



How will our record-breaking harsh winter impact the economy in the northeast?

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The same song is ringing all over the northeast, "Am I glad this past winter is over!," but the fallout is still being felt. The extreme cold air, along with snow storm after snow storm, created extensive losses and costs for businesses and municipalities. Roads became treacherous and impassable making it difficult for employees to get to work, trucks to deliver goods, shoppers to make purchases and the list goes on. It didn't matter what industry sector you were in, including real estate, you were negatively affected by this year's record-breaking winter.

According to various economic reports, outbound and inbound shipments for products ranging from fabricated metal goods, petroleum and coal products, plastics and rubber products to automobile, slowed or in some cases, stalled completely. Employment growth also stagnated over the winter, with the private sector adding fewer jobs than projected. For example, ADP's employment report noted that only 175,000 jobs were added in January versus the anticipated 193,000 jobs.

In addition to the financial impacts due to order delays, staffing problems and loss of productivity, there were also unknown costs and losses incurred due to countless accidents and vehicles breaking down. For many businesses, their operations begin with transportation. Any negative effect on transportation has a ripple effect right down the line, across all areas of a business.

The harsh winter also placed a major strain on municipal budgets, hard hit with overtime costs for employees needed to plow and maintain roads. In some jurisdictions, the demand for salt was exhausted far outweighing allocated supplies. The costs associated with the labor and materials needed to repair the numerous pot holes created by this winter also created havoc on municipal budgets. Perhaps the municipal poster child of this year's winter has to be Atlanta, Georgia where freezing temperatures and ice created extremely dangerous driving conditions which resulted in a massive traffic jam which virtually shut down the roads and saw thousands of people leaving their cars on Atlanta's roadways and walking in droves not unlike some futuristic movie predicted the calamity global warming might create.

The silver lining in this winter's far too many clouds is that new technology coming to market may help minimize some of the cold weather related road issues which, in turn, and may help reduce costs to our local town, county and state governments.

Escaping the costs incurred by businesses is another factor. Even with some of the best laid plans, many offices, warehouses and retail properties suffered damage at the hands of the brutal winter weather. The number one problem were roofs damaged by excess snow loads creating splits, water seepage, then freezing and causing major leaks and in many instances, damage to inventories and equipment. In addition, broken sprinkler pipes compromised by the extreme cold air, resulted in flood damages throughout buildings. In some cases, companies had to close to make repairs and lost production.

Our area's ports also were affected by the winter. Container ships, which many companies depend on for their inventories, had to be rerouted. The docks had to be plowed creating backups as much as two weeks. Add into these costs, the hidden costs of time and money.

Most of the companies I deal with on Long Island mentioned they lost revenue. For retailers, it was very obvious. At the end of the day, consumers were not shopping. People did not want to leave their homes.

Insurance companies also took a big hit. When a company has roof, inventory and equipment damage, claims are filed. The insurance carriers must pay the claims. Then, the costs are passed down to us in higher premiums. There was no way to escape the downside.

With all this being said, there are some sectors which benefited from this winter. Independent snow plow companies did very well, as did Home Depot and our local hardware stores with increased sales in snow shovels, salt and snow blowers.

As for the real estate sector, as to be expected, many companies planning an expansion, put their searched for new space on hold during the peak winter months. However, I am seeing buyers getting back in the game. Suddenly, available buildings in certain size ranges have multiple offers pending; a situation created by pent up demand. Companies are finally realizing they now have to make their moves. Adding pressure to their decision-making is the reality that not much new space is becoming available.

With this extreme winter now behind us, we are looking towards the warm weather and, I believe, we all now are heading in a positive direction regarding the economy. Strangely enough, with the horrors of this winter still fresh in my mind, I have to ask myself, "Why am I going to Alaska in May?" Stay tuned.

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