

NEWS

Market for warehouses is 'hot to the touch' amid e-commerce boom, pandemic

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Published 6:01 a.m. ET Feb. 3, 2021 | Updated 9:46 a.m. ET Feb. 4, 2021

Which is the hotter property in the sorry-no-haggling suburban real estate market brought on by the pandemic: a three-bed, two-bath Scarsdale Tudor or a 50,000-square-foot warehouse with access to major highways?

For Paul Adler, the dean of commercial real estate in the northern suburbs, it's a no-brainer: "The warehouse! The warehouse! The warehouse!" he said with a laugh.

As Amazon and other ecommerce outfits seek storerooms for "last-mile" deliveries to those riding out the COVID-19 crisis at home, the pandemic has ratcheted up demand and made the warehouse market "hot to the touch," according to Adler and other industry insiders.

Adler is the chief strategy officer for New City-based Rand Commercial, a 42-year veteran of the market covering Orange, Rockland and Westchester counties and northern New Jersey.

"There are no available warehouses in the area," he said this month. "I have a 30,000-square-foot warehouse that's come down to the market and before I can put it out on the market, I'm already deluged with people wanting the space, because it's just not there."

The lack of warehouse space is a quality-of-life issue and a missing linchpin in the local economy, Adler said.

"This last mile makes a difference between whether or not this digital and virtual and ecommerce is really going to suit the consumer, and since we're all consumers, it affects all of us and it makes a huge difference in terms of availability of product," he said.

It's not just about convenience; it's about jobs, jobs, jobs, Adler said.

A warehouse creates a web of work, from the carpenters and electricians who build and maintain the warehouse to the mechanics who service their fleet vehicles to the workers who staff the warehouse and the local delis who feed them.

"It's not just two guys sitting there at the gate letting guys in and out. There's a whole infrastructure," Adler said. "It drives an industry."

WAREHOUSES: Want to build a warehouse? Be prepared for hurdles, developers say

'BURBS BOOM: 2020 saw flood of homebuyers in Hudson Valley

IDA PROBED: Amazon got green-light to hire non-union painters for Orange County warehouse

Jason Horowitz, of the Valley Cottage-based Triforce Commercial Real Estate, called the demand for warehouses in Rockland "astronomical."

"I wish I had it for lease. I wish I had it for sale," Horowitz said. "We've got people lining up around the block looking for it."

With consumers not venturing out into the marketplace, the marketplace has found a way to come to them, one that often requires a regional footprint, an address that is local enough to speed products into suburban homes after long-haul delivery. The industry calls that "the last mile."

Said Horowitz: "We have clients who are looking to rent the whole spectrum of warehousing: smaller clients who have online businesses looking for about 2,000 square feet and individuals looking for 50,000-plus. The demand is just astronomical. And our supply is nonexistent right now."

How hot is the warehouse market? Even a venerable Hudson Valley institution, the 46-year-old Westchester Broadway Theatre, couldn't compete with the lure of warehouse income.

After nearly 30 years leasing space in an Elmsford office park, it closed its doors last fall – succumbing to the pandemic shutdown – and parted ways with landlord Robert Martin Company, which is converting the space into a lucrative warehouse with access to major Westchester highways.

Amazon driving demand

There are some warehouses available in Westchester, for those willing to pay top dollar, said Horowitz, and there is room to build in Rockland, Putnam and Orange.

There is certainly demand.

“Online e-commerce overall is getting hotter and hotter by the moment,” said Horowitz, who also has offices in Mount Vernon. “But who really helped drive that forward? Yes, of course, it was Amazon.”

It was also Amazon that, last summer, snapped up two huge warehouses in Blauvelt, totaling 174,000 square feet. Workers continue to fit out the two buildings – on Oritani Drive in the newly renamed Hudson Crossing Industrial Park, formerly Bradley Park, off Route 303 – for a February launch.

It's not the only new Amazon space in the region.

Soon, if you order a couch or big-screen TV from Amazon and you live in the northern suburbs, your purchase will likely spend some time in the company's new 100,000-square-foot last-mile facility – designated an “AMXL delivery station” for large products – at 5 Warehouse Lane in Elmsford. The facility, which is being retrofitted from several separate entities, is set to open in March, said Amazon spokeswoman Emily Hawkins.

