

## MEMORANDUM

**To:** Richard Slingerland, Village of Mamaroneck and the Mamaroneck Industrial Area Committee  
**cc:** Peter Syrett, rePLACE Urban Studio  
**From:** Katie Lyon and Kei Hayashi, BJH Advisors  
**Date:** May 27, 2015 (updated August 3, 2015 with Hotel Data)  
**Re:** Mamaroneck Industrial Area Study Market Analysis

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### I. Methodology

BJH Advisors (BJH) conducted analysis of the economic activity and real estate market in Mamaroneck in order to help identify opportunities and challenges for future development of the Mamaroneck Industrial Area Study. The target geography is comprised of zip code 10543, which encompasses all of the Village of Mamaroneck and a portion of the Town of Mamaroneck. Throughout this memorandum, the target geography is referred to as “Mamaroneck”. To provide context for the findings, BJH selected three benchmark communities, Yonkers, New Rochelle, and Port Chester, based on proximity to New York City and level of manufacturing as a percent of all economic activity in the area. Additionally, New Rochelle and Port Chester are positioned in a similar location along the Interstate 95 corridor.

Data sources used in the analysis include American Communities Survey, County Business Patterns, U.S. Economic Census, U.S. Bureau of Labor Statistics Consumer Expenditure Survey, CoStar, aggregated Smith Travel Research (STR) hotel data for Westchester and Rockland Counties, Village of Mamaroneck industrial area survey, and broker interviews.

### II. Demographic Findings

There are approximately 20,000 residents and 7,200 households in Mamaroneck. The median household income is \$147,000 in Mamaroneck, significantly higher than the benchmark communities. Residents of Mamaroneck are also more highly educated than the benchmark communities. Over 50% of residents have earned a bachelor’s degree or higher.

### III. Labor and Business Analysis

There are approximately 6,800 individuals employed in Mamaroneck. The leading sectors are health care and social assistance, education, retail, and public administration. In the aggregate these sectors comprise approximately 40% of all jobs in Mamaroneck. These industries are also leading sectors in the benchmark

communities. However, the benchmark communities are more heavily reliant on these sectors, with 50 – 60% of jobs falling into these employment categories.

### ***A. Industrial Economic Activity***

Ten percent of jobs in Mamaroneck are categorized as manufacturing, wholesale, transportation and warehousing. There are 32 manufacturing firms and 38 wholesale firms operating in Mamaroneck. Within the manufacturing sector, **food production** represents a particular strength. Nearly 20% of all manufacturing firms are food manufacturing, including bakeries, frozen food production, seafood preparation and packaging, and ice manufacturing.

**Landscaping services** have grown in Mamaroneck and in the region. Over the past 10 years, the number of landscaping firms in Mamaroneck has increased by 23%, to a total of 48 firms, and the number in the region has increased by 40%. The largest employer in the industrial area, Blondie's Treehouse, is a landscaping firm, which employs 135 people.

Within just the industrial area, there is a concentration of automotive and parking related establishments. According to a survey conducted by the Village of Mamaroneck, there are 23 automotive businesses employing 243 people and 23 parking establishments employing 20 people in the industrial area. Contracting and landscaping businesses are also concentrated in the industrial area. There are 23 contracting businesses that employ 266 people. The eight landscaping and irrigation firms in the industrial area employ 235 individuals.

### ***B. Retail Economic Activity***

The retail environment in Mamaroneck is dominated by **food and beverage establishments**. There are 36 full service restaurants, 21 limited service restaurants, and two bars in Mamaroneck. The benchmark communities also have a large number of restaurants. However, the density of restaurants per square mile in Mamaroneck exceeds that of New Rochelle and Yonkers.

**Indoor recreation uses**, which are considered a retail type use, have begun to occupy former industrial spaces on the fringe of the industrial area in Mamaroneck. Gymnastics, UFC, Crossfit, and judo gyms have opened in recent years. The increase in recreation facilities is supported by consumer spending data. A retail gap analysis reveals that 80% of Mamaroneck residents' spending on entertainment and recreation takes place outside the target geography. This gap equates to approximately \$9.5 million per year. Based on average sales per square foot for entertainment and recreation businesses, this gap could support 130,000 square feet of new recreation and entertainment development in Mamaroneck.

