

Staten Island North Shore  
Land Use and Transportation Study

# MARKET ANALYSIS EXECUTIVE SUMMARY

Prepared for



New York City  
Economic Development Corporation



New York City  
Department of City Planning

Submitted by

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## EXECUTIVE SUMMARY

The New York City Economic Development Corporation, in partnership with the New York City Department of City Planning retained a consultant team, led by Parsons Brinckerhoff, to conduct an in-depth analysis of Staten Island’s North Shore (the study area) in order to formulate recommendations to guide future zoning and real estate development strategies.

Consultant team member Basile Baumann Prost Cole & Associates (BBPC) was tasked primarily with analyzing existing real estate market and economic conditions of the study area; evaluating the market demand for office, industrial/maritime, residential and retail uses; and suggesting approaches to stimulate economic growth objectives.

The following is a summary of the finding from these analyses:

- **Economic Activity**

- Staten Island’s economy is primarily service-driven. Services on Staten Island mainly caters to the local market rather than drawing customers in from outside areas
- The two leading sectors in Staten Island’s economy are services and retail trade, which comprise over 70 percent of Staten Island’s employees
- Staten Island has historically accounted for approximately 3 percent of New York City jobs, but 1.5 percent of the wages earned
- The unemployment rate on Staten Island is 6.3 percent, in comparison to the national employment rate of 6.5 percent during the third quarter of 2008
- The study area is the location of the maritime support services industry, which generally pay higher wages than in other sectors

- **Real Estate Market**

- *Maritime/Industrial*
  - ❖ Staten Island contains approximately 4.9 million square feet of industrial space, with 1.2 million square feet located within the study area
  - ❖ The average quoted triple net lease rate in the study area is approximately \$9.92 per square foot compared to the average Staten Island rate of \$11.06
  - ❖ Rents in the study area are not discounted enough to compete with neighboring markets such as northern New Jersey where rents are lower and space is of higher quality
  - ❖ The vacancy rate in the study area is 14.6 percent, compared with approximately 4.3 percent vacancy in the rest of Staten Island
  - ❖ The building stock in the study area has an average age of nearly 75 years. These properties also are small in size and often have environmental issues, which contribute to its competitive disadvantage with the surrounding markets
  - ❖ The maritime support services industry located along the North Shore waterfront is an important element of the Port of New York and New Jersey and is poised for expansion, but requires significant investment in infrastructure in order to meet market demand. In



- addition, not all waterfront space is presently being used by waterfront related businesses, which limits growth, as the waterfront businesses cannot expand elsewhere
- ❖ An increase of 600 jobs on Staten Island in the maritime support services industry sector is projected over the next ten years, if half of the current market constraints are eliminated. It should be noted that these jobs cannot be directly tied into square feet of new industrial space, as additional barges, enlarged draft, and other needed improvements cannot be measured in this manner
  - ❖ Stakeholders indicate that the permitting process is a major obstacle to real estate development
- *Office*
- ❖ Staten Island is comprised of 5 million square feet of office space with 1.2 million square feet located in the study area. Average triple net rental rates in the study area is \$19.71 per square foot in comparison to Staten Island’s overall rate of \$22.11
  - ❖ The study area has 4 percent vacancy rate while Staten Island as a whole has a vacancy rate of 14 percent
  - ❖ Office space in the study area is entirely made up of Class B and C space and there are no corporate headquarters located in Staten Island
  - ❖ There is little demand for Class A space on Staten Island as evidenced by the lack of any corporate headquarters or back office space for any major company. The Teleport campus at the Staten Island Corporate Park which contains Staten Island’s inventory of Class A space has struggled to attract tenants
  - ❖ The average age of study area office buildings is 60 years
  - ❖ Staten Island could capture more than 1,900 office jobs over the next ten years, and the study area could capture approximately 455 to 555 of these jobs. Assuming office space requirements remain the same, this job growth in the study area could generate demand for 139,000 to 171,000 square feet of office space over the next ten years
  - ❖ The demand for office space based on employment growth will not be exclusively new construction and it is more likely that some potential demand over the 10-year period could be absorbed by renovations to existing space
- *Residential*
- ❖ Staten Island has the highest home-ownership rate in New York City at approximately 64 percent. The study area’s median housing price is \$100,000 less than the median price borough-wide: \$301,318 compared to \$405,946
  - ❖ The study area is expected to capture nearly 3,000 of the 19,000 households expected to be added to Staten Island over the next ten years
  - ❖ Household growth is projected to result in the need for approximately 3,000 housing units
  - ❖ There is widespread concern among stakeholders regarding the aging population of the borough and the loss of the 18 – 35 year old demographic
  - ❖ After 20 years of growth, the rate of new building permits in Staten Island began to decline in 2006. 1,441 building permits were issued in 2005 and in 2008 through October, only 444 were issued



- *Retail*

- ❖ Staten Island retail generally serves the local population and does not draw in shoppers from surrounding market areas
- ❖ While there are plenty of locally owned shops primarily selling non-discretionary goods (convenience) the trend on Staten Island over the past few years has been the advent of big box stores such as Lowe's, Kohl's and Staples
- ❖ The study area has 2.8 million square feet of retail space, representing almost 25 percent of the retail space on Staten Island
- ❖ The study area has a vacancy rate of 2.8 percent compared to 3.1 percent for Staten Island as a whole
- ❖ Asking retail rents in the study area are nearly \$3 per square foot less than Staten Island, \$23.66 per square foot compared to \$35.28
- ❖ Retail categories in the study area with the greatest leakage (household expenditures outside the study area) are groceries, sit-down dining and clothing and accessories.
- ❖ BBPC projects that the range of retail opportunities over the next ten years is from 92,000 square feet to 190,000 square feet

While the analysis examined the near-term 10-year horizon, it is essential to note that the horizon for the necessary infrastructure improvements will take much longer—investments in new bridges, road expansion and transit connections are significant and are often generational undertakings. The current economic recession may cause funding for the needed projects to be delayed until the economy begins recovering. It should be advised that the high case growth scenarios assume the significant up-front investments in infrastructure opportunities will still occur as planned. Access to capital for these long-term investments is the single most important variable for Staten Island's growth.

