



The former Reeb Millwork building at 600 Brighton St. in Fountain Hill is a property that could be subdivided to accommodate multiple small manufacturers.

PHOTO/CHRISTOPHER HOLLAND

LITTLE BY LITTLE

DEVELOPERS SCRAMBLE TO MEET DEMAND FOR SMALL MANUFACTURING SPACES

By BRIAN PEDERSEN
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Massive distribution centers, large warehouse facilities and low vacancy rates dominate the Greater Lehigh Valley landscape.

So much so that the boom has created a dearth of – and strong demand for – spaces at the other end of the spectrum: small to medium-sized spaces.

Manufacturers in particular tend to use less room and employ fewer people and, when starting out, need small spaces before they are ready to grow. The result is that manufacturers in the region are finding it difficult to find suitable spaces for operations.

However, there is hope.

Landowners and economic development organizations are encouraging developers to respond to this need by building smaller buildings and by retrofitting older, obsolete ones to meet the needs of smaller companies. Experts say finding new uses for older, obsolete buildings is a strategy that works for opening smaller spaces for

manufacturers.

“The solution, I think, is almost the reuse of some older buildings,” said Bill Wolf, executive vice president of CBRE Inc., a global commercial real estate firm with an office in Upper Macungie Township. “These buildings have to be purchased at a price point, upgraded [by developers] where it’s needed and made available for these smaller manufacturers.”



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— Bill Wolf
CBRE Inc.

NOT SEEING A LOT OF SPACE

Generally, manufacturers don’t need massive buildings to run their business.

They require lower ceiling heights because they store fewer products, and small buildings help them lower operating costs as well as prioritize the flow of produc-

AT ISSUE

Large industrial buildings for warehouse and logistics users swallow up land otherwise available for small buildings ideal for manufacturing. However, small buildings are slowly starting to come online through new construction and renovations.

tion. A smaller space also helps them better organize production, reducing waste.

Experts say the ideal space for manufacturers, from 5,000 to 150,000 square feet, is in short supply in a marketplace dominated by more industrial buildings reaching sizes of 1 million square feet and larger. With large buildings eating up space for smaller ones, there’s not much room for smaller manufacturers.

“Vacancy rates are low to begin with, and you are not seeing a lot of industrial space,” said Joe Correia, executive vice president at J.G. Petrucci Co., a design-build firm in Hanover Township, Northampton County.

RATE SHOULD REMAIN LOW

According to research from CBRE, vacancy rates for industrial space in the

region for the second quarter are at a healthy 6 percent along the Interstate 78-81 corridor, which includes the Greater Lehigh Valley.

That figure rose only slightly year-over-year, and that rate should remain low, according to CBRE’s latest market report.

“I think demand is higher than supply at this moment in time,” said Don Cunningham, president and CEO of Lehigh Valley Economic Development Corp.

“It’s been constant for about the last 18 months. The majority of prospects we are dealing with are manufacturers.”

MUST RESPOND QUICKLY

One issue that hinders finding a home is timing. Manufacturers that contact LVEDC often want to move quickly and cannot wait three years to find a place and

THE CASE FOR SMALLER SPACE

Manufacturers tend to:

- Employ fewer people.
- Need lower ceiling heights.
- Want lower operating expenses.
- Prioritize flow/organization of production space.

finalize a lease, Cunningham said.

"If companies have capital and they need to relocate, if you don't have property, you lose those prospects," he said.

However, LVEDC has been reaching out to developers to encourage them to build smaller sites, an effort that has shown progress, Cunningham said.

Another solution, experts said, is to reuse older buildings, even large ones, and subdivide them to fit smaller manufacturing companies.

RESPONDING TO THE GAP

Lehigh Valley Industrial Park Inc. is looking to create a small building in its Lehigh Valley Industrial Park VII in Bethlehem that could have up to four small manufacturers occupying about 40,000 square feet, Cunningham said.

Kerry Wrobel, president of LVIP, said

construction of the flex industrial building, at 1920 Spillman Drive, should begin in September.

"We do not have tenants at this time; we are focused on attracting small manufacturers to the building," Wrobel said. "LVIP is responding to the gap that we need to create Class-A industrial space for small manufacturers."

MANUFACTURERS PREFERRED

J.G. Petrucci also is building small properties that could be for manufacturing uses in the Valley, Cunningham added.

Correia said the firm is developing sev-



— **Kerry Wrobel**
Lehigh Valley Industrial Park Inc.

