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## NYC's most coveted industrial sites, from former peanut factories to printing presses

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630 Flushing Avenue (credit: PropertyShark)

While converting grimy industrial sites into pricey condos and rentals is not new to New York, it's taken on a new urgency as manufacturing in the city continues to fall by the wayside and developers contend with one of the worst housing shortages in decades. Examples abound, from former printing factories (the West Village's Printing House) to former soap factories (Dumbo's Kirkman Lofts).

In Brooklyn, sales of industrially zoned properties jumped 61 percent to 58 sales in the second quarter, up from 36 sales in the same period of last year, according to Brooklyn-based commercial brokerage TerraCRG. The dollar volume of the trades was also up — 22 percent to \$108 million.

The conversion of the Domino Sugar factory into luxury rental apartments, which is currently underway, is one of the most notable of these projects. The strategy used there has created a model other investors now hope to replicate: find a large, underutilized industrial space, secure a city zoning variance, and get shovels in the ground before interest rates go up.

Of course, that's easier said than done.

As in other areas of commercial real estate, when large properties with now-defunct factories and warehouses come up for sale, they're often shopped quietly, rather than listed on the open market

"In today's world, if it's a large site, it's not going to get to market," said Kal Dolgin, president of Brooklyn-based commercial brokerage Kalmon Dolgin.

This month, *The Real Deal* looked at some of the remaining — and coveted — industrial sites and areas in the city.

### Far West Side

Manhattan's Far West Side — once dotted with warehouses and home to thriving shipping and meatpacking industries — has been forever altered by the High Line, the elevated park that's serving as bait for tourists, and the site of a raft of new hotels, restaurants and luxury apartments.

Developers and brokers are keeping an eye out for opportunities in the area — and it shouldn't be too long. Brokers say owners of smaller buildings recognize that the nearby Hudson Yards development has created an unprecedented opportunity to cash out.

Iliad Development nabbed 509 West 38th Street — an industrial 14,813-square-foot former film-scoring studio with an additional 22,188 square feet in air rights — for \$21 million in 2011. The developer will start construction on 200 rental apartments later this year.

For the best redevelopment opportunities, "you want M-1 and M-2 [manufacturing zoning] in the 40s and 50s, between Ninth [Avenue] and the West Side Highway," said Eastern Consolidated's David Schechtman.

## **Williamsburg/Greenpoint**

Despite the rash of development in Williamsburg in the wake of the Bloomberg administration's 2005 rezoning, sources say there are still industrial conversion opportunities to be found there.

For example, a site currently home to Certified Lumber Corporation in the southern portion of the neighborhood is listed with Eastern Consolidated chairman Peter Hauspurg and broker Gabriel Saffioti with an asking price of around \$150 million. The 800,000-square-foot-plus development site does have several restrictions, however. A zoning variance allows for three residential towers, but 30,000 square feet along the East River must be reserved for a park, and 30,000 blocked out for retail.

In addition, the variance only applies to buildings that set aside at least 30 percent of residential units for affordable housing, Saffioti said.

The sellers, the Rosenberg family, have owned the site at 462-490 Kent Avenue since 1980, and plan to relocate their lumber business. Brokers are already predicting that the site will be snapped up by a big-time developer.

John Reinertsen, senior vice president with CBRE Group, predicted that Two Trees, which is redeveloping the Domino Sugar site, will ultimately prevail. He said the Dumbo-based firm is very interested in Williamsburg, where it recently purchased the Wythe Hotel.

The other Williamsburg site that developers are eyeing is the former Pfizer plant at 630 Flushing Avenue, which shuttered in 2008. The plant was used to manufacture drugs like Viagra before Acumen Capital bought it from the pharmaceutical giant in 2011 for \$26 million. Since then, the eight-story, 660,000-square-foot behemoth has leased space to local manufacturers like Kombucha Brooklyn and Steve's Ice Cream.

Reinertsen said that developers are interested in the building — which is not formally on the market — for a residential conversion. (A zoning variance is still needed for residential development, though a hotel or office use is allowable under current zoning.)

However, lobbying from the local Hasidic community against the development could create a major obstacle, Reinertsen said. According to published reports, two Hasidic sects fought about the residential zoning variance at the Rosenberg site, successfully delaying approval for years.

Still, Terra founder Ofer Cohen said industrial sites are going for about \$150 per square foot in Brooklyn. That would mean the site could fetch just under \$100 million.

## **Sunnyside, Queens**

Queens' Sunnyside — home to numerous glass manufacturers — has two key features that make it attractive to developers: proximity to Manhattan via the E train, and loads of barely used industrial spaces, said Justin Elghanayan, president of Rockrose Development.

