



## **E-commerce and its impact on the industrial development real estate boom - by Judy Simoncic**

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Online shopping has long been a convenience consumers crave. However, no one could have ever predicted the effect the pandemic would have on this trend. While e-commerce has played a role in our lives for many years, work from home and mandated quarantines have led to an unprecedented surge in demand for e-commerce. With this demand comes the corresponding need for warehouse facilities to store and distribute the goods that consumers want at the click of a button. Online shopping has soared and as a result, vacancies of industrial space are at an all-time low with industrial rents at record highs.

E-commerce demands are not limited to what one typically thinks such as buying something on Amazon for next day or second day delivery. E-commerce sales span a wide variety of types of products such as food, home improvement and building materials, sports, health and personal care items, furniture, motor vehicles, clothing, and other items. In addition, e-commerce occurs between businesses, for example, from a manufacturer to a wholesaler or distributor. Regardless of the type of e-commerce business, the result of the e-commerce boom means that construction of larger industrial facilities to store enough products to keep up with consumer demands is needed.

Interestingly, New York seems to be behind the trend when it comes to industrial development. Long Island has only recently seen a surge in industrial development in the past several years. Real estate developers from across the country are realizing the opportunities that are in New York and they are expanding their industrial portfolios and buying up properties in New York. In order to keep up with the industrial demands, industrial developers are building spec buildings rather than the traditional build-to-suit approach. Industrial spec buildings are more the norm now because of the need to get the industrial space built as soon as possible. Developers no longer have the luxury of negotiating a deal with a potential tenant(s) and then seeking zoning entitlements for a proposed project after a deal is struck. With the industrial supply unable to keep up with the demands, developers know if they build an industrial building it will be occupied. Thus, developers are taking the risk of going through the entire zoning entitlement process without even knowing who will ultimately occupy the building. Seasoned industrial developers realize that, as long as you have the proper ceiling heights, adequate loading docks, accessibility to major highways, and a substantial sized building, the building can be occupied by most industrial tenants.

The e-commerce boom has ensured the viability of industrial space; however, industrial developers,

like other developers, still have their own challenges. With the limited number of industrial properties available, finding viable properties for industrial use/and or redevelopment is difficult, especially in suburban areas where these facilities are needed to be close to those they are serving. Locating available industrial zoned properties in suburban areas is extremely challenging. In addition, competition is fierce and even if a property is identified, typically many developers are vying for the same property, which inevitably drives up the purchase price.

While all types of developers want to jump on the e-commerce industrial bandwagon, developers should know and understand that industrial development carries with it other considerations such as traffic impacts, noise, and impacts on the character of neighborhoods to name a few. All of these factors are extremely important to consider when identifying a potential industrial property. Even when the parcel is already zoned for industrial use, the local municipality may have other plans for it. It is extremely important to understand the demographics and the area where a potential industrial development is to be located and to conduct proper due diligence before committing to a property. It is also critical to have the right development team who have a proven track record working in the municipality in which the property is located. The path to an approval of a project is dependent on knowing the local zoning codes, as well as the zoning processes in the particular municipality.

Industrial development is not likely to slow down in the foreseeable future. Consumer habits are forever changed as the result of the pandemic and like other changes, real estate developers should be prepared to adapt if they wish to stay current.

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