### **C. Hotel Economic Activity**

According to STR, a leader in hotel industry data collection and analysis, the hotel industry in Westchester and Rockland Counties has demonstrated increases in demand for hotel rooms over the past 5 years.<sup>1</sup> However, much of the growth in demand occurred between 2009 and 2010. Due to the recession, hotels nationwide experienced dramatic declines in revenue in 2008 and 2009. Thus, the increase in demand between 2009 and 2010 reflects a leveling of the market following the sharp decline.

In 2014, over 2 million hotel rooms were booked in Westchester and Rockland Counties. Between 2009 and 2010, the number of hotel rooms booked increased by 14%. In the three years following 2010, the market experienced little to no increase in the number of rooms booked. From 2013 to 2014, the number of hotel rooms booked increased by 4%, which is on par with national trends for room demand.

Nationwide, hotels are currently experiencing rapid increases in the *average daily rate* and the *revenue per available room*, which is a measure of total room revenue divided by rooms available. STR reported that across the United States the average daily rate increased by nearly 5% and the revenue per available room grew by 8.5% from February 2014 to February 2015. Moreover, STR projects that 47 of the 59 markets in which the firm collects hotel data will experience an increase in revenue per available room greater than 4% in 2015.

Over the same time period in Westchester and Rockland Counties, hotels experienced modest increases in the average daily rate and revenue per available room. In February 2015, the average daily rate for a hotel stay in Westchester and Rockland County was \$142, a 0.7% increase over February 2014. Over the past five years, the average daily rate for hotels in Westchester and Rockland Counties has increased modestly at an average of 2% per year. The average revenue per available room in Westchester and Rockland Counties in February 2015 was \$89.47, a 4% increase over February 2014.

Occupancy rates in Westchester and Rockland County are consistent with the national average. The 2014 average *occupancy rate*, a ratio of the number of hotel rooms sold to number of hotel rooms available, for the properties in Westchester and Rockland Counties is 70%. Over the past five years, the occupancy rate in Westchester and Rockland Counties has increased by 13 basis points. Yet, much of that increase occurred between 2009 and 2010 when the occupancy rate jumped from 57% to 64.5%. Since then, the occupancy rate has remained relatively flat.

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<sup>1</sup> Due to privacy requirements with STR's hotel partners, hotel demand data is only available aggregated by STR defined geographic areas. The most appropriate geography available through STR, and thus selected, for this research included Westchester and Rockland Counties, NY.

#### ***D. Office Economic Activity***

The office environment is dominated by medical and legal professionals. There has been little change in the number of firms and employees in Mamaroneck in recent years. While the number of firms in the information sector is small, the sector has demonstrated growth in Mamaroneck, as well as the benchmark communities over the past 10 years. Mamaroneck's location along fiber-optics cable infrastructure presents an opportunity for targeted recruitment to these businesses.

Additionally, some regional growth has occurred in **coworking** spaces. There are six coworking spaces in counties surrounding New York City, which include:

- Serendipity Labs a 7,500 square foot coworking space in Rye, New York
- W@tercooler a 4,500 square foot space that opened in 2011 in Tarrytown, New York
- Ground Floor Coworking a 2,000 square foot space that opened in New Rochelle, New York in February 2015
- The Purple Crayon's The Inc, a coworking space within a community and arts center in Hastings-on-the-Hudson, New York
- Grace Coworking, a coworking space in Great Neck, New York
- Workspace, a City owned coworking space in Stamford, Connecticut

These centers target freelance workers or individuals exploring extra-professional projects. On average, these coworking spaces charge \$25 to \$30 for daily use and \$300 to \$500 for monthly, private office space.

