

# NEWS FROM *The New York Times*

## **3 Big Office Projects Go Forward Without Tenants**

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DESPITE the slowing economy, three large Class A office projects are being built on Long Island without having primary tenants signed up.

The new buildings will be in the heart of large commercial areas, such as Holbrook near Long Island MacArthur Airport, and Lake Success, midway between Long Island Jewish Medical Center and North Shore Medical Center.

Developers of the new projects say they are confident that their high-technology amenities and prime locations will make the buildings successful despite a sluggish economy.

"We're building in one of the stronger office submarkets on Long Island," said Kevin Lalezarian, a principal with his father, Frank, in Lalezarian Developers.

The Great Neck-based company has just begun building a \$50 million, 261,000-square-foot project, called the Granite Buildings, which will consist of two three-story granite and glass structures. They will be on seven acres on the last developable site of a triangular parcel in Lake Success, which contains more than 2.5 million square feet of office space, including i.park Lake Success, a 1.4 million-square-foot corporate office and technology center that was once a Lockheed military plant.

The project is being built in two phases, with completion of a 110,000-square-foot building expected by early 2003, according to Kevin Lalezarian.

"We're confident that we will be successful in leasing because of the location and our product, which has 1,469 parking spaces and the latest high-technology amenities, including multiple-carrier fiber optics," he said.

Annual asking rents at the Granite Buildings will be \$33 a square foot for corporate use and \$36 a square foot for medical use.

In Melville, the T. Weiss Realty Corporation has just begun a complete renovation of a former industrial building adjacent to the Long Island Expressway that will create an 87,000-square-foot, two-story office building on four acres, which is expected to be completed by September.

The expressway's high-profile location prompted T. Weiss Realty to continue construction, despite the economy, on Corporate Center Two, a \$12 million project that will include a health club and full-service restaurant. It will rent for \$25 to \$26 a square foot.

The company is currently in talks with a single user for 70,000 square feet of space, said Ted Weiss, a principal. If that lease materializes, he will move up the timetable for a future 160,000-square-foot project in Melville that has been planned for two years, he said.

"It's always a risk with spec building," Mr. Weiss said. "But, as long as the rest of the portfolio is strong, I know I can wait six months."

IN central Suffolk, Islip-based A & J Realty of Suffolk has begun construction of a \$10 million, 74,651-square-foot, three-story office building on Veterans Memorial Highway in Holbrook.

Fred S. Weintraub, a principal in A & J Realty with Jason C. Rauch, bought the Holbrook property more than a year ago because of its "strategic location" near the airport.

The new brick and glass building, which will rent for \$22 to \$24 a square foot, is expected to open early next year. It is being designed with features such as windows that open, full basements with storage space for tenants, and a location for a potential drive-through.

While no leases have yet been signed, Mr. Weintraub said, "We are negotiating with an operator of executive suites that could take 15,000 square feet of space."

"We're kind of bullish on Long Island," he said. "We figured by the time we got through the zoning, the economy, which had been robust, would have softened slightly, but we couldn't factor in 9/11. We had felt by the time we started the market would be on the upswing. And the experts are predicting it will be."

Long Island's office market has been affected in part because of the national recession and the Sept. 11 terrorist attacks, but it is strong going into recovery, according to

Pearl M. Kamer, chief economist of the Long Island Association, a Commack-based business group.

There was a dramatic slowdown in the Long Island job market last year, Dr. Kamer said. In 2001, there were 6,700 new jobs, down from 27,200 in 2000 and 41,000 in 1999.

"While the national economy is recovering, it is doing so weakly," she said.

"On Long Island, we were the last to feel the impact of the recession because we have a diversified economy. When one area becomes weak, another picks up the slack."

Consumer spending, which accounts for two-thirds of economic activity, could be "a red flag signifying a sluggish recovery," she said. "Atypically, spending did not slow down during the recession and could leave little pent-up demand. If so, job growth on Long Island could take a while, but it will pick up as we have dynamic sectors, such as tourism and technology."

Dr. Kamer said she expected a "fairly tepid recovery" from the recession and thought the new buildings "will fill up, it's a question of timing."

Those with "a good location will have a competitive advantage," she said. "The best bet in filling these office buildings will be through the expansion of existing companies and from outside companies requiring our skilled engineering, technological and bioscience work forces."

The new projects come on the heels of several others, within the same locations that opened last year.

They include i.park and a new 277,000-square-foot building on the south service road of the expressway in Melville constructed by the Reckson Associates Realty Corporation, a publicly traded real estate investment trust. Also newly completed is a 204,000-square-foot, six-story office building on Motor Parkway in Hauppauge constructed by Tritec Real Estate Company in East Setauket.

RECKSON'S new building has been open for a year and is 61 percent occupied, according to Mitchell Rechler, a co-president.

"When we made the decision to move forward, we projected that the building needed to lease out 110,000 square feet the first and second years, and the remainder the third year," he said.

By the end of 2001, 103,000 square feet had been leased, and a lease for 70,000 square feet has just been signed with Zurich North America, an international insurance company. Rents are \$32 a square foot a year.

The new Tritec building could accommodate up to 15 tenants, but "we expect three to four" because there is a need for "big-block space," said Robert J. Coughlin, a principal in the East Setauket company, which builds and manages properties.

About half of Long Island's total 36.29 million square feet of office space is Class A, the term applied to those buildings that are well situated with the most modern amenities.

In 2001, buildings with more than 100,000 square feet of space accounted for 12 percent of the total Long Island office market.

"There is too few supply of large blocks, which are important in the market place to attract large tenants," said Fred C. Trump III, a managing director of Insignia/ESG, the real estate services company.

The new ventures are not a risk, but great pieces of property "that are a welcome addition to the market," Mr. Trump said. "The risk is in the amount of time it takes to get the building up because it costs the developer a lot of money and they need to see a return."