

Mom-and-pop industries face sticker shock

Occupancy high, prices rising for small warehouses throughout the five boroughs

By LISA ABRAMOWICZ

Bigger isn't necessarily pricier when it comes to industrial space in the five boroughs.

In fact, smaller, one-floor industrial spaces — those between 5,000 and 10,000 square feet — have seen prices rise over the past few years, while prices at larger, multi-story properties, namely, those between 40,000 and 100,000 square feet, have stagnated.

"There's a shortage of small space," said

large factories of New York's past virtually obsolete, the remaining businesses tend to be small service companies, such as electricians, mechanics, heating, air conditioning, ventilating, metal manufacturing and importers of specialty foods that don't need massive, multi-story space.

And while the subprime mortgage debacle has caused a tighter lending environment for all developers and real estate investors, industrial landowners have managed to escape the market downturn relatively

Future. (He said he has been unsuccessful in numerous attempts to obtain exact city-wide statistics.)

As a bellwether of the industry, Bowles pointed to the vacancy rates at city-owned industrial properties such as Brooklyn Army Terminal and Brooklyn Navy Yard, where 95 to 100 percent of all usable space is occupied. In a 2006 report he co-authored, he pegged the industrial vacancy rate in Sunset Park, Brooklyn, one of the most popular areas for the market, at 1 percent.

One factor, he said, is that smaller companies often need to be within the five boroughs to maximize efficiency.

Abe Retek, president of Artek Sewing Supplies, was recently forced to give up his lease on a rental space on 25th Street between Sixth and Seventh avenues in Manhattan, where his business has been since the mid-1970s. His landlord, he said, intends to rent the space to an upscale retail business.

Now Retek is trying to quickly find a Brooklyn home for his mid-size business — a 15,000- to 20,000-square-foot space. While it would be cheaper for him to move outside the city's borders, a Brooklyn spot would provide an easier commute for all the company's employees. Retek said he has noticed that the bigger the space, the better the deal per square foot.

Retek said that from about 16th to 29th streets on the West Side, an area that used to be home to many manufacturers, industrial properties have been converting to retail spaces for posh, brand-name stores. He noted that he wanted to buy so that he doesn't get "kicked out" ever again.

Indeed, Brooklyn is the most popular borough for industrial sales, according to Cohen of Terra CRG. The most popular regions in that borough for industrial property sales include Park Slope, Williamsburg and Sunset Park, according to a recent company report.

According to the Terra CRG report, there was no reduction in sales volume for industrial properties in Brooklyn between 2006 and 2007, the most recent figures available. The average size — in terms of price of each sale — was down, but the overall median price per square foot rose by 15 percent, the report said.

For example, the average price per square foot in Williamsburg spiked from \$141 to \$217, and in Sunset Park went from \$190 to \$205. Greenpoint also saw a rise in price per square foot, going from \$179 to \$198. Bedford-Stuyvesant/Brownsville proved the exception, where industrial property lost value, dropping from \$115 per square foot to \$91. (The Terra CRG study did not break

down the prices according to the space's overall size.)

Meanwhile, one-story buildings in the Bronx are renting for \$12 per square foot, and are going for an average of \$15 per square foot in parts of Queens, Shalom & Zuckerbrot's Ritter said.

David Harari of GLI Pro, a D.J. equipment shop, said his 24,000-square-foot Coney Island building has attracted generous offers from businesses who want to rent it out. One problem: He likes his location, and can't seem to find another property for sale that fits his needs — a warehouse with high, big doors and some office space.

"My gut sense is to stay where I am and see where the market goes," he said.

Currently, the market is being driven by tight supply, resulting from residential re-zoning and a rise in demand for ground-floor warehouse space by importers, Cohen said.

Ritter, too, pointed to the city's vast number of food producers and manufacturers as one constant among the region's industries. Different ethnic groups demand certain foods from their home countries, leading to an outgrowth of many small food importers throughout the city.

In the meantime, the five boroughs have been losing industrial property at a rapid clip as buyers often eye multi-story industrial buildings for uses other than manufacturing. Indeed, some 30 to 35 percent of all such spaces have disappeared in the past decade, Ritter said.

Most have either been re-zoned as residential space, or converted into structures such as schools, nonprofit offices, self-storage space and hotels.

Investors, for example, have subdivided some of these structures into smaller spaces and leased them out as offices. Also, especially in trendy areas such as Williamsburg, developers have converted these buildings into office lofts and artists' studios.

Meanwhile, larger industrial shops also tend to be more flexible when it comes to location, and often look outside the city's borders to spots such as Westchester, Long Island and New Jersey.

"Once [you're] over 15,000 square feet, you can't look locally. You have to look regionally," Ritter said. "Space is a lot cheaper in New Jersey."

Still, the loss of industrial property within the five boroughs has outpaced the exodus of business, causing demand to be greater than supply.

In the outer boroughs, the industrial property vacancy rate is less than 3 percent for spaces more than 225,000 square feet, said Ritter.

The bottom line: It's unlikely that prices in the city will drop anytime soon. "One should buy if they're financially stable," Harari said. "What pushed me to buy was that my landlord kept asking for more money." **TRD**



Ofer Cohen of Terra CRG at the Barone Steel facility on 44th Street in Sunset Park. He's helping the steel fabricator find more space.

John Ritter, principal at Shalom & Zuckerbrot Realty.

For example, in 2007, single-floor, smaller warehouse spaces sold for an average of about \$200 to \$300 per square foot in Brooklyn, while larger industrial buildings sold for \$100 to \$150 per square foot, said Ofer Cohen, managing director of Terra CRG, a commercial realty group that specializes in Brooklyn industrial property.

"There's a lot less industrial inventory, and the same or more industrial business," he said.

The price disparity between large and small industrial spaces in the five boroughs speaks to the shift in the kind of business that's being done in the city now. With the

unscathed. Ritter said that some business owners have had to pay more interest on their loans, but overall, the properties tend to receive financing by industrial revenue bonds — government-issued bonds that have remained pretty much unaffected by the credit crunch. And, operations that haven't been able to obtain loans with affordable interest rates have leased space, which has driven up rental rates.

Others who follow the sector say the market is tight. "Based on my recent conversations with brokers and manufacturers, I can say that industrial vacancy rates in the five boroughs are extremely low right now — perhaps an all-time low," said Jonathan Bowles, director of the Center for an Urban