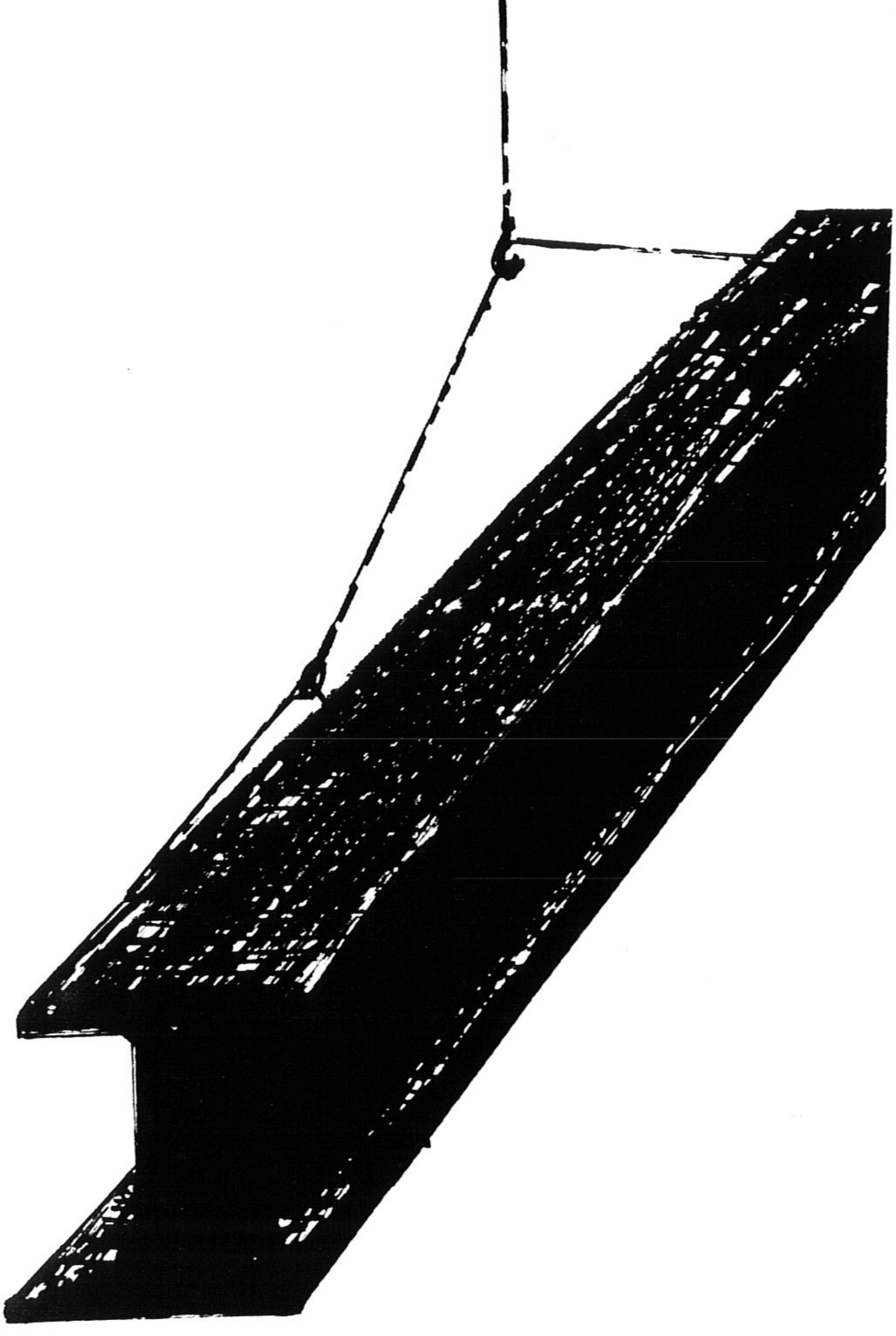
REAL ESTATE FORUM

MID NOVEMBER, 1987

NEW YORK SUBURBAN OFFICE REPORT

Consistent levels of leasing and cut-backs in development starts brought down the Nassau-Suffolk office vacancy rate from 11.7% at mid-year to 11.5% at the end of the third quarter. This was accomplished despite the addition of more than 350,000 square feet of new inventory during the July-September period, as tabulated by Cushman & Wakefield, Inc.

"These numbers are excellent and so is the condition of Long Island's business real estate market," comments Joseph A. Lagano, senior vice president of Cushman & Wakefield. "Our economy is as strong as ever, and a report like this is an indication that the area will continue



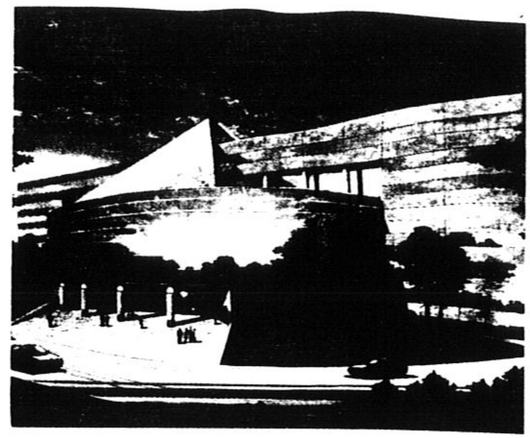
LONG ISLAND

to thrive." Long Island's third quarter vacancy rate was the second lowest in the nation for non-central business districts surveyed by C&W, and compared favorably with the 21.3% national average for non-CBDs.

