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Where Did All the Industrial Space Go?

Buyers and tenants face a dearth of available industrial buildings

BY DAVE DONELSON



Many of the existing industrial buildings in Westchester are functionally obsolete; new industrial acreage is in short supply.

The demand is insane, and there’s no product or inventory.” That’s how veteran broker Mike Rao succinctly sums up the industrial real estate market in Westchester. Rao, the president of New York Commercial Realty Group, explains, “It’s great for the landlords, but for buyers and tenants, it’s very difficult to find space.”

Westchester has about 23 million square feet of industrial space (which includes manufacturing and warehousing operations), but less than 10 percent of that is available, according to CoStar data supplied by Houlihan Lawrence Commercial Real Estate Group. There’s little chance of additions to the inventory, despite an apparently endless line of tenants and potential buyers clamoring for what exists.

“The biggest problem in Westchester is the attrition rate of industrial buildings,” says Bill Anson, managing director of the industrial division of RM Friedland, a real estate advisory firm based in

Harrison. “I’ve been doing this for 43 years, and I can make a list of literally millions of square feet of industrial buildings that don’t exist anymore.”

Anson points to Midland Avenue in Port Chester, Weyman Avenue in New Rochelle, and Sandford Boulevard in Mount Vernon as just a couple of examples of areas that once housed industrial properties but are now filled with commercial uses. “You have movie theaters, supermarkets, retail development, and sports complexes,” he observes.

Residential buildings are replacing industrial ones in New York City’s outer boroughs, sending industrial tenants to Westchester and contributing to the demand for a shrinking inventory. “In Brooklyn and Queens, the gentrification of neighborhood after neighborhood sent industrial tenants to the Bronx. Today, you have the most fantastic prices for real estate paid in the Bronx. It’s now seeing residential conversions, too. In my lifetime, I never thought I’d see apartment buildings in Port Morris on the water.”

Rao agrees, explaining that Westchester locations closest to the city are under the greatest pressure. “The majority of activity is in the south of the county,” he says. “Draw a line from Elmsford to Port Chester and south to New Rochelle, Mount Vernon, and Yonkers. If tenants can’t find space there, they go to secondary locations, like Rockland County across the bridge.”

Anson points out another factor: “The newest industrial buildings in the county were built in the ’70s, so they are now almost 50 years old. A lot of them are functionally obsolete, and people have to make compromises to use them.”

Classic economic theory says that when demand exceeds supply, someone steps in to increase the supply in the market. You can’t create more land, however, and other forces preclude most new industrial development on the acreage that exists. “Many Westchester towns have changed the zoning that underlies the industrial neighborhoods,” Anson explains. “White Plains swore in the last administration that they were never going to change the zoning on Westmoreland Avenue, because they wanted to maintain a supply of industrial buildings in the market. Now, they turned it over to residential.”

A few new industrial buildings are going up in the county, although they replace other facilities, according to Anson. Mack-Cali is constructing a one-story 38,000-square-foot warehouse at 101 Executive Boulevard in the heart of the Elmsford industrial park. It’s on the market for \$18 per square foot. Last year, FedEx bought the Fairview Driving Range in Elmsford and is building a distribution facility there, as well as one on Tuckahoe Road in Yonkers on a site that formerly housed an industrial building and a car dealership.

Looking back a few years, Anson remembers, “Port Chester must have knocked down 30 or 40 industrial buildings [to create space for retail development]. From their viewpoint, retail generates four times the dollar-per-square-foot in real estate taxes. They’re also going to collect sales taxes.”

Retail and residential development may have advantages, but so does industrial property, according to Anson. “All those little industrial buildings that don’t exist anymore in Port Chester, New Rochelle, Mount Vernon, and Yonkers housed companies with officers and accountants and engineers and assistants. When those buildings were torn down, they relocated elsewhere in the country.” Their jobs were mostly replaced by retail clerks, he says, and pay scales are substantially different.

Such complexities underlie the industrial real estate market in the county. “Westchester is the golden child for people who own property,” Anson says, “but it’s very, very difficult for people who need to locate here.”