Sunnyside is "a logical extension" of Rockrose's many Long Island City projects, such as 43-25 Hunter Street and Linc LIC, both of which recently topped out just one subway stop from Sunnyside, Elghanayan said.

He predicted that developers' interest will spread eastward. "There is a big chunk [of Sunnyside] that has these nice, juicy warehouses," Elghanayan said, although he added that Rockrose's portfolio is "too concentrated" in Queens, so the firm won't be buying there anytime soon.

Larger industrial sites in the area include 3934 43rd Street, a plot currently occupied by a welding machine and supplies manufacturer, and 3915-3935 Skillman Avenue, currently an industrial garage. Neither appears listed for sale currently, but they have the highest assessed prices for industrial sites in the area, according to real estate data provider PropertyShark.

## **Gowanus**

The divider between Park Slope and Carroll Gardens, Gowanus is dominated by former (and current) industrial sites. The Superfund status of the Gowanus Canal, which runs through the neighborhood, has long held the neighborhood back. But that's now changing.

The development of a Whole Foods grocery store — a clear marker of gentrification — is rising on the five-acre site that was once used by the Coignet Stone Company as a concrete factory.

Other industrial sites in prime strips of Gowanus are 58 Second Avenue, currently an importer's warehouse, and 124 9th Street, a brick warehouse that appears vacant. Neither is formally on the market.

And Lightstone's planned mixed-use development with 700 rental apartments, at 363-365 Bond Street between Carroll and 2nd streets, next to the canal, was approved by the City Council in March despite significant pushback from the local community.

At the moment, a very limited number of industrial sites are available in the neighborhood, said Dan Marks, a vice president at Terra.

"Owners are either waiting for the rezoning conversation to start again," or hope to continue operating commercial enterprises in their manufacturing-zoned projects, Marks said.

In 2003 and 2005, the city rezoned Fourth Avenue for residential development, though the change was criticized by many for failing to require developers to include ground-floor retail. In 2011, the city created a special commercial zone to help rectify that, but a more widespread residential rezoning for Gowanus is still being debated.

Marks noted, however, that there are properties available to the south, in Sunset Park, where a kitchen supply center at 75 19th Street sold for \$19 million last month. The site is not an obvious conversion site, Marks said, but given the lack of inventory, “who knows?” he said.

### **Brooklyn Navy Yard**

The area surrounding the Brooklyn Navy Yard — which is located north of Clinton Hill, between the Brooklyn Queens Expressway and the water — is in the midst of a transformation.

The former shipyard and its neighborhood are included in Mayor Michael Bloomberg’s “Tech Triangle” initiative, a city-funded push to provide affordable office space for start-up tech firms.

Steiner Studios — which already owns the massive studio space within the Navy Yard — is continuing to invest in the area. The firm recently purchased an additional 150,000 square feet of space for production companies and soundstages at nearby 25 Washington Avenue.

“[The area] is a natural choice [for development] because it’s between Dumbo and Williamsburg,” said Reinertsen.

Available industrial sites in the area include 73 Washington Avenue, an 11,250-square-foot industrial “flex space” listed with Terra for \$2.7 million. The unoccupied parcel is situated among produce wholesalers, storage facilities and parking garages. One thing the area has going for it is relative affordability — for both vacant land and former industrial buildings.

Cohen said some developers are creating office space for smaller tech and creative tenants there.

“A lot of this commercially zoned stuff will be converted into offices, similar to what happened in Dumbo,” he noted.

### **South Bronx**

The Bronx is replete with industrial sites — some of which, such as the Stella D’oro bakery, have been redeveloped with great success.

The 162,000-square-foot factory that once brought smells of cookies and breadsticks to residents of Kingsbridge was redeveloped in 2011 as a shopping center, and is now 90 percent leased, said Joe Farkas, president of Metropolitan Realty Associates, the company that redeveloped the site.

In the coming years, the same neighborhood will be home to the revamped Kingsbridge Armory, where the city is planning a hockey rink and other sports facilities as part of a \$275 million conversion.

Nearby, 3441 Kingsbridge Avenue, an 11,200-square-foot former peanut factory, recently sold for \$1.1 million, to an LLC, according to city records. Broker Michael Rao, of New York Commercial Realty Group, said the buyer intended to repurpose the space for offices, although according to LoopNet, the zoning would also allow residential. Brokers also point to opportunities in the Mott Haven area, along Third Avenue near the Major Deegan and Bruckner expressways.

CBRE’s Reinertsen is listing a 133,000-square-foot site at 101 Lincoln Avenue for \$35 million. The parcel, currently the headquarters of Oz Moving, a moving company, looks over the Harlem River to Manhattan and has 800,000 square feet of buildable space, he said.

Sources also said that rezoning is easier in the borough, which is indisputably in need of development.

“The Bronx has been incredibly accommodating,” Farkas said.