"It's not a very large employer, under 100 employees will work there," Greenburgh Town Supervisor Paul Feiner said when the deal was announced in August. "But in this economy, anything we can get is better than nothing."

Amazon also has a massive delivery station in the shadow of New York Stewart International Airport, at 500 Hudson Valley Ave., in New Windsor.

In the Orange County town of Montgomery, a 1 million-plus-square-foot, \$72 million Amazon "fulfillment center" warehouse, set to employ 800 local workers, has landed a business-boosting non-profit in hot water.

State Sen. James Skoufis, D-Cornwall, said he'll work to dissolve the Town of Montgomery Industrial Development Agency after he said it helped Amazon skirt rules requiring that local labor be used in its building.

Municipalities use IDA boards to craft tax breaks to lure and retain employers and boost local employment, but when the Montgomery IDA voted to let Amazon hire painters from Philadelphia to work on its warehouse project on Route 747, Skoufis cried foul.

“What happens if the IDA board votes ‘No?’” Skoufis asked. “Do you think Amazon is going to pack up and leave? There's a zero percent chance of that.”

Seeking elbow room

For goliaths like Amazon seeking warehouses with elbow room in the Hudson Valley within striking distance of New York City, the options are slim, said Tim Jones.

He's the CEO of Robert Martin Company, the Westchester and Fairfield County real estate firm that owns office parks, retail and residential, warehouse and industrial. It's also the firm about to have a former-dinner-theater-turned-warehouse to bring to market.

“Anybody who wants a million (square) feet is not going to look in Westchester County for very long, there's nothing there,” Jones said. “Over the years, many times, we have been approached about whether or not we can provide 200,000 or 300,000 for a building and just finding the land for that is literally impossible in Westchester.

“You can find it in Rockland, and you can find it maybe in Orange County. In Putnam, it'd even be difficult because of the watershed issues there. And in Dutchess you could find it. But, of course, the farther away you get from the population center, the less appealing it is.”

The draw of the suburbs

While the pandemic has pounded the local economy – putting small businesses in peril and forcing restaurants to close – it has been good for warehouses and for suburban residential sales.

A new report from the trade group Hudson Gateway Association of Realtors said homebuyers sought out suburban homes, and haggled less over what they had to pay in 2020.

If the market for homes is hot, it's only going to get hotter for warehouses and other commercial spaces, said Rand's Adler.

“Commercial follows residential and the residential market in 2020 was the best market in the last 35 years,” said Adler. “People are here and commercial wants to go where the talent is, where the people live.”

Adler tweaked the well-worn maxim about his industry.

“Real estate is five things: location, location, location and supply and demand,” he said.

The lack of supply and increase in demand has seen regional warehouse prices more than double in a decade, he said, from a range of \$5 to \$8 in 2010 to \$12 to \$19 last year, with those rates not including taxes and common charges.

Here's Adler's Hudson Valley breakdown by key years:

2010: \$5 to \$8 per sq. ft.

2015: \$6 to \$10 per sq. ft.

2019: \$10 to \$19 per sq. ft.

2020: \$12 to \$19 per sq. ft.

He's still trying to determine how much he'll charge for the 30,000-square-foot warehouse just coming off a lease that had kept a single tenant happy on Snake Hill Road in West Nyack for 25 years.

"The sign guy got ahead of us and the sign went up and we're already a dozen deep on calls of people wanting the space," Adler said.

Adler said he could charge more if he invested in upgrades, but those people on the phone – including a plumbing supplier, electrical supplier, and a mover – want it fast, not pretty. They are also eager to buy, not lease, aware of the regulatory minefield triggered by plans for a new warehouse.

"It can take sometimes a year to three years, depending on where you're putting it and what you're trying to put up," Adler said. "So a lot of owners don't like to sell, but leasing activity is very, very hot."

Arnie Garelick has been in Rockland real-estate for decades, and owns Clarkstown Executive Park, along with warehouses. He, too, has a list of people looking for space.

