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Overview of the 2011 Orange County industrial market

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As the economic recovery inched along, industrial users sought to find solutions and opportunities in 2011. With no new construction providing additional options, existing industrial buildings got all of the attention. As a result, the vacancy rate for prime industrial real estate in Orange County at year-end 2011 was down to 7.2% - less than half of what it was just two years ago, and lower than the national vacancy rate of 10.39% (as per Integra Realty Resources).

There was no speculative industrial development in 2011, and only 11,000 s/f of build-to-suit construction came on-line - two industrial buildings were expanded with small additions to their office space within. As such, the inventory of Orange County's prime industrial real estate remained unchanged at 19.7 million s/f. A high level of industrial space was absorbed in 2011 - nearly 1.5 million s/f. Whether the result of pent-up demand, a perception that the market has "bottomed out," or buyers taking advantage of the historically low interest rates, several existing buildings were leased or sold, many of which were on the market for several years. Some of the larger deals include the sale of the 185,000 s/f former International Paper facility in Tuxedo (vacant since 2007) to the Watchtower Bible and Tract Society of New York; the sale of the 168,000 s/f distribution facility at 20 Bond St. in Central Valley to Godinger Silver and a related lighting supply company that relocated from Brooklyn; the sale of a 92,000 s/f industrial condominium at 32 Leone Ln. in Chester Industrial Park to Satin Fine Foods; and the sale of the 65,000 s/f former Music Sales facility at 445 Bellvale Rd. in Chester to BAT RE / KE Durasol Awnings.

On the leasing side, some of the more significant transactions were the 105,000 s/f lease at 1900 Corporate Blvd. in Newburgh to Preferred Fragrance; the leasing of the 95,000 s/f former Ridgewood Plumbing distribution facility in Harriman to Superior Packaging Group (the company was forced to find new quarters after Hurricane Irene destroyed their former facility); the 64,000 s/f lease at 45 Turner Dr. in Wallkill to SunWize Technologies; and the 58,000 s/f former Risdon manufacturing facility on Industrial Dr. in Wallkill, purchased by an investor in 2009, was leased to Medora Snacks. All in all, approximately 43% of the space absorbed was through leasing transactions, and 57% was through purchases, and all of this activity was in existing buildings.

The total industrial vacancy rate, including non-prime space, was also lowered with the above-average activity in 2011, and now stands at 10.5%, down from over 13% last year. With the exception of the recent past, for much of the last 25 years, Orange County experienced a relatively high level of new construction and many of the older industrial buildings were neglected while the new product was absorbed. But with the recession, these buildings are being restored and brought out of obsolescence. One such notable transaction is the 150,000 s/f former Lafayette Paper facility in New Windsor recently acquired by Center Line Studios. This early 1900s former paper mill, vacant for over ten years, will be renovated and will house the company's theatrical set fabrication and design business, as well as provide additional space for related businesses. And the 287,000 s/f industrial building at 32 Leone Ln. in Chester, constructed in the 1960s and modernized in the early 1990s, was converted to condominium in 2011 - a first for Orange County. At a purchase price of $31 per s/f, the 92,000 s/f condo that sold made economic sense for its buyer who had been seeking to expand.

Although approvals are in place for several large "spec" buildings, understandably, no construction on such projects commenced in 2011. When the economy further improves, the county will be ready to accommodate the expansion that inevitably follows a recession in the market cycle. There was some ongoing build-to-suit construction; a few local companies have expansions of their facilities presently underway that are expected to come on-line in 2012.

The county continues to be comprised of a well diversified base of businesses, and it is these smaller companies that continue to bolster Orange County, helping it to outperform the nation's average employment rate. Many of these companies were startup and fledgling businesses 15 years ago, and today they are undergoing expansions and creating jobs. The county provides an environment that is suitable for smaller companies, and demand for buildings that are appropriate for them continues to be strong. However, the supply of modern industrial buildings under 30,000 s/f continues to be limited so they are holding their value, and those in the smaller size range are even increasing in value.

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