

September 29, 2006

Fearless Farkas at it again

by Dawn Wotapka Hardesty

GREAT RIVER – About a year ago, Joseph A. Farkas accepted a challenge when he paid \$7.4 million for the empty Bristol-Myers Squibb Pharma Co. factory, a turreted concrete hulk in the heart of Garden City.

Critics scoffed at Farkas' plan to carve the defunct factory into a mixed-use home for research and development firms.

Note to critics: With the bulk of the Bristol-Myers space spoken for, Farkas and his Metropolitan Realty Associates LLC are at it again.

Continuing his relationship with longtime equity partner Angelo Gordon & Co., Farkas has shelled out \$20 million for the Long Island Business and Technology Center, a sprawling former Grumman site that failed to make it as a tech campus. The deal closed earlier this week.

"It hasn't been on the radar screen," said Herb Agin, president of Sutton & Edwards Inc./TCN Worldwide, a major Island brokerage. "Can Farkas put it on the radar screen? That's a good question."

Farkas says he can.

His goal is to pull another Bristol-Myers switcharoo: turn a dated, left-for-dead shell into a thriving office park. He plans to pour millions into revamping the 363,500-square-foot trio of buildings now labeled the Sunrise Business Center.

"All of the work that I plan to do will help jumpstart the project back to life," Farkas said in a statement Monday. He didn't comment further.

If he succeeds, Farkas will cement his place among Long Island's development elite as a visionary recycler. If he fails, he'll be left with a hefty mortgage and a tired structure just 51 percent occupied.

A golden touch

Such challenges aren't new to Farkas, a former CB Richard Ellis broker who purchased the Woodlands Office Park for \$11 million in 2001. He boosted Woodlands occupancy from 78 percent to 98 percent and then resold the Hauppauge site 17 months later for \$17.6 million – a 60-percent return.

But filling languishing office space is relatively easy. How about a 41-year-old factory with "erotic" architecture so distinct critics labeled it a "castle in a trash heap?"

That describes the Bristol-Myers site, designed by late architect Paul Rudolph. The four-story plant and companion building, totaling 190,000 square feet on more than seven acres at 1000 Stewart Ave., might have been shuttered, but it still had people talking – because it had become an overgrown hulk.

When he spotted a "for sale" sign in mid-2004, Farkas decided he had to have it. He spent millions on renovations on his Business and Research Center at Garden City. Today, it's 82-percent leased and the remaining space is under negotiation.

Earlier this year, Lifetime Brands Inc. – a top public Island company that makes products under monikers including KitchenAid and Cuisinart – inked a 115,000-square-foot lease, one of 2006's largest.

A new challenge

Farkas aims to employ the same strategy in Great River, but this time it might not be as easy.

The complex, located just off Sunrise Highway, is about a half-century old and carries little architectural significance, resembling old factories or schools with green stripes.

"It's dated. I mean, there's no getting around that – it shows its age," said Michael Garabedian, a lawyer who has rented 1,000 square feet in the Long Island Business and Technology Center for several years. "The outside, it's very 1940s, 1950s. Eisenhower. That retro type of look."

The dated look didn't stop Cogswell Realty Group, a joint venture between Cogswell Realty and Rudin Management, from paying \$10 million for the site in the '90s. Cogswell envisioned a hub and incubator for Long Island's tech companies, but that plan fizzled with the tech bust and 9/11.

Some of the interior has been renovated, and today the inside has a clean and modern look – although a water fountain appears to have been repaired with duct tape and an older elevator features faux wood paneling and worn blue carpet.

“To take it to the next level, you really have to spend a lot of money on it,” said Robert Watman, senior vice president of Sterling American Properties Inc., the company run by Mets principal owner Fred Wilpon. Sterling has been snapping up property across the Island – it now owns the 128,000-square-foot Woodlands – but passed on the Great River site.

“It's had a bit of a tough time catching on because it doesn't look like a traditional office building,” Garabedian noted.

Stewart vs. Sunrise

Just as the architecture in Farkas' two renovation challenges is as different as night and day, so are the projects' locations.

The Garden City address sits, as Agin put it, “smack dab in the center” of Nassau County, close to traffic arteries offering quick access to Queens and Manhattan. It's also near Mitchel Field and Reckson Plaza, a 1.1-million-square-foot complex considered Long Island's premiere office address.

“The pool of people willing to be on Stewart Avenue and [around] Garden City is a lot greater than Great River,” Agin said. “The executive that lives in Nassau County isn't going to drive to Great River.”

And Garden City's availability rate of 11.4 percent is below the Island's second quarter's 12.8 percent, according to CBRE statistics. The 6.9-million-square-foot submarket housing Great River is smaller and has a 17.1-percent availability rate.

What is now the Sunrise Business Park, meanwhile, sits alone in Great River and is “not in a concentrated area or a [commercial] park setting such as Hauppauge or Melville,” Garabedian pointed out.

Those areas, and several others, pose competition for another reason: They're set to house glittering new showpieces with state-of-the-art amenities and eye-catching design. The roughly million square feet of Class A office space under way on Long Island is likely the largest amount built at one time, sources say.

That doesn't mean Farkas' latest purchase, brokered by CBRE's Tri-State investment team, can't succeed. It's just a matter of finding a tenant desiring a view of the Sunrise. And it's also about price. The Island's asking rent for top space has climbed above \$30 per square foot – Farkas didn't reveal his asking rate, but it's likely below that.

He has to be “very aggressive on pricing,” Agin said.

To help make that happen, Farkas is negotiating with the Town of Islip Industrial Development Agency for a 15-year PILOT program that would freeze taxes for five years and increase them gradually.

“Is price going to be able to drive customers to Great River?” Agin asked. “He's taking a risk like anybody else who buys anything else.”

But history has shown Farkas takes risks, and that doesn't scare him.

“Can he do this again?” asked Ted Sasso, who worked with Farkas “many years ago.” “There's no question he can.”