

JFK “Off-Tarmac” market segment offers a viable alternative

The Port Authority of New York and New Jersey was founded in 1921 and operates today as John F. Kennedy International Airport (JFK). JFK covers 4,930 acres and amasses over 30 miles of roadway.

Located in southern Queens County, South Jamaica, City of New York along the shores of Jamaica Bay, JFK is only 15 miles from Manhattan, currently operating through an agreement with New York City through 2050.

A vital piece in supporting the New York City economy, JFK provides current employment for over 68,000 people. In particular, a major job creator has been the Air Cargo and related Industrial and Commercial industries servicing the airport. There continues to be a strong focus on Aviation; JFK’s passenger services, with the addition of the AirTrain as a major improvement to the airport. The AirTrain connects employees and passengers by the LIRR, Subway, and bus from Manhattan, Brooklyn, Queens, the Bronx and Long Island.

Additional focal points also include the new JetBlue Terminal and the 512-room TWA hotel.

Strengthening the JFK economy is not only vital to Queens, but also to all of New York City and the Tri-State area. JFK contributes over \$52 billion in economic activity annually in the Tri-State region.

JFK Real Estate Market

The JFK real estate market, a self-imposed submarket in the Borough

of Queens which includes parts of Nassau County to the east, segmented into two major categories: “on-tarmac” and “off-tarmac” buildings.

The first segment, known as on-tarmac, encompasses the inventory of about 4 million sf of Air Cargo and office space, as well as approximately 10 million sf of developable land (including vacant structures) of which the PANYNJ has been unable to develop over the last two decades.

That being said, the first new cargo development in years has commenced for a new state-of-the-art 350,000-square-foot air cargo handling facility. This facility, with Aeroterm serving as its developer, broke ground by first demolishing former buildings 260 & 261 on a 26-acre parcel with an anticipated cost of over \$160 million dollars.

Additionally, a new 15,000 sf refrigerated/freezer facility is planned for the North Cargo area next to the new Aeroterm facility, being built for Delta and AGI.

The second segment, known as off-tarmac or “off-airport”, consists of over 200 buildings, totaling over 6.9 million sf of institutional and privately-owned air cargo and related warehouse, office and distribution facilities. It houses approximately 650 businesses.

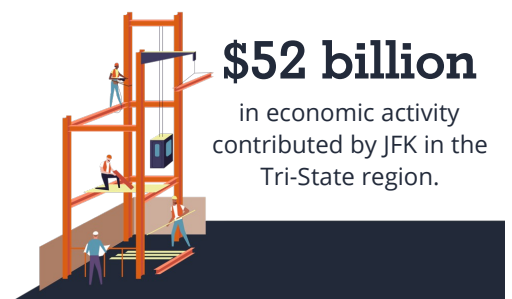
Accommodating both large and small users, it is estimated that 95% of this market segment caters to or services JFK International Airport in some capacity. It is in direct competition to on-tarmac facilities for occupiers who do not require



TWA Hotel at JFK, Jamaica, NY

on-tarmac airplane access but do handle freight and related services.

The majority of the industries serviced by this market segment includes users in the trucking, food service, freight brokerage, air cargo, government, CFS, 3PL, e-commerce, logistics, assembly, packaging, freight distribution, retail, warehousing, and vehicle & aircraft maintenance industries, to name a few.



Off-Tarmac Inventory

Up to June 2000, the vast majority of “Off-Tarmac” inventory was privately owned by five (5) families; then came the institutional owners.

Prologis Inc. sold an off-tarmac 481,571-square-foot Air Cargo portfolio to TA

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Key "Off-Tarmac" Market Segment Indicators

±6,900,000 sf

Available inventory

\$33-\$38 psf

Rental rate for Class A warehouse buildings

\$20-\$30 psf

Rental rate for Class B and Class C warehouse buildings

\$32-\$34.50 psf

Rental rate for Class A office buildings

\$18-\$28 psf

Rental rate for Class B and Class C office buildings

Realty in 2012, lessening their inventory of older Class C-type product. Prologis continued divesting their older facilities at JFK by selling the 229,261-square-foot Airgate Industrial Park at the end of 2013 to Terreno Realty.

Seagis Property Group and RREEF are also key players off-tarmac, owning over 1.5 million sf combined. LINK, a new owner to the area, currently owns 642,000 sf due to its recent purchase of the TA Realty JFK Portfolio of thirteen buildings and nine parking lots plus five other properties.

Today's off-tarmac real estate market has evolved over the last forty years into three distinct classes of properties to consider:

Class A

Currently, there are only three (3) Class A properties in today's JFK market. Prologis JFK Logistics Centers, comprising of ±526,803 sf amidst four buildings are situated on 26 acres and located on International Airport Center Boulevard (formerly Rockaway Boulevard). Construction on this project began in 2001 and was delayed slightly by the events of 9/11. This is the only facility that is completely fenced and secure, including a gated entry, guard and 24/7/365 surveillance. Prologis JFK Logistics Centers also offer shuttle service to public transportation and on-site food service.

To help satisfy the immediate need for new space, two new speculative development sites have added over 715,000 sf of new inventory in 2022. The first project, known as the JFK Logistics Center, consists of 422,309 sf on 11 acres. This development is a 3-story vertical warehouse owned and developed by Wildflower LTD and 100% leased to Amazon as of January 1, 2022.



Amazon Distribution Center, Jamaica, NY

The second project, known as the *Terminal Logistics Center*, consists of 293,054 sf on 3 acres. This speculative development is a 5-story vertical warehouse for Air Cargo, Self Storage and Logistics, owned by Triangle Equities & L&B Realty. The first two floors, totaling 190,000 sf, have direct loading and has been leased to DO&CO Catering NY.



