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Real Estate

Section 11

With Space Tight, Outdated Factories Find New Roles



Chris Maynard for The New York Times

Michael Lyons, co-developer of SoHo on the Hudson in Irvington, N.Y., where design studios replaced a heating and boiler company.

Developers see renovation cheaper than new building.

By ELEANOR CHARLES

AFTER languishing on the sidelines as the wallflowers of the real estate industry, outmoded industrial buildings, vacant for years, are being pursued by investors and developers who are profiting by dressing them up and dancing them around again.

A shortage of office space in the New York suburban region and a scarcity of the sort of inexpensive research and manufacturing space needed by start-up companies have made developers take a second look at scores of dowdy manufacturing buildings and the relatively small sums it takes to buy, rehabilitate and rent them, real-estate specialists say.

Among the old factories being recycled in the New York area are the 1.2-million-square-foot former General Motors ball bearing plant in Connecticut, where Firestone Building Products and other manufacturers are renting space. A former silver-plating plant in New Jersey has been sold for conversion to first class office space, and an old boiler factory in Irvington, N.Y., has been redeveloped with sufficient chic to lure a Manhattan dress designer out of the garment district.

"We went through five years of distressed times when nobody was interested in industrial buildings," said Jeffrey Dunne, senior vice president in the Stamford office of CB Commercial, a national real estate company with offices in Connecticut, Westchester and New Jersey. "In an area with a strong office market, they get converted," he said, adding the caveat that "if they are out in the middle of nowhere, zoning may prohibit conversion, and sometimes it's better to knock them down."

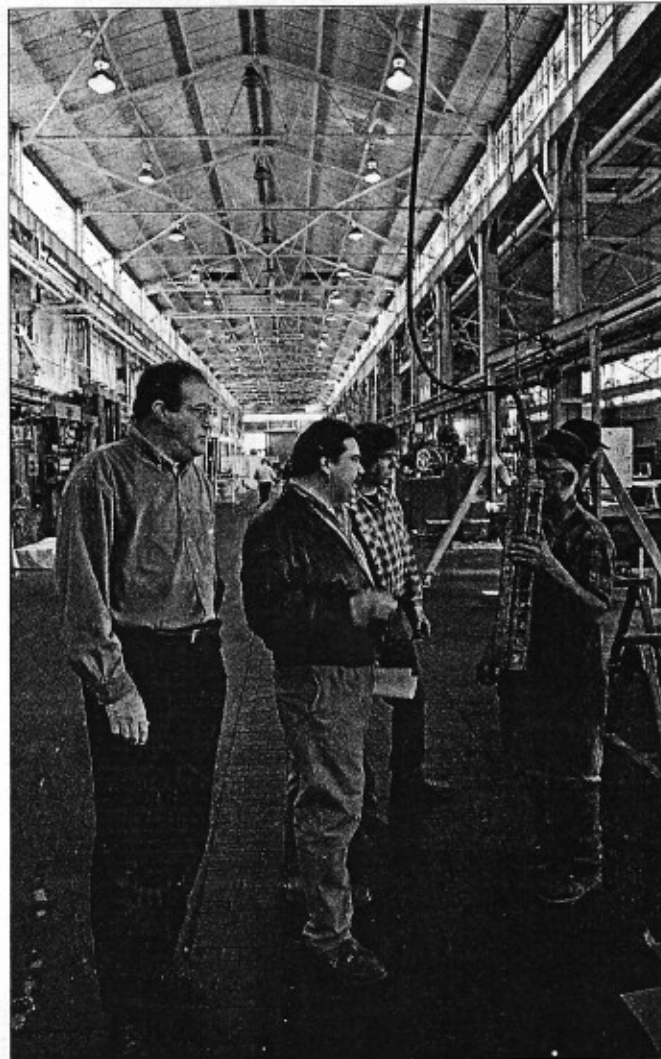
Developers say the re-use of sturdy skeletons and foundations in these buildings keeps costs below those of new construction, even with extensive renovations, and takes about half the time required to erect a new building. The high ceilings, clerestory windows and skylights are desirable for small manufacturers, and they offer esthetic value to office tenants.

