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Developers Believe Suburbs are Still Prime for Investment, Despite Political Headwinds

John Jordan | January 2019



From left, Charles Epstein, vice president of development, Lennar Multifamily; Bridget Gibbons, director, Westchester County Office of Economic Development; Westchester County Executive George Latimer; BOMA Westchester President Susan Curtis; H. Guy Leibler, president, Simone Healthcare Development; and Robert Weisz, CEO, RPW Group.

WHITE PLAINS—At a meeting of the Building Owners and Managers Association of Westchester last week, a panel of development executives said conditions are still ripe for both commercial and multifamily development in the suburbs of New York City, despite the tumult taking place in Washington, DC and Wall Street.

The BOMA panel at the Jan. 10th session at the Crowne Plaza in Downtown White Plains included: Charles Epstein, vice president of development, Lennar Multifamily Communities; H. Guy Leibler, president, Simone Healthcare Development; Peter Duncan, president and CEO, George Comfort & Sons, Inc. and Robert Weisz, moderator, president and CEO, RPW Group, Inc.

George Comfort & Sons' Duncan, who noted that the firm has holdings and development projects in New York City, Westchester and Fairfield County, CT, said that the city's suburbs should benefit from what he still considers will be a "very robust" New York City commercial market.

"The general feel right now in New York City is that the leasing market will remain steady and we're still very bullish on our assets in New York and where we have any vacant space in Manhattan we have tremendous interest," he said.

Mr. Duncan related that New York City property owners are dealing with the instability in the technology sector at the moment. He revealed that a deal with Facebook to lease approximately 500,000 square feet of space at George Comfort & Sons' 63 Madison Ave. office building is currently on hold.

Lennar's Epstein noted that his firm is developing two major projects in White Plains—a 431-unit project on Mamaroneck Ave. and a mixed-use 814-unit project at the former site of the Westchester Pavilion mall.

Epstein allayed fears by some in the industry that with a host of major urban projects underway or in the pipeline totaling thousands of new units in cities such as White Plains, New Rochelle, Yonkers, Peekskill and Mount Vernon, the county might be facing a future glut of rental housing.

"Westchester has 50% of the rental units as compared to the U.S. average," Epstein said. "Westchester has a high level of demand." He added that because of its proximity to Manhattan and employment in Manhattan and the outer boroughs, Westchester and other surrounding suburban markets will be prime locations for those workers and families that are priced out of the New York City rental housing market.

Simone Development's Leibler reported that Simone had just signed a contract to acquire 50 Prospect Ave. in Tarrytown, NY, a 51,300-square-foot office building that is currently the headquarters of Hitachi America Ltd. Leibler, while not providing financial details of the transaction, said that Simone sees the property as a prime candidate for future medical use.

Leibler said that there will be growth in the health care and hospital sectors, while there will be a continuation of the consolidation of the medical practice facet of the industry.

He noted that Simone recently acquired 104 Corporate Park Drive in Harrison, a 118,000-square-foot office building that it will renovate and repurpose into a four-level health care complex for Montefiore in a \$14-million deal. The building will serve as a pediatric and cancer center for Montefiore. The property is part of a group of buildings that have been redeveloped into multifamily housing by Toll Brothers and for a Wegman's supermarket. Also, in another adaptive reuse project, Marcus Partners and Trammell Crow are tearing down the 3 Westchester Drive office building to build a 450-unit multifamily project.

In terms of Simone's healthcare strategy, Leibler said, "We have over the last number of years stayed away from multi-tenant medical office building for small doctors because those doctors will be consolidated (into larger medical groups)."

He continued, "We are looking at working with large multispecialty practices and hospital groups to protect our risk with the understanding that there will be more consolidation."

In terms of adopting adaptive reuse for the repurposing of outdated and underutilized suburban office buildings, George Comfort's Duncan said that Westchester County is way ahead of Fairfield County. He credited Westchester for moving forward on a host of repurposing projects and said that Fairfield County needs to begin looking to repurposing outdated office buildings that are sitting vacant and inflating the county's vacancy rolls.

In that vein, he said that there are two sizable tenants that are considering leasing space at the former UBS headquarters building in Downtown Stamford.

Editor's Note: HGAR's Commercial Investment Division has scheduled its annual Broker Roundtable on Wednesday, Jan. 23. The event, which will begin at 9 a.m., will feature an expert panel that will include: Paul Adler, Esq., Licensed RE Associate Broker, Chief Strategy Officer, Rand Commercial; William V. Cuddy, Jr., Executive Vice President, CBRE; Sarah Jones-Maturo, President, RM Friedland and Glenn P. Walsh, Executive Managing Director, Newmark Knight Frank. The moderator of the program will be CID President John Barrett, Managing Director – Investment Sales, RM Friedland.

The sponsor of the CID Broker Roundtable is Webster Bank.