Whether the fourth quarter will continue to see the same renting pace, however, is being questioned by some key people in the market. Because of recent stock market volatility, says Donald Rechler, partner and principal in Reckson Associates, Inc., a major developer in the area, leasing activity may slow.

"While the needs of the small tenant are being met, with deals going through, larger companies appear to have adopted a wait-and-see attitude," Mr. Rechler reports. "They want to see the economy right itself before making long-range plans. After the first of the year, we expect that things will have settled down, however, and it will be business as usual. As for our firm," Mr. Rechler adds, "with a less than 5% vacancy rate in our

(Continued on page 62)



As Long Island's office growth heads east, Suffolk County is seeing development of projects like the 350,000-square-foot Evans Center (rendering).

buildings, we have felt no immediate effects from the stock market decline."

Aside from such short-term disruptions, the two-county office market remains one of the country's suburban standouts. According to Robert M. Borax, executive vice president of R.D. Geronimo Ltd., a national real estate appraising and consulting firm based on the Island, the Nassau-Suffolk office inventory should top 42 million square feet by year-end. With local office employment expected to rise about 4% this year, net absorption will probably reach a comparable figure, although this would be less than the market's average annual office employment growth rate of 7% between 1980 and 1986.

Mr. Borax points out that Long Island has solidly established itself as a preferred location for many Manhattan-based firms' back office operations. For example, the region accounted for 34% of the 10,000 back office workers relocated by insurance companies based in Manhattan from 1979 to 1987. Overall, back office employment has increased by 52,000 workers since 1979, bringing such employment up to 125,000 or 11.36% of the total local workforce.

The Geronimo executive sees the Nassau office market tightening considerably, particularly for large space users. Contending that the county's rapid commercial expansion has placed demands on its infrastructure, he notes that this situation is further aggravated by concerns of the Department of Environmental Conservation about water usage and other worries over traffic patterns which have delayed construction of several major projects.

Another problem is the bigger local tax bite, Mr. Borax points outs. Nassau's real estate taxes have increased substantially as a result of last year's county-wide reassessment. Although the reassessments are being phased in over a 5-year period for existing buildings, new office structures will be taxed on their full assessed value. This could equate to more than $5 a square foot which has prompted court challenges. The potential impact on the operational pro forma of new office buildings is considerable.

Nevertheless, Mr. Borax forecasts that the Long Island office market will remain stable for the near term, with supply, as curtailed by municipal regulations, keeping pace with demand as long as a decline in office employment does not occur. Development, he adds, will move farther out, with Hauppauge replacing Route 110 as the eastern boundary of Long Island's major commercial activity.

Softness Along Route 110

Although Alan Rosenberg, executive vice president of Sutton & Edwards, Inc., estimates that there is still some 2.8 million square feet of immediately available office space in the two counties, he stresses that much of the vacant footage lies along the Route 110 corridor, which he characterizes as the only relatively soft submarket in the area.

"The market is currently absorbing about 1.25 to 1.5 million square feet of corporate and back office space requirements a year," says Mr. Rosenberg, "yet little more than 1 million square feet of new construction is expected to be put in place by the end of 1988. Building and water moratoriums continue to hamper the progress of many pending projects.

"With no evidence of major defections and with demand growing for back office and corporate expansion space as well as equity participation, the market's orderly growth in the months ahead seems indisputable, with prices firming and large blocks of space being offered at a premium. The bargains," adds the Sutton & Edwards broker, "appear to be the short-term (under five years) subleases in the range of 5,000 to 10,000 square feet."

However, if availabilities continue to shrink and the economy holds up, developers will likely become more ambitious in terms of new construction. . . if they can. "We may see a surge in commercial development as soon as a number of the building moratoriums are lifted," suggests Emerson J. Dobbs, vice president and manager of Cross & Brown Company's Long Island office. As it is, he notes, several major projects have been stalled in places such as Mitchel Field, Jericho and Melville.

"When moratoriums in these and other locations end," says Mr. Dobbs, "and the problems behind the moratoriums are solved, an increased pace of activity—including new construction and the conversion of industrial space to office complexes—could result."

Mr. Dobbs characterizes the Mitchel Field area as especially ripe for development and leasing because of the availability of undeveloped land, excellent access to transportation and an untapped labor pool from Queens and other adjacent communities. "Yet due to the moratoriums," he laments, "Mitchel Field and Melville, another key area, have not seen significant new space come on line in at least six months."

