

What's red-hot in Westchester real estate? It's not luxury apartments

[Akiko Matsuda](#), Rockland/Westchester Journal News Published 11:01 a.m. ET Dec. 4, 2018 | Updated 6:34 a.m. ET Dec. 18, 2018

The hottest real estate in Westchester doesn't come with a glassy facade.

Instead, industrial properties, such as warehouses or so-called flex spaces that can be used for either office, showroom or warehouse purposes, are what's in demand.

"The demand is tremendous," said Michael Rao, president of [New York Commercial Realty Group](#), who specializes in industrial real estate. "We don't have enough inventory."

Frank Rao, Michael Rao's brother and the company's executive vice president, said that when warehouse or flex properties come on the market, they often find buyers without being publicized.

"Hundreds of people are looking for a space from 5,000 square feet to a few hundred thousand square feet. They're both tenants and buyers," Frank Rao said.

A variety of businesses have been flocking to industrial properties in Westchester, including [Tesla](#), an electric car manufacturer. The California-based company has leased the 35,000-square-foot former Jeraci Foods warehouse in the Fairview Corporate Park in Greenburgh to open its dealership and service center.

Growing e-commerce has created the need for more warehouse space. Construction-related firms are also looking for space, reflecting the luxury apartment construction boom in Westchester, Michael Rao said.



From left, Frank Rao and Michael Rao with New York Commercial Realty Group. The brothers handle a majority of Westchester's industrial real estate. (Photo: Akiko Matsuda/The Journal News)

The demand for industrial real estate has gotten even stronger lately as many small businesses based in New York City have migrated to Westchester as a result of gentrification in the city.

About 25 percent of Michael Rao's recent deals involve clients from Queens and Brooklyn, he said. The trend is likely to continue as more small businesses may be forced out of those areas due to Amazon's impending arrival in Long Island City.

Shrinking vacancy

Westchester's industrial real estate market ended the third quarter of 2018 with a vacancy rate of 4.2 percent, down from 4.9 percent a year ago, according to [CoStar Group](#), a commercial real estate data provider.

The rate is much smaller compared to Westchester's office real estate vacancy rate of 22.8 percent in the same time period, according to [JLL](#), a commercial real estate company.

Eno Lelaj, chief financial officer of [Jonard Tools](#), a Tuckahoe-based hand-tool manufacturer for the telecommunications industry and beyond, said he can attest to the challenges of finding an industrial property in Westchester.



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Eno Lelaj, CFO of Jonard Tools, talks about his company's need to find bigger space for the business while at their current location in Tuckahoe Nov. 27, 2018. (Photo: Frank Becerra Jr./The Journal News)

"We've been trying to purchase a building, but it has been tremendously difficult," Lelaj said.

[Jonard Tools](#) has been based in a small industrial building at 134 Marbledale Road in Tuckahoe since the 1970s, manufacturing hand tools for telecommunications.

The firm expanded its reach over the years and currently offers about 500 products for cable television systems and security alarms along with telecommunications.

To accommodate the growing space needs, Jonard Tools has leased two warehouse buildings across the street, but more space is needed.

In 2014, the company launched its journey to buy a property that's big enough to accommodate its headquarters and warehouse needs. The search continued with no success for more than four years, and the company has recently decided to lease — instead of buying — a 17,000 square-foot flex space in the Cross Westchester Executive Park in Greenburgh owned by Mack-Cali.

"We wanted to be in lower Westchester, but that was very difficult," Lelaj said.

Jonard Tools plans to move its operation to the new Greenburgh location next year.



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The exterior of Jonard Tools on Marbledale Road in Tuckahoe Nov. 27, 2018. (Photo: Frank Becerra Jr./The Journal News)

Gentrification

Historically, warehouses and factories were built along waterways for delivery convenience, said Joseph Simone, president of Simone Development of the Bronx and one of the area's major industrial real estate owners.

But as waterfront property has become an increasingly desirable place to live, industrial properties in New York City's coastal communities such as Long Island City, Williamsburg and Green Point were turned into high-rise residential buildings.

"When they changed the zoning to higher and better use, it created a shortage in industrial property," he said. "Things are no different in the city of Yonkers, where they are building residential buildings on the Hudson River. Well, those were all warehouses."

As waterfront industrial properties are turned into residential, alternative locations for warehouses are hard to come by because they have to be close to major highways, said Simone, whose company recently purchased a 118,500-square-foot industrial property in Stamford, less than a mile away from an I-95 exit.

The conversion of industrial use to non-industrial use is not limited to just the waterfront in Westchester. It's evident in the Jonard Tools neighborhood in Tuckahoe, where a 153-room Marriott SpringHill Suites is currently under construction on a site that was formerly used as a

landfill. Just north of the hotel site on Marbledale Road is Broken Bow Brewery, a craft-beer destination that opened out of a former tile-manufacturing warehouse.

As industrial real estate becomes something else, demand outweighs supply, said Howard Greenberg, president of [Howard Properties](#) and a commercial real estate expert.

"You've got a combination of reduction of inventory and increase in demand because they (businesses) are coming from other areas," Greenberg said, adding that from a property-tax perspective, municipalities welcome high-rise apartment buildings over one-story warehouse buildings because they pay more in taxes. "The supply and the demand equation is out of whack, and therefore the price goes up."