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Elisabeth Mansfield of Mansfield Commercial Real Estate talks about the Osram Sylvania building in Maybrook, one of a handful of large buildings available in Orange County. Osram Sylvania is negotiating with a potential buyer for the 54,000-square-foot building.

# Building boom in full bloom

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Sullivan can have its casinos.

Developers are gambling on Orange County.

Last year, 80 percent of the industrial space built in the county was done speculatively – without users lined up – according to Mansfield Commercial Real Estate's annual overview of the county's commercial real estate market.

"You don't see (developers) take those kinds of risks unless they're pretty bullish on the market," said Elisabeth Mansfield, who prepared the report.

In the office arena, the trend is equally striking. About half of last year's 56,000 square feet of new construction was speculative.

"That's a significant amount of office development for this county," Mansfield said.

But it's a drop in the bucket compared to what's coming.

Mansfield's report says there are 10 office buildings totaling nearly 240,000 square feet either under construction or planned for 2005. Those additions would increase the county's office capacity by 5 percent, or by 7 percent if substandard space is excluded.

All that construction will help alleviate a lack of inventory that has hampered Orange County development efforts in recent years.

"We're attracting more and more high-end users, so they're going to require Class A space," said Maureen Halahan, president of the Orange County Partnership. "The days when you could buy an old office building and put in a window air-conditioning unit are over."

Many of the new buildings are large enough to accommodate businesses looking for significant chunks of space.

The building-supply cooperative ENAP Inc., for instance, is taking the top floor in a two-story, 50,000-square-foot office building under construction at New York International Plaza, the 260-acre business park next to Stewart Airport.

## By the numbers

Here's a look at some of the findings of Mansfield Commercial Real Estate's annual report on Orange County commercial real estate:

### Industrial space

**Total inventory:** 23.4 million square feet, with a vacancy rate of 8.6 percent.

**Prime inventory:** 17.7 million square feet, with a vacancy rate of 6.9 percent.

**2004 deals:** 1.2 million square feet sold or leased.

**2004 new construction:** 250,000 square feet, about 80 percent of it speculative.

**Rents:** \$5 to \$6 per square foot, triple net (not including maintenance and tax-

es), for existing space, and \$6 and up for new construction.

### Office space

**Total inventory:** 4.8 million square feet, with a vacancy rate of 9.3 percent.

**Prime (Class A) inventory:** 3.5 million square feet, with a vacancy rate of 6.3 percent.

**2004 deals:** 140,000 square feet sold or leased.

**2004 new construction:** 56,000 square feet, about 50 percent of it speculative.

**2005 projected construction:** 240,000 square feet, about 90 percent of it speculative.

**Rents:** \$13 to \$15 per square foot, triple net, for existing Class A space, and \$16 to \$18 for new construction.

The building is an example of a growing trend in the region, a hybrid of spec and build-to-suit construction.

"Construction for that building actually started when we came to terms with ENAP on the lease, but we made the building bigger just to have some space for spec," explained Chris Bette, vice president of First Columbia, the developer of International Plaza. "We're confident that any space that we build will lease up in a short period of time."

This summer, First Columbia plans to begin work on a 100,000-square-foot building at the plaza.

Developers around the county are lining up multiple projects so they can move from one to the next. In Harri-man, Frassetto Commercial Investments completed a 44,000-square-foot building in June that became home to a lighting company from Rockland County and an engineering firm from New Jersey.

A few months later in the Town of Walkkill, Frassetto finished a 160,000-square-foot multipurpose building. Nearly a third of the space has been leased, and the rest should be filled by year's end, said Chris Frassetto, a partner in the family business. It was the company's fourth spec project in Walkkill. A fifth is planned for 2006.

In Chester, work is nearly complete on a 200,000-square-foot industrial building at the Tetz Corporate Center, a reformed gravel pit. Two tenants have been lined up for the building, and another business is in contract to purchase a parcel at the site.

The Tetz family is already preparing its next project in the Town of Wawayanda. It's one of several large business parks on the drawing board around the county, as developers prepare for the next wave of demand.

"This is the most speculative building we've seen since the '80s," said Halahan, referring to the decade when the county saw several of its most prominent business parks spring up. "Now we're in another boom."