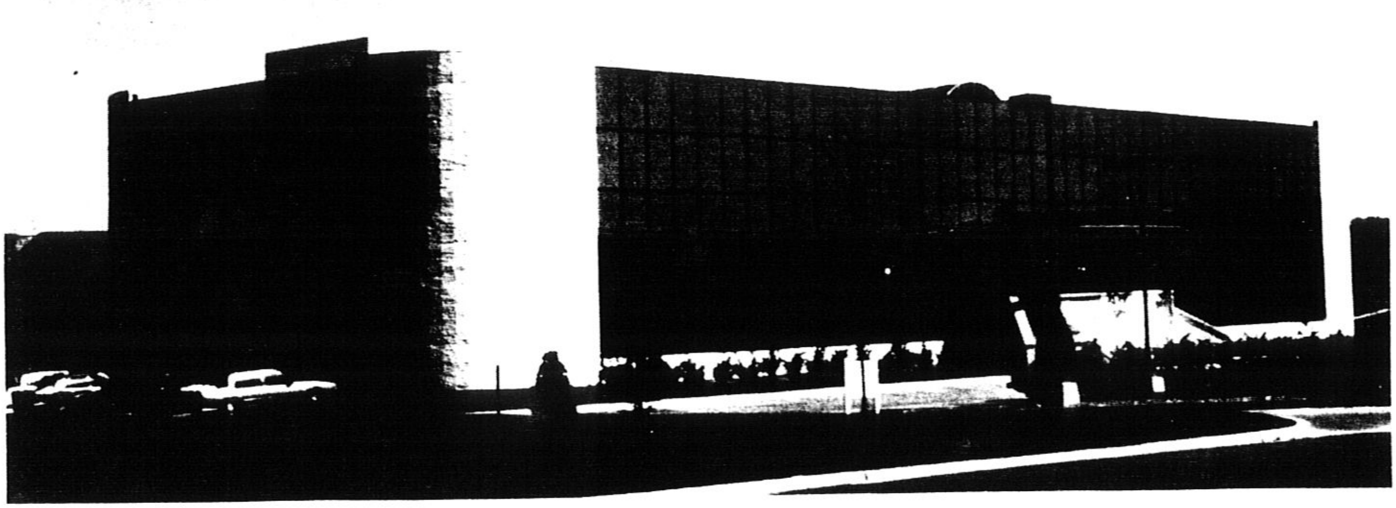
The Cross & Brown manager nevertheless admits that moratoriums have helped existing structures in that they have prevented Long Island from suffering the office space-glut experienced by some suburban communities in the tri-state area.

There is, of course, the possibility of overbuilding on Long Island when development resumes, Mr. Dobbs acknowledges. But because corporate space users haven't had many alternative locations in the last year, they could generate some brisk leasing activity when things finally do open up.

While today's office space market on Long Island may offer limited leasing opportunities to large corporate users, for those firms looking to take sublet space, Mr. Dobbs calls it a "gold mine"

(Continued on page 64)

The 75,000-square-foot Hauppauge International Plaza, recently reported to be the only major office complex in Suffolk County available for acquisition.



LONG ISLAND . . . *Continued*

of opportunity. Exceptional deals await tenants willing to accept short-term situations. In certain buildings, sublets for limited periods are going for $18 a square foot, while normal term, direct space in the same facilities rent for $23.

The Nassau-Suffolk market would be even tighter than it is, says the Cross & Brown man, had it not been for the substantial volume of conversions from industrial to office uses. Industrial demand has contracted as concern about transportation access to farther-out areas of Long Island generally discourages blue-collar activity.

Currently, both Nassau and Suffolk have similar office vacancy rates, but as the growing scarcity of vacant, commercially zoned land in Nassau pushes more developers into Suffolk, the vacancy rate in Suffolk should start to climb, in the opinion of Jack Britvan, executive vice president of the Sholom & Zuckerbrot branch in Jericho. The Suffolk submarket, itself, is already being affected by the differences in office rents between the Melville/Route 110 corridor and the lower-cost Hauppauge area (Long Island Expressway Exits 54 to 57).

"Lower rentals in the Hauppauge area have hurt the Route 110 market," according to Mr. Britvan, "but that will begin to correct itself next year as office rentals in Hauppauge continue to rise due to higher construction and land costs."

"Hauppauge, currently housing the fourth largest concentration of high-tech firms in the country, is the hottest commercial real estate territory on Long Island," observes Joseph Lagano of Cushman & Wakefield. With approximately 1.9 million square feet of existing prime office space dotting the area and another 715,000 feet under construction (30% of which is slated for completion by year-end), the Hauppauge region's current annual absorption rate exceeds the 1980 level for all of Suffolk County, based on C&W statistics.

Thriving Economy

Meanwhile, for the third consecutive year, Nassau and Suffolk, as a whole, boasts the highest disposable income in the United States and currently enjoys an unemployment rate lower than 4% (considered by most experts to be full employment), Mr. Lagano points out. These are just some of the signs that indicate many more years of a thriving economy and continued prosperity for Long Island, he maintains.

Long Island's furious growth pace is raising some serious questions, admits developer Vincent Polimeni, president of Polimeni Enterprises, Inc. One question is: How can business grow in harmony with residential areas and without negative environmental impact?

BRIGHT SPOT. A barrel vault atrium highlights the lobby entrance to Richard Zirinsky Associates' new office building at 15 Park Drive, off Walt Whitman Road and Route 110, Melville, N.Y.