### **IV. Real Estate Analysis**

#### ***A. Industrial Real Estate Market***

There is approximately 590,000 square feet of industrial rentable building area in Mamaroneck. Over the past five years, the supply of industrial space has declined by 7%. This trend is consistent with the benchmark communities. Much of this decline in Mamaroneck is due to the conversion of industrial buildings to parking lots.

The industrial market in Mamaroneck demonstrates strong demand, as evidenced by relatively high rents and low vacancy. The average rent per square foot for industrial businesses in Mamaroneck is \$15, which is consistent with rent in Port Chester and greater than rent in New Rochelle and Yonkers. Industrial vacancy rates in Mamaroneck are extremely low, falling below 5%.

#### ***B. Retail Real Estate Market***

There is approximately 865,000 square feet of retail space in Mamaroneck. Retail space is primarily located along Mamaroneck Avenue, a pedestrian

corridor, and Boston Post Road, a car-dependent retail area. Over the past five years, little retail space has been added in Mamaroneck. However, there are currently several small projects under renovation or construction at the southern end of Mamaroneck Avenue. The benchmark communities present much larger supply of retail space, including more “big box” stores and large scale shopping centers. There has been little new supply of retail space created in the benchmark communities in the past five years, as well, with the exception of Ridge Hill in Yonkers, 750,000 square foot shopping center that opened in 2011.

Retail rents average between \$25 and \$35 per square foot in Mamaroneck, with spaces along Mamaroneck Avenue commanding the highest rents. Retail rents in Port Chester and Yonkers are comparable to Mamaroneck and above those in New Rochelle. The vacancy rate for retail space in Mamaroneck is approximately 4%, demonstrating strong demand for retail, particularly along the primary retail corridors of Mamaroneck Avenue and Boston Post Road.

### ***C. Hotel Real Estate Market***

As of June 2015, there were 67 hotel properties containing an aggregate of 8,637 hotel rooms in Westchester and Rockland Counties, New York. The supply of hotel rooms has remained stagnant over the past five years, with less than 1% increase in the supply between 2009 and 2014.

STR has established a six-tiered classification system for hotel properties that consists of:

- 1) Economy, e.g. Motel 6
- 2) Midscale, e.g. Ramada
- 3) Upper Midscale, e.g. Hampton Inn
- 4) Upscale, e.g. Hyatt
- 5) Upper Upscale, e.g. Sheraton
- 6) Luxury, e.g. Ritz Carlton

Two properties, Tuxedo Motel and Mamaroneck Motel with an aggregate 57 rooms, are located in Mamaroneck (Zip 10543). Both properties in Mamaroneck are classified as Economy Class by STR. Both hotels were constructed more than 35 years ago and have not invested in the property in recent years. The Mamaroneck Motel was built in 1946 and Tuxedo Motel was built in 1980. In contrast, the benchmark geographies contain hotels higher in the classification system, as well as newer properties (see Table 1 below). The most recently constructed hotel in the benchmark areas is the Hyatt Place, a 155-room hotel constructed as part of the Cross County retail center in Yonkers, which opened in April 2015.

*Table 1: Hotels in Study Area*

Geography	Number of Hotels by Class			Number of Rooms
	Economy	Midscale	Upscale & Luxury	
Mamaroneck	2			57
Yonkers	2	2	2	727
New Rochelle			2	256
Port Chester		1	1	814

#### ***D. Office Real Estate Market***

The office market in Mamaroneck is relatively stagnant. There is approximately 400,000 square feet of office space, predominantly located near the border of Harrison along Mamaroneck and Harrison Avenues. There has been no change in the supply of office space over the past five years in Mamaroneck or the benchmark communities.

Average office rents are approximately \$20 per square foot, below that of Port Chester and New Rochelle. Average office rent in Yonkers is comparable to Mamaroneck. The vacancy rate in Mamaroneck is just below 9%, lower than the benchmark communities. Both rent and vacancy have remained flat over the past five years.