Profit is the dominant incentive for rehabilitation, but there may also be a desire to preserve historic architecture. Sales are sometimes hampered by an obligation to clean up contamination that resulted from industrial pollution.

Size, location and proximity to cities help to determine the type of re-use. Big companies like General Motors, Litton Industries, Fafnir Bearing Company and Grumman Aircraft required enormous buildings, and generated the kind of noise and pollution that were best relegated to sparsely populated areas. Many of the buildings erected by these companies during and after World War II are still standing. Older factory buildings, many of them nearer to New York City, have been propelled into obsolescence by residential, retail and office development pushing deeper and deeper into their territory.

William E. Greiner, president of Greiner-Maltz Company, commercial and industrial realtors in Woodbury, N.Y., said, "When the value of an existing property plus alteration costs equals a good return on the investment, it pays to upgrade to a higher economic use."

"Republic Aviation on Route 110 is a classic example," he said. "Since World War II, their frontage has been updated to retail outlets. There may have been several turnovers of the property, but eventually it became a highway outlet operation,



Photographs by George Hulse for The New York Times

Keith Dee, left, president of Estec Corporation, an aerospace concern, and Enna Budney, chief executive officer, at New Britain, Conn., plant.

salvaging as much of the floor, columns, roof, walls as possible, but adding a new facade, landscaping, and instead of industrial rent that would have been \$3.50, it's \$15 a foot."

Another Long Island example is a former Grumman property, a 25-year-old, 270,000-square-foot former warehouse on Route 110 in Melville now occupied by

Olympus America. It contains the company's sleek headquarters, office and data center, scientific products group, 750-seat cafeteria and a retail store for Olympus cameras.

"We gutted it and reconfigured the interior to accommodate a consolidation of 3 or 4 Olympus locations and 11 of its departments," said Scott Spector, principal of the Spector Group, an architectural firm in North Hills, N.Y., hired to design the renovation. "Recycling old industrial buildings is 20 percent of our work now," he said. "It was a very minor part just a few years ago."

One kind of conversion being replicated in suburban complexes throughout the region involves the preservation of factories for use as studios for designers and artists. Overlooking the water in Irvington, N.Y., is a project nicknamed SoHo on the Hudson. Some 45 small companies consisting of architects, graphic artists, toy designers, advertising companies and others have taken space in what was once the 220,000-square-foot Lord & Burnham Greenhouse, Heating and Boiler Systems Company on Bridge Street.

"We changed the zoning from industrial to commercial and live-work loft studios," said Michael Lyons, a co-developer with William Thompson, owners since 1995. "We have a love for these turn-of-the-century buildings and we believe there is a market for preserving and converting



Jeffrey Allen, left, and Stuart Goldring of Space Technology Inc., which is lifting roof of former General Motors plant in Bristol, Conn.

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them into creative environments." About 30,000 square feet are still available.

Eileen Fisher, a women's sportswear designer, moved her design and administrative divisions from 5,000 square feet in the Manhattan garment district to 12,000 square feet at SoHo on the Hudson for quality of life reasons, said Gerri Maslanka, chief operating officer of the Eileen Fisher company. "We expanded to 17,000 feet," she said, "and now we are negotiating for another 10,000 feet."

Convenient to rail transportation for commuting employees, the new offices have 31-foot ceilings, a mezzanine, skylights and "stunning views of the river," Ms. Maslanka said, "and we love the ambience."

At the other end of the size-location spectrum, two New York developers, Harold Fetner and David Swersky, bought the 1.25-million-square-foot former General Motors Delco Moraine ball bearings plant on 182 acres in Bristol, Conn., last August. The building had been vacant since 1994, and is, according to the developers, the largest one-story manufacturing plant in New England. Its price was \$5.5 million, down from \$10 million in 1994.