One solution, Mr. Polimeni suggests, would be "high-rise zoning areas," a form of compromise in which municipalities could promote vertical growth instead of horizontal growth with buffer areas to maintain greenery. "Building footprints become greatly diminished as square footage soars upward," he remarks, "thereby increasing land masses and open areas." Great Neck, Mineola-Garden City, Mitchel Field, Melville and Hauppauge are locations which he suggests as potential beneficiaries of the "vertical growth" solution.

Designed for local reach, Mr. Polimeni continues, these "hubs" would afford residents the ability to live and work in the same area. Each hub would be positioned near an existing railroad station with surface transportation from the station available to facilitate any necessary commutes.

"Once municipalities accept that the inhibition of growth is detrimental to our social and economic existence," asserts Mr. Polimeni, "they will be forced to shoulder the schematics for future planning. 'Necessity is the mother of invention,' and one formula, as I see it, would be the designation of limited areas for high-rise exurban zoning, designed to stimulate the economics of our suburbs yet satisfy the needs of our residents."

For now, developers like Lennard Axinn, president of Donald E. Axinn Company, must operate against a backdrop of sporadic construction moratoriums in various communities. The upside of this is that the most desirable buildings in established business centers are leasing well.

(Continued on page 66)

MAJOR LONG ISLAND OFFICE CONSTRUCTION*

1987 Completions

Project	Developer	Square Feet
1397 Veterans Memorial Hwy., Hauppauge	Heatherwood Communities	75,000
Jericho Executive Center, Jericho	D'Angelo Forrest/United Realty	47,000
1800 Walt Whitman, Melville	N/A	50,000
495 Expressway Dr. North, Melville	Reckson Assoc.	180,000
335 Post Avenue, Westbury	Hico Management	15,525
		367,525

1988 and Later Completions

Project	Developer	Square Feet
Airport Corp. Center 1, Bohemia	Fortunato Construction	60,000
Airport Corp. Center 2, Bohemia	Fortunato Construction	60,000
Airport Corp. Center 3, Bohemia	Fortunato Construction	60,000
Airport Corp. Center 4, Bohemia	Fortunato Construction	60,000
400 Garden City Plaza, Garden City	VMS Realty	166,277
833 Northern Blvd., Great Neck	Caranno Construction	44,000
900 Veterans Memorial Hwy., Hauppauge	Fred Colin	50,000
910 Veterans Memorial Hwy., Hauppauge	Fred Colin	80,000
3303 Expressway Dr. North, Hauppauge	N/A	15,000
Veterans Memorial Hwy., Islandia	Parisi & Sons	167,000
Triad V, Lake Success	Feldman Bros.	350,000
Greenway Plaza II, Melville	Greenway Assoc.	100,000
Greenway Plaza III, Melville	Greenway Assoc.	100,000
200 Old Country Rd., Mineola	Polimeni	133,000
377 Oak St., Mitchel Field	Benjamin Contracting	133,000
Atrium East, Mitchel Field	Lincoln Equities	210,000
Meridian Plaza I, Ronkonkoma	Steve Getlan	55,000
Meridian Plaza II, Ronkonkoma	Steve Getlan	55,000
66 Powerhouse Road., Roslyn Heights	Hunt Properties	20,000
400 Oak St., Uniondale	Walter Gross	75,000
Parkway Plaza, Westbury	Robert Feldman	200,000
Brush Hollow Rd., Westbury	Donald Axinn	110,000
615 Merrick Rd., Westbury	West Publishing	80,000
300 Crossways Park West, Woodbury	Tilles Investment	100,000
		2,483,277

*Partial list based on data supplied by Cushman & Wakefield, Inc., and other developer and broker sources.

LONG ISLAND . . . *Continued*

Mr. Axinn reports that The Ellipse, his firm's 75,000-square-foot office building, in Garden City, is virtually fully occupied, as is its Long Island Office Park in Jericho. "We have also recently added new tenants to our Engineers Hill Park in Melville," he continues, "underscoring the attractiveness of the area's well located, older properties."

The downside, stemming from Long Island's growth spurt, says Mr. Axinn, includes congested highways, strained housing supply and thinned labor pool. "Some of these are problems which are easily remedied; the Long Island Expressway is not," he argues. "It is now incumbent on the leadership of the Long Island civic and business communities to take the initiative and develop creative strategies to capitalize on our current economic growth. Just as the cycle has come round in our favor, we know from experience it can all too quickly spin away."

Where it is possible, the upgrading of more industrial footage to office use is acting as something of a safety valve for pent-up white-collar space demand. These conversions, notes Richard Zirinsky, president of Richard Zirinsky Associates, have become increasingly evident as the supply of available land diminishes in such prime areas as Melville and Hauppauge.

Mr. Zirinsky comments that his firm's 95,000-square-foot building at 15 Park Drive, off Walt Whitman Road in Melville, illustrates that quality projects are in demand by today's tenants who seek aesthetics and sophisticated design rather than the "bare bones" of a few years ago. He is among those who believe that the demand for space, combined with the continuing moratoriums on new construction, may well result in a shortage of office space on Long Island in the not-too-distant future.