### **V. Key Opportunities**

#### ***A. Industrial***

##### **a. Food Sector**

The food sector is an important component of both manufacturing and retail activity in Mamaroneck, as well as the region on the whole. This regional strength presents an opportunity to attract additional food-related businesses that can support the manufacturing and retail environment in Mamaroneck. There may be a particular opportunity to recruit food manufacturing firms that seek to relocate from New York City to a more price competitive market.

##### **b. Landscaping Services**

The landscaping sector is experiencing growth in the region and is currently responsible for a considerable number of jobs in the industrial area. The space requirements of these firms are well-suited to the industrial area. These firms are likely to require relatively small and simple warehouse structures adjacent to paved outdoor area. New businesses to support this sector, such as garden supply, nurseries, and additional landscaping firms, are an opportunity to build on the wholesale and retail activity in the industrial area in Mamaroneck.

#### ***B. Retail***

#### **a. Entertainment and Recreation**

Unmet demand for entertainment and recreation retailers is evident in Mamaroneck. A trend has begun in Mamaroneck to convert former industrial space to recreation facilities. These businesses often capitalize on large, open floor plates and high ceilings. These businesses also generate relatively high income per square foot as compared to industrial and warehouse uses. Thus, entertainment and recreation have the potential to support new development in the industrial area.

#### **C. Hotel**

Nationwide hotels are experiencing revenue growth which is likely to stimulate new development generally. However, hotel demand in Westchester/Rockland is growing slower than the national average and little hotel development has occurred in the studied area in recent years. Some limited new development has been focused in areas with unique regional destinations, such as the Hyatt Place at Cross County Center, a complex that is comprised of 1 million square feet of retail space. In order to encourage hotel development in Mamaroneck, it may be necessary to invest in proximate attractions that stimulate demand for hotel rooms.

#### **D. Office**

While the office market is relatively stagnant, there may be opportunities to attract information firms due to Mamaroneck's unique position along fiber infrastructure that serves the region and the high population of educated residents. The growth of coworking spaces in Westchester County and other suburban counties surrounding New York City may also present an opportunity for Mamaroneck.

### **VI. Preliminary Assessment of Challenges**

#### **A. Industrial**

Low vacancies and high rents will make attracting industrial businesses, particularly those in the food sector, a challenge in Mamaroneck. As an example, rents in Mamaroneck are higher than benchmark communities and on par with industrial rents in the South Bronx, which are currently only slightly above Mamaroneck's rent. Exacerbating the attraction challenge, food sector companies typically pay lower rents (due to smaller margins) than other industrial companies.

In order to determine if improvements to existing industrial space to accommodate food related uses or new industrial construction for landscaping or other industrial sectors is financially feasible, BJH will be undertaking a high

level/average user gap analysis and incentives review as a part of the second set of tasks under this project scope.

### ***B. Retail***

Retail uses within the industrial areas, particularly those related to indoor sports/entertainment or as a ancillary use to some of the landscaping businesses prevalent in the area, may be hampered by some of the real or perceived physical barriers that separate the industrial area from the main retail corridors.

From an economic standpoint, there is likely to be less need for incentives to spur retail in the area once physical challenges are addressed.

### ***C. Hotel***

Hotel revenue in Westchester and Rockland Counties is growing slower than the national average and the supply of hotel rooms in Westchester and Rockland Counties has remained stagnant over the past five years. These economic indicators demonstrate that developers perceive considerable risk in constructing new hotels in the area.

### ***D. Office***

As mentioned above, the office market is not growing in Mamaroneck. The growth in this sector within the industrial area would potentially make sense for built-to-suit specialized and creative office uses for technology or communications firms seeking either a unique, transit or infrastructure accessible address, only with significant place-making investment into the area and with a strong marketing campaign along-side the investment that worked to message some of Mamaroneck's inherent lifestyle strengths.

## **VII. Next Steps**

Upon identification of two to three strategies for revitalizing the industrial area in Mamaroneck, BJH Advisors will collaborate with rePLACE Urban Studios and the client group to prepare recruitment and retention strategy recommendations such as public funding and tax policy incentives that are designed to attract the real estate investments and business sectors identified for growth.