The new owners, calling themselves the S. F. Bristol Company, are raising 200,000 square feet of the roof, in part to accommodate their first tenant: Firestone Building Products Company, which is consolidating its Springfield, Mass., insulation plant and its North Branford, Conn., plant into 400,000 square feet of the Bristol building at a rent of \$3.75 a foot. The division of the remaining footage allows for spaces as small as 5,000 square feet.

The behemoths of Connecticut's smoke-stack past, scattered through its central corridor, will never again be the economic engine of the state, but they are benefiting from the surge of interest in industrial plants.

"Activity has finally come to Connecticut," said Nicholas Morizio, president of Colliers, Dow & Condon, commercial realtors in Hartford. "We're the tail of the dog, because our economy is just starting to get out of the doldrums. These buildings, abandoned by manufacturers moving to the Far East, Mexico, wherever, are available, and people are buying them."

Far from urban centers and containing enormous amounts of space, they cannot hope to participate in upscale office and retail conversions, but they are attracting investors and developers who refit them for light industrial and research tenants.

More than half a dozen companies involved in fiber optics, aquaculture research, computer services, microbrewery and other pursuits are in various buildings of the 1.2-million-square-foot complex of the former American Thread Company in Windham,



George Rahe for The New York Times

Conn. Now owned by the Windham Mills Development Company, a private, nonprofit agency financed by state grants and loans, the property is being redeveloped as a technology, telecommunications and business training center with ties to the University of Connecticut.

Stuart Lichter, a Bronx-born, Los Angeles-based real estate operator, recently bought two major Connecticut buildings. His firm, S. L. Equities, has redeveloped 20 million square feet of large old industrial buildings across the country. In September, he bought the 582,000-square-foot former Litton Industries complex in New Britain for \$1.5 million. In October, he purchased the 660,000-square-foot former Fafnir Company plant in Newington for \$4 million, and has contracted to buy the 535,000-square-foot former First Brands Building in East Hartford for an undisclosed sum.

"Not a lot of people make a career out of recycling old industrial buildings," Mr. Lichter said. "My principal competition is local preservation groups or local people on a deal-by-deal basis. We only take the largest buildings, spend several million on renovating them, and in Connecticut, rent them for \$2 a foot and up."

"There are always companies closing down," Mr. Lichter said, "in good times less than other times. We're in good times now and still finding them. Big companies are downsizing and a lot of small ones are growing and taking their place."

Keith Dee, president of Estec Corporation, moved into 43,000 square feet at Mr. Lichter's New Britain complex from a 9,000-square-foot location in Chester, Conn. "We

are planning to expand into another 20,000 feet," said Mr. Dee, whose company remanufactures 10- to 50-year-old machines for the aerospace industry. "We needed more space and could find very little in manufacturing space anywhere in the state. Our rent here is 70 percent less than Chester; below market." Because the factory is in an area designated by the state as an enterprise zone, he said, his company also receives benefits. Such benefits, for areas designated as needing economic stimulus, include savings on state taxes and grants for hiring employees who live within the enterprise zone.

In designated towns, Connecticut gives property tax abatements of up to 80 percent for up to 10 years, depending on how much is spent on renovating or constructing industrial and commercial buildings. Towns regard the zones as "a short-term reduction in revenues," said Keith Chapman, Newington's tax assessor, "against the real potential for growth."

AS office rents go up and concessions such as periods of free rent disappear, "People are looking for opportunities with an economic upside," said David Simpson, senior vice president in CB Commercial's office in Teaneck, N.J.

"Since 1992 we've done about 3 million square feet of turnaround renovations," said Gene Diaz, senior vice president at Gale & Wentworth, developers in Florham Park, N.J. One current project, in New Providence, N.J., is the conversion into luxury offices of a 33-year-old former Prudential distribution center of 220,000 square feet on

14 acres. "We are converting the loading docks into an atrium entranceway, resurfacing the brick exterior, demolishing 50,000 square feet to meet parking requirements, installing a marble floor and wood-paneled walls," Mr. Diaz said. "We have office leases pending at \$22 a foot. That's about \$3 below market."