In order to really understand the Long Island office market, an appreciation of three current trends is necessary, according to Gary Rodolitz of the Rodolitz Organization, a local development firm. For one thing, Long Island is no longer a bedroom community of New York City; some 70% of Long Islanders now work on the Island. Secondly, the area's overall economic mode is shifting toward service-oriented businesses which are large users of office space. At the same time, despite the obvious need for more office space, large, prime developable sites are scarce.

Lookers More Serious

"The tightening in the marketplace," Mr. Rodolitz holds, "especially in the Mitchel Field and Hauppauge areas, has selectively thinned the lookers to those companies in more serious need of space or those strongly desiring new, upgraded headquarters. Moreover, a high quality of product is needed to satisfy and complement the local lifestlye. These conditions are responsible for prompting the construction of only first-class buildings in the new business centers. New growth on Long Island will continue but only as high-class, intelligent growth," Mr. Rodolitz counsels.

Creating first-class product with a full range of amenities is leading to successful lease-ups, he continues, as evidenced by rental activity at two of the Rodolitz firm's projects, Mitchel Field Corporate Center East in Westbury and Mitchel Field Corporate Center West in Garden City, now under construction. Improvements to the infrastructure in the Mitchel Field area, completion of the Cradle of Aviation Air and Space Museum and establishment of work-study programs between local businesses and Hofstra University and Nassau Community College are all cementing the region's identity, he feels.

Similarly, Paul Amoruso of Oxford & Simpson Realty, Inc., in Jericho, cites the increase in "high profile architecture," as evidenced in the European American Bank Building and the Travelers Building in Uniondale, and the Hauppauge International Plaza, the Evans Financial Center on Motor Parkway, currently under construction, and the Hauppauge Office Park, all in Hauppauge.

Another complementary trend is the progression of gentrification, Mr. Amoruso suggests. His firm has handled transactions which illustrate the trend, such as the sale of the 229,000-square-foot Selchow & Richter Building on Veterans Memorial Highway in Holbrook for $10 million. The buyer, Evans Development Corp., is converting the former warehouse to a 250,000-square-foot office building. Some 80,000 square feet of the former warehouse will be demolished to provide 300 additional parking spaces. This change of use will increase the value of the land and create a more attractive investment/return ratio, Mr. Amoruso explains. Selchow & Richter's financial gain through the sale of appreciated property alone represents a trend. Another sign of the gentrification times, he relates, is the sale of a Fairchild Republic industrial facility to Breslin Realty for redevelopment as an office complex.

More corporations are putting appreciated real estate holdings on the market in order to favorably adjust their financial statements, the Oxford & Simpson executive finds. Arrow Electronics was one of the first to utilize real estate marketplace opportunities, selling appreciated properties to bolster its profit and loss statement. Oxford & Simpson negotiated a $530,000-an-acre price for Arrow's 19.6 acres on the Long Island Expressway in Hauppauge. After the sale of this property, Arrow reported its first profit in six quarters.

Meanwhile, acquisitions and mergers are fueling deals. Mr. Amoruso relates an example of this phenomenon in his firm's relocation of Temp Force to a 25,000-square-foot facility at 1600 Stewart Avenue in Westbury when this company was bought by a British concern, Blue Arrow. Other acquisitions which he cites as having impacted the realty market were Getty by Power Test and Long Island Trust by the Bank of New York.

The shrinking supply of prime sites, development of secondary sites, selling of real estate by land-rich corporations to bolster their profit and loss statements, relocation of Manhattan businesses and

(Continued on facing page)

vastly appreciated residential and commercial real estate values are among the various trends which he sees as shaping the Long Island real estate marketplace. "Add to all of the above an affluent, skilled population, general prosperity and Long Island's diversity and what we have," says Mr. Amoruso, "is one of the hottest stretches of real estate in the country."

Israel Rosenzweig, president of BRT Realty Trust, which is headquartered in Great Neck, is also quite positive about the office market outlook in both Nassau and Suffolk. "The supply of office space in the two counties has generally been parallel," he notes, "with Nassau's remaining approximately double that of Suffolk. This supply has increased more than 70% over the past six years, and the office market in Nassau now consists of over 26 million square feet. Notwithstanding this rapid increase in office supply, Long Island has been able to maintain one of the lowest suburban office vacancy rates of any area in the nation."

Current rental rates average $26-27 per square foot, including electricity, in the Great Neck area extending to Mineola, Mr. Rosenzweig finds, though some non-prime space can be leased in these areas at lower rates. Prices tend to decline as one goes farther out, with Plainview space running about $20 a foot and Hauppauge rentals slightly lower.

As a result of consultations with Jay Gould and Bob Huhem of Majestic Property Management Corp., also based in Great Neck and active in the local market, Mr. Rosenzweig concludes that the office market in Great Neck has tightened to the point where even the newest buildings have very limited space available. Though some softening around Garden City and Melville/Huntington seems imminent, he predicts that demand will outstrip supply over the foreseeable future.