"You have some ecommerce people. You have some of the pick-and-pack operations where they're servicing the ecommerce people. And then you have people who just got tired of being the mom-and-pop store and they found that they can take pictures and put them online and distribute from a warehouse," Garelick said.

Steven Yassky, president of Rockland Realty, is turning over a property down Snake Hill Road from Adler's warehouse, even closer to the Thruway entrance in West Nyack. Built in the 1960s, its ceilings are too low to meet the demands of modern warehouses, Yassky said, so he'll turn the space into 100,000 square feet of two-story self-storage units.

Yassky also owns Airport Executive Park in Nanuet, roughly 150,000 square feet of "flex space" that is one-third office and two-thirds warehouse, all of which is spoken for, he said.

"There's a lot of action," he said. "Rockland is a little bit less than Westchester and across the bridge and it's still fairly easy to get to."

Weathering the pandemic through logistics

In Westchester, the warehouse market has always been tight, for two reasons, said Robert Martin's Tim Jones: The first is the price of land; the second is the type of land.

"The inventory that exists is very limited, not just because of the price of land in Westchester and the Lower Hudson Valley, but also because of our geology," he said. "We have a lot of rocky, up-and-down soil conditions and topography. And that's very hard to build large floor-plate buildings."

Those who have warehouses – shipping and logistics companies – are driving the economy through the pandemic, Jones said.

"We have several tenants in that business and they have trouble just getting the work done because they have so much to do," he said. "That's really a national phenomenon."

Online retail's gain is storefront retail's loss, Jones said, a trend he has noticed over the past three to five years, one accelerated by the pandemic.

"Driving down the road, I tell my kids that these stores have been replaced, the retailers are now the warehouses. So a lot of retail space has essentially moved into warehouse space. And just like the warehouses are doing very well, the retailers are suffering now because people are not walking in the store. They're getting things shipped."

A curtain falls, a warehouse rises

Robert Martin's warehouses are in Greenburgh, Mount Pleasant and Yonkers, tucked in its executive parks, removing possible dissent from neighbors.

But the newest Robert Martin warehouse in the Cross Westchester Executive Park in Elmsford – still being outfitted for occupancy – will rise after plenty of drama.

For nearly 30 years, it was the site of the Westchester Broadway Theatre, whose demise was met with an outpouring of grief from the theater community, fans and Broadway stars who got their start on its stage.

In late October 2020, Robert Martin parted ways with its longtime dinner theater tenant, which had occupied the space since 1991. The dinner theater had been shuttered by COVID-19 restrictions, its return uncertain.

In announcing their plan to close in a letter to staff, dinner theater owners Bob Funking and Bill Stutler said that dinner theaters would likely be the last entertainment venues permitted to reopen.

"Also our landlord, Robert Martin, does not want to continue supporting our lease. The interior is to be destroyed and the building turned into a warehouse," they wrote. Its contents were sold at auction.

Jones bristled at the mention of the dinner theater during an interview and would not discuss the decision. He said the warehouse would be 30,000 square feet and was not ready for occupancy, its timeline uncertain.

To Adler, watching from Rockland, the decision was just facing an economic reality, with Robert Martin deciding it was more lucrative to end that relationship and turn the space back into a warehouse than to wait for the pandemic to end, permitting the theater to reopen.

"If you think about where Westchester dinner theater is, the network of roads in what I'll call the beginnings of southern Westchester, how do you not do that?" Adler said. "Then perhaps the dinner theater should be in a smaller venue, in a more urban setting than in Elmsford, that's for sure."

Feiner was among those who bemoaned the loss of the dinner theater, calling the news "very upsetting."

Months after the liquidation of the theater, there are still signs of what was. An awning remains, as does the sign for the venue's final show, which seems somehow prophetic: "All Shook Up."

Feiner, the Greenburgh supervisor, said the market wants what it wants, and he wants to position his town to make the most of it.

"One of the things we're hoping to do this year is to hire an economic development consultant," he said. "The goal is to have not as many vacancies. We can't control what the needs are. I'd rather have warehouses than vacant buildings."

Staff writers Mario Marroquin and Daniel Axelrod contributed to this report.

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