Even at the low rent, after paying \$7 million for the building and an estimated \$4 million on renovations, there is still enough profit built in, he said. The neighborhood, at Spring Street at Central Avenue, had been industrial but shifted to mixed use, and now, Mr. Diaz says, "office conversions will keep going."

A former 1960's Instlco silver-plating plant on 11 acres in Clifton, N.J., bought by BASF in the 80's, is one of three New Jersey industrial buildings to be acquired in recent months by Reckson Associates Realty Corporation. Its size will be reduced from 205,000 to 180,000 square feet to accommodate 4 parking spaces per 1,000 square feet.

"We bought it in April for around \$4 million and renovations will be many times that," said Mark Schaevitz, senior vice president at Reckson's West Orange office. "Two hundred fifty thousand cars a day pass it on the Garden State Parkway at the junction of Route 3, which begins at the Lincoln Tunnel," Mr. Schaevitz said. "Visibility and access for commuters is highly desirable, and we have it in spades." Asking rents will be \$23 a foot, compared with industrial rents of \$7 or \$8 a foot.

The New York Times's 581,000-square-foot former printing plant in Carlstadt, N.J., was sold last year to Security Capital Indus-

The 1.25 million-square-foot former General Motors Delco Moraine ball bearings plant in Bristol, Conn., whose new owners are raising 200,000 square feet of the roof, to accommodate their first tenant.

trial Trust, a real estate investment trust with buildings containing 100 million square feet in the United States and Europe. "We reduced it to 460,000 square feet and will spend up to \$4 million on renovations for warehousing," said Michael Nachamkin, vice president and marketing officer for the trust.

While sales and conversions have been brisk for old factories, a major deterrent has been industrial pollution and the tangle of litigation and possible financial losses that can accompany cleanup efforts. Following a Federal court battle in which the town of Sleepy Hollow in Westchester tried to get G.M. to clean up its 75-year-old automotive plant, the company volunteered to return the site to pristine condition after demolition by 1999, said Sleepy Hollow's Mayor, Sean Tracy.

ANTIQUATED and unadaptable, closed since 1995, the property was rezoned from industrial to residential and commercial in line with G.M.'s proposal for redeveloping the site with housing, retail, public access to the riverfront and linkage with the Hudson Valley Greenway System. Mayor Tracy said a plan for 1,900 costly homes in the community of 8,200 people was solidly opposed at a public hearing. The Mayor added: "They say they will have a new concept to present early in 1998 aimed for construction in 2000. I'll believe it when I see it."

A contaminated 28-acre riverfront tract that Anaconda had occupied for a century in Hastings-on-Hudson has gone through a succession of owners since the 70's, but remains polluted. Theodore Kheel, president of the Earth Place Foundation, a nonprofit agency that hopes to develop housing, a theater and restaurant on the site, said that its current owners, Alpers Holding USA and Harbor at Hastings, are mired in litigation against each other over money.

Anxious to rid themselves of the property, they are unable to do so, because the contamination by Anaconda must be cleaned up by Atlantic Richfield, a former owner assigned to the task by the Federal Department of Conservation. Atlantic Richfield has made no move toward a cleanup, Mr. Kheel said.

It took 12 years and \$21 million for the 316,000-square-foot, 37-acre Singer Sewing Machine plant in Bridgewater Township, N.J., to rid itself of contamination from pollution. "Only \$5 million was recovered in the sale," said Paul D. Cohen, executive vice president for SBWE, a real estate brokerage in Edison. "ATS Wood Products bought it and has it on the market for retail, because it's in an area that is developing with shopping malls."

"It's a scary, high risk business," Mr. Lichter said. "These buildings are huge. Lots of space to rent, lots of money to lose waiting to fill them."