Solid 'Gold Coast'

Speaking of the Great Neck area, one of those sections of Long Island closest to New York City and sometimes referred to as the North Shore "Gold Coast" of Nassau County, Bill and John Schmergel of Schmergel Enterprises, developers there, report "outstanding" office occupancies. Their inventory of about a million square feet between Great Neck on the west and Jericho on the east consists of both new Class A and also older office buildings, with only a limited amount of small space units available. Blocks of space of over 25,000 square feet are just not available here, they continue, while 1,000-3,000-square-foot spaces attract ongoing demand from computer-oriented firms, health-related services, various professionals and real estate and financial services companies.

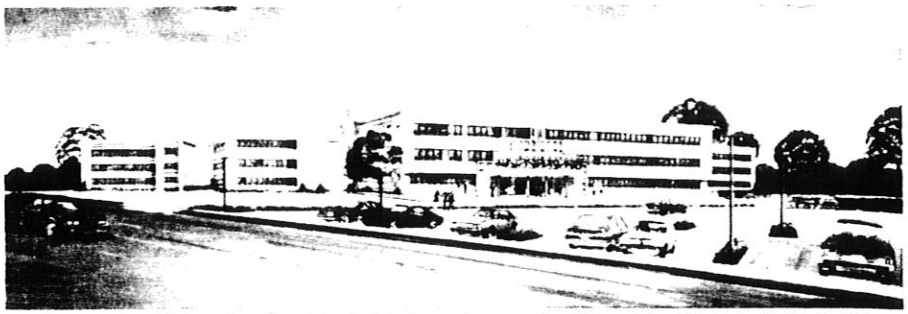
With the development of large new office buildings at a minimum on Nassau's North Shore because of the lack of zoned sites, the Schmergels project that the cyclical nature of leasing—the classic ups and downs—will change. Occupancy rates will remain high because of the shortage of new product. While Nassau is faced with general limited new construction, Northern Boulevard in Manhasset and Great Neck will see several new buildings, representing about 100,000 square feet and targeted for completion within a year.

Included among the expected new products, the Schmergels note, is a build-to-suit for a single user. In addition, a major Suffolk County developer is said to be planning 140,000 square feet of space in downtown Glen Cove. They cite as an emerging trend the acquisition of smaller properties with deteriorating structures on main thoroughfares for demolition and construction of new office buildings in the 20,000-30,000-square-foot range. However, unless towns and villages dramatically alter restrictive zoning regulations, they feel that the days of new 150,000-250,000-square-foot office buildings on Nassau's North Shore are over.

Schmergel Enterprises has taken advantage of the shortage of industrial space on the Gold Coast by introducing a new concept to the area—the "flex" building, which has prestigious office-

(Continued on page 70)

Markets in Queens and Brooklyn Coming into Their Own



Cross Island Plaza (architect's sketch) is under construction on the Queens-Nassau line. The 260,000-square-foot office building, which is leasing through Sholom & Zuckerbrot, will feature a 3-story atrium with landscaping, waterfalls and glass-enclosed elevators.

ENCOURAGED BY a variety of government incentive programs, Brooklyn and Queens are becoming increasingly viable office markets in the New York City portion of Long Island. "Commercial tenant interest in Brooklyn and Queens has picked up noticeably in the past year," says Raymond T. O'Keefe, executive vice president and New York regional director for Cushman & Wakefield, Inc. "Many businesses that once viewed these boroughs as strictly residential or industrial centers now recognize their potential for back office or even front office operations.

"Both boroughs' proximity to Manhattan's central business districts, the availability of skilled labor, and strong transportation networks are the principal reasons for the growing interest," Mr. O'Keefe adds. Among the government incentives offered for office relocations are the elimination of the occupancy tax for 12 years and other tax abatements, a $500 tax credit per employee, and a reduction in electricity costs by 30% or more. As a result, Brooklyn and Queens have become the objects of intense construction activity, with over 22 million feet proposed, under way or renovated, according to Cushman & Wakefield.

Bank Job

In Queens, work has begun on at least four major projects totaling over 2.6 million square feet: Citibank's 1.25-million-square-foot facility in Long Island City; 80-02 Queens Boulevard in Kew Gardens, which will house the Northeast regional headquarters of First Nationwide Bank; Ciampa Plaza in Flushing; and the Social Security Administration Building in Jamaica. Another new building, Hunters Point Plaza, counts Chemical Bank and Prime Computer among its tenants. In addition, some 8.5 million square feet of new commercial development is proposed in Queens, and another 1.9 million square feet will be converted from industrial to office use.

A major office redevelopment in the borough is Blumenfeld Development Group's 485,000-square-foot Bulova Corporate Center, located near La Guardia Airport in the Jackson Heights section. "The market has picked up markedly in recent months," says Jon Cohen, director of leasing for the Blumenfeld firm. "Large space users especially are looking at Queens as an alternative to the high prices of Manhattan. Bulova Corporate Center, in a suburban-type location with easy urban access, presents an attractive opportunity, especially for firms looking for 15,000 square feet and up."

Mr. Cohen points to three lease signings at the complex: British Airways with 180,000 square feet, and State Farm Insurance and Sanus Health Systems Corporation with 15,000 square feet each. The remaining footage is under negotiation.