Terminal Logistics Center Rendering, Jamaica, NY

Class B

There are several class B facilities surrounding the airport, located in Queens and Nassau County, Long Island, totaling an estimated 1,200,000 sf. These buildings were all built in the 1980's and 1990's, mostly as build-to-suit, except for Airgate Industrial Park which was built on spec with underground parking. Airgate Industrial Park was 90% pre-leased prior to the completion of the fourth and final building in 1988 and is 100% occupied today.

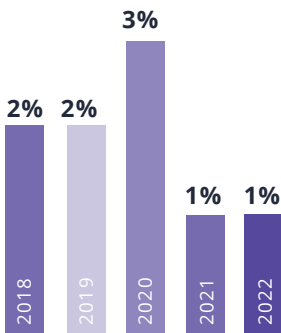
Class C

These facilities make up the vast majority of the market and began construction primarily in the late Idlewild Airport days (1950's & 1960's). Scattered between Queens and Nassau County, most of these older buildings use interior loading docks. Many block the street while loading/unloading, contain mezzanine and second floor walk-up offices, low ceilings, are ±10% non-sprinklered and have limited parking for both cars and trucks.

Rental Rates

The rental rates for this off-tarmac market, not including the Prologis JFK Logistics Center and the new vertical warehouses, range between \$20.00-\$30.00 psf Industrial Gross (IG) for warehouse space, and between \$18.00-\$25.00 psf Gross for office space. Real estate taxes range from \$3.00-\$8.00 psf.

Average Warehouse Vacancy Rates



The large price variation is due to specific building amenities, such as location, ADA, loading, sprinklers, elevator access, parking, second floor walk-up, ability to accommodate today's 53' trailers off one-way narrow streets, amount of finished office space and location. Although most are older antiquated facilities, they are very much in demand.

The Prologis JFK Logistics Center has a current ask of \$36.00 psf NNN for warehouse and \$34.00 NNN for office space.

Vacant land is scarce at best, and small parcels for rent that supply parking to industrial buildings range between \$150.00-\$200.00 per vehicle per month and from \$400.00-\$800.00 per trailer monthly.

Assembling enough land to purchase for parking or a build-to-suit typically is not cost effective, nor is it readily available depending upon location and access to JFK International Airport. This lack of available land near JFK has driven several big players in the Air Cargo industry east into Nassau County by default creating the JFK Nassau County sub-market of today.

Economic Improvements

To service this market, the mayor signed the Greater JFK Industrial Business Improvement District (IBID) into law on November 16, 2016. This district, now called **GatewayJFK** (gatewayjfk.org), encompasses most of Springfield Gardens and part of Jamaica, surrounding JFK. The project was originally conceived by local brokers, owners and residents and has tremendously helped the community.

Gateway JFK is the 73rd "Business Improvement District" in New York City. Creation of this district will catalyze JFK's economic development, uniting the community and businesses.

Southwest Industrial Market

The southwest Nassau County industrial market, consisting of Valley Stream, Lawrence, Woodmere, and Inwood is an established industrial market that also caters to JFK. The region is easily

accessible to JFK by Rockaway Boulevard, Nassau Expressway, Sunrise Highway, North Conduit Avenue, South Conduit Avenue, and 147th Avenue.

This secondary market is only considered when nothing else suitable is available closer to the airport, showing the extreme need for space. The same Class "B" and "C" rents currently apply to this market.

New Inventory

To help satisfy the continued need for new space, another new speculative development site by Wildflower LTD is under construction, now adding an additional 116,725 sf of warehouse and parking.



Freight Tonnage

Freight tonnage at JFK started to decline around 2005; enough to fall well behind other United States airports in ranking.

JFK performance, as a key gateway for the United States from Europe, the Middle East & Asia, has been strong for many years. Despite an increase in total air traffic, JFK has fallen behind other airports in cargo activity and tonnage. JFK was ranked #6 in domestic in 2019 with 1,311,164 tonnage, after Chicago O'Hare International Airport.

Primary reasons vary by opinion but logic as well as opinions from industry professionals dictate that ORD, MEM, SDF, ATL, EWR became preferred destinations of cargo, bypassing JFK due to associated high costs of doing business and on-ground facility issues.

Sale Prices

In 2018, the sale of six individual class C buildings sold for \$245.00 per square foot each, with a seventh building

Selling for \$275 per square foot. These seven buildings ranged in size between 4,500 sf and 24,000 sf. In 2019, the sale of a 13-building class C portfolio sold for an average of \$275 per square foot each. These buildings ranged in size between 6,000 sf and 93,000 sf.

In June of 2022, the sale of a four-building 105,700 sf industrial portfolio sold to LongPoint at \$411.00 psf and is currently 100% leased and anchored by DHL and IBC.

COVID-19 Impact and the Future of JFK Airport

With the newly proposed \$13 billion redevelopment plan and the recently-opened TWA Hotel at JFK, great improvements can only build a greater future for JFK International Airport.

The 2020 novel Coronavirus outbreak has changed the way Americans live their daily lives, with a substantial impact across all local, national and global markets. While COVID-19 hit early 2020, the lasting effect of the virus on the Air Cargo and related Industrial industries is still ongoing and yet to be determined.

The Coronavirus has undoubtedly had a profound effect on both cargo and passenger planes and the airline industry. However, year-to-date, there has been no major repercussions to occupancy/vacancy in the Air Cargo industry as a result of COVID-19 at JFK.

Get more market information

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