New projects are also being started in Queens which are close enough to Nassau to attract tenants unable to find suitable space there. Cross Island Plaza, under construction in the Rosedale section (on the Nassau line), reflects a trend toward greater sophistication in office construction, according to Jack Britvan of the Sholom & Zuckerbrot office in Jericho, N.Y. This 260,000-square-foot building, for which S&Z is the exclusive agent, will boast a 3-story atrium with landscaping, waterfalls and glass-enclosed elevators. The location of Cross Island Plaza, a short, five-minute drive to Kennedy International Airport, is seen as another tenant attraction.

In Brooklyn, most of the office construction has been concentrated in the downtown area. Cushman & Wakefield has identified 8 million square feet of planned new development in this area, and 1.3 million square feet of renovations. In addition, one office building—One Pierrepont Plaza—was completed earlier this year. Here, Morgan Stanley & Company will occupy more than half the office space.

Among Brooklyn's largest planned projects are Atlantic Center, a mixed-use development with 3.2 million square feet of office space, and MetroTech, a 9-building, 3.5-million-square-foot, high-tech and office complex. Both the Securities Industry Automation Corporation and Brooklyn Union Gas have signed letters of intent to occupy space in MetroTech.

"The commitments by Citibank, Morgan Stanley, British Airways and others to Brooklyn and Queens will serve as catalysts to their growth as office districts," Mr. O'Keefe predicts. "As this happens, the outer boroughs should compete quite effectively with New Jersey for back office operations."

Dimmer View

Elsewhere in New York City's outer boroughs, however, the prognosis for office development is not as encouraging. On Staten Island, most developers have apparently taken a cautious view of the market—in spite of the success of the Teleport project, according to Mr. O'Keefe. This high-tech office park has already garnered such tenants as Merrill Lynch, Nomura Securities and the Catholic Telecommunications Network of America.

But besides the Teleport, only two small projects have been started on Staten Island. Developers elsewhere, particularly around St. George near the Staten Island Ferry Terminal, seem to be awaiting tenant signings before proceeding with development.

Commercial development has been even more limited in the Bronx. The two projects currently under way are a 100,000-square-foot office building adjacent to Co-Op City, and an 80,000 square-foot building in the Westchester Square section of the borough, which will house The Health Insurance Plan of Greater New York. Another major building, Fordham Plaza, was completed in early 1986.

style exteriors and high flexibility for office and industrial use combinations. The firm's 160,000-square-foot Seaview Commerce Center in Port Washington, built on this concept, is already reported to be half leased.

One of Nassau County's most resurgent areas is Hempstead, where a host of redevelopment is now taking place highlighted by the new $25 million County District Courthouse. The market's revitalization was further marked recently when S.L. Green Properties purchased the 200,000-square-foot Imperial Square Office Building at 175 Fulton Avenue, across the street from the A&S department store.

According to Stephen Green, whose company paid over $15 million for the property, 175 Fulton will be improved

(Continued on page 72)

and modernized. "We're seeing a tremendous resurgence taking place in Hempstead today," adds Mr. Green, "and we strongly believe that this building will play an important role in the rebirth of this exciting, well-located business district."

According to Marc B. Schmittke, a senior vice president and director of leasing for S.L. Green Properties, the building features full floors of up to 25,000 square feet, but offices will be divided and customized to tenant specifications. He is projecting rents in the range of $15-a-foot, including parking, cleaning and central air conditioning.

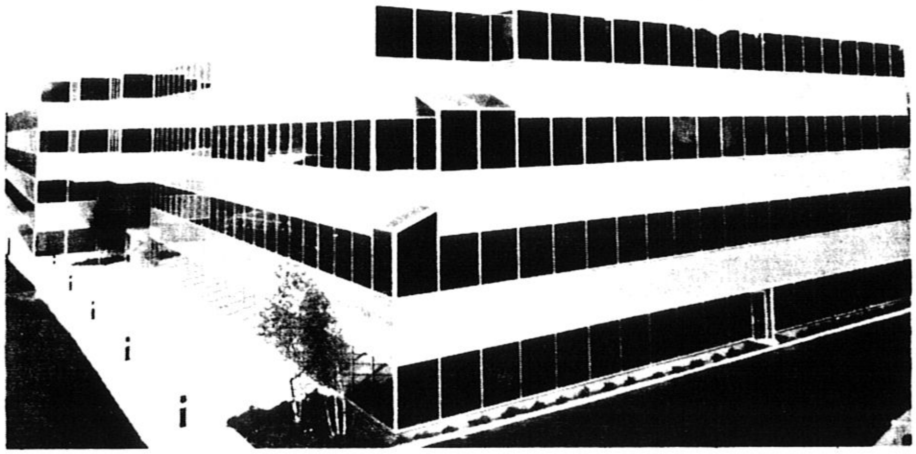
Limitations Lifted

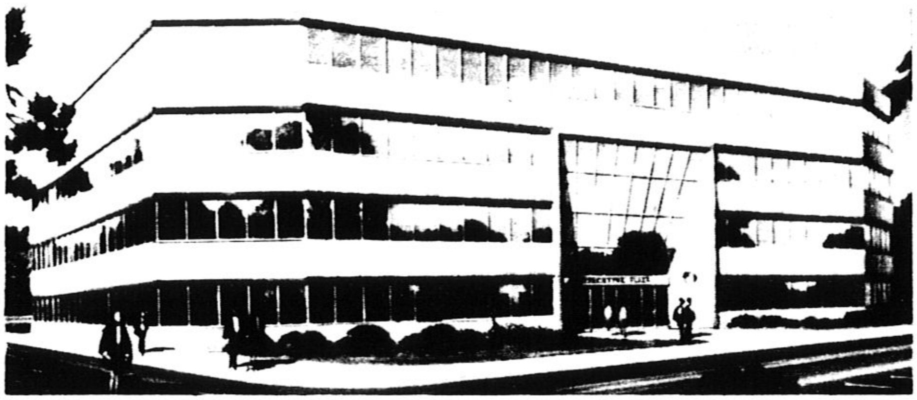
But tenants in the Hempstead area may soon have more brand new office space to look at. The "unofficial" building moratorium which had been in effect since the beginning of the year was lifted in August and market experts at Cushman & Wakefield expect this to lead to the construction of $200 million of commercial and residential projects. The moratorium was instituted in response to water limits imposed by the New York State Department of Environmental Conservation due to concern over the replenishment of ground water for Long Island's aquifier system.

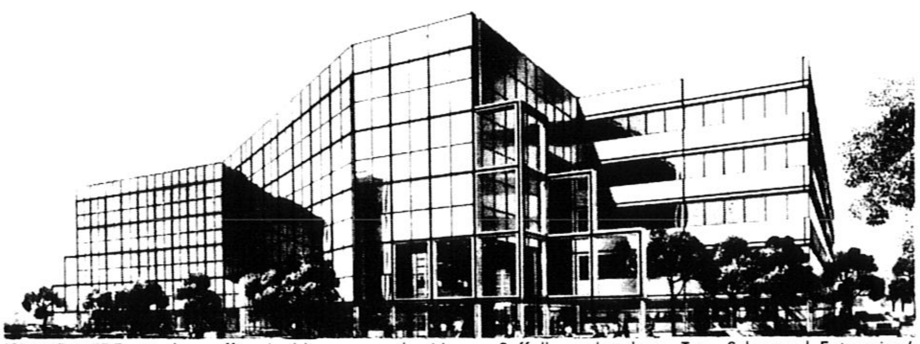
Foremost among the office projects which should begin construction soon is a 160,000-square-foot building (on the s/e/c of Quentin Roosevelt Boulevard and Commercial Avenue, Garden City) to be developed by the Rodolitz Organization. In addition, the eight-building, 360,000-square-foot office complex to be known as Meadowbrook Forum (at the intersection of Glenn Curtiss Boulevard, Merrick Avenue and Front Street in East Meadow) is expected to enter the construction phase in the near future, with C&W acting as developmental consultants to the Jobco Organization, the project's sponsor. Finally, the lifting of the water cap should culminate in the 400,000-square-foot, second stage development of EAB Plaza.

Look at the Numbers

According to recent C&W figures, an inventory of 2.35 million square feet is available in existing buildings in major office clusters, including sublease offerings. In addition, 2.78 million square feet of office space is currently under construction, with more than 600,000 square feet of that production already leased. The total available space in existing Class A, B and C buildings and those under construction in prime markets in Nassau and Suffolk counties amounts to 4.5 million square feet, equating to an availability factor of approximately 19.5%.







ISLAND-WIDE. Modern office buildings span the Nassau-Suffolk marketplace. Top: Schmergel Enterprises' 160,000-square-foot 1010 Northern Boulevard in Great Neck (in western Nassau's so-called "Gold Coast" area). Middle: 4-story, 80,000-square-foot Executive Plaza building (sketched) at Exit 46 on the south service road of the Long Island Expressway in Plainview. Holiday Management Associates is the developer and Sutton & Edwards, Inc., is exclusive leasing agent. Bottom: latest addition to VMS Development Corp.'s Garden City Plaza (sketched). The 165,000-square-foot, 5-floor building represents the final phase of a 565,000-square-foot complex.

As noted in the chart included with this article, and developed from figures supplied by Cushman & Wakefield and other builder and broker sources, this year will see the completion of just 367,525 square feet of new office space in the two counties. Next year, however, production will hit nearly 2.5 million feet.

In years past, C&W officials maintain, the Hauppauge/Islandia area did not have a significant amount of office space and was therefore not considered a major submarket on the Island. Today this area consists of over 1.7 million square feet of completed buildings and projects under construction. Its emergence as a major office section is now providing a rent alternative less expensive than Melville. Recent major transactions concluded in Hauppauge/Islandia which, in the C&W peoples' opinion, would have been conducted in Melville in earlier years, include Amica Insurance Co.'s relocation from Huntington into 22,000 square feet in Islandia; Hartford Insurance Co.'s relocation from Woodbury into 50,000 square feet in Hauppauge; and Executive Life Insurance Co.'s relocation from Jericho into 60,000 square feet at Hauppauge. ■