'LVIP is responding to the gap that we need to create Class-A industrial space for small manufacturers.'

eral older properties to bring them back to use. Though the market would dictate what companies land there, Correia said his company's preference is always to

bring manufacturing to the Valley.

J.G. Petrucci also is looking to divide large industrial-zoned buildings to allow more than one company to occupy the space.

SUBDIVISION

An example of a potential reuse property is the former Reeb Millwork building at 600 Brighton St. in Fountain Hill. Reeb Millwork, which manufactures millwork products, relocated to a new space

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An aerial rendering shows Lehigh Valley Flex Center, a project J.G. Petrucci Co. is building at the site of the former Guardian Insurance building at 3900 Burgess Place in Hanover Township, Northampton County. The site will become three industrial buildings totaling 470,000 square feet.

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SMALL SPACES

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in Bethlehem.

"That's an example of a building that lends itself to subdivision," Wolf said. The 235,000-square-foot-building has rail access and backup power capability.

Another example is The Riverside Business Center in Whitehall Township, which Wolf said he represented as a broker about 15 years ago. That adaptive reuse of an older building has a good mix of manufacturers, Wolf said.

LOWER CEILINGS

These buildings are going to be lower in taxes and overall operating expenses because of their lower sizes, Wolf said.

In addition, these smaller buildings have lower ceilings, which is good for manufacturers who can live with 20- to 24-foot-clear ceiling heights, Wolf said. Much of the new logistics/distribution facilities have higher ceilings of about 34 feet.

With the rise of e-commerce, ancillary businesses also are growing, prompting the need for small manufacturers such as companies that produce boxes and packages, plastics and food and beverage products, Wolf said.

FLEX CENTER

Among the facilities being built by J.G. Petrucci is Hanover Flex Center II, a 193,000-square-foot industrial center, with one building at 99,000 square feet and a second one at 94,300 square feet.

The property is ready for construction and sits at Jandl Boulevard and Township Line Road in Hanover Township, Northampton County.

J.G. Petrucci also plans to rebuild the former Guardian Insurance office building at 3900 Burgess Place in Hanover Township, Northampton County, into space for industrial use.

"That's probably something we are going to get started on right away," Correia said.

ONE INTO THREE

Guardian Insurance consolidated hundreds of its employees from three buildings in that area and moved them all to its new headquarters, a new building that opened two years ago farther north in the township off Route 512.

The former Guardian site will become Lehigh Valley Flex Center, a 470,000-square-foot project that includes one building at 160,000 square feet, a second one at 150,000 square feet and a third at 160,000 square feet.

"Depending on the users that come to us, we will break up those sites," Correia said.

30,000 SQUARE FEET AND UP

J.G. Petrucci also completed a similar project in Bethlehem's LVP VII for a building that manufacturer Alpa Inc. and another company occupy at 2120 Spillman Drive.

Correia said J.G. Petrucci is focusing on building sites from 100,000 to 150,000 square feet.

"We are seeing a lot of requests coming in for 30,000 square feet and up," Correia said. "It all depends on the specific user."

HIGHER PRICE TAG

One challenge is that it's more expensive for builders to construct smaller facilities.

"The cost per square foot is going to in-

crease as you decrease the square footage," Correia said.

Land prices are high, said Mike Adams, senior vice president of NAI Summit in South Whitehall Township.

"You put up a smaller building, rents will be higher," he said.

That's especially true for those who are building new structures.

TIGHT MARKET

Adams said he doesn't see anyone jumping on the construction of small buildings in the industrial market.

Buildings in the 15,000-to-20,000 square-foot range are extremely hard to find.

"In the Valley, definitely it's tight – and all over from the west end to the east," Adams said. "Anything with 25-foot ceilings that you can break down [subdivide] is not around." 7



J.G. Petrucci Co. plans to rebuild the former Guardian Insurance office building (above) into space for industrial use.

PHOTO/CHRISTOPHER HOLLAND

HACKERS

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"cybersecurity needs to be paramount," he said.

Taylor cited industrial espionage, ransomware and phishing as some of the biggest ways that hackers are attacking manufacturers.

EXPOSURE

Taylor said manufacturers always must be diligent. Online access and devices that talk to each other go hand-in-hand when technology gets upgraded, he added.

"We are living in a world that is both a blessing and a curse," Taylor said. "Information is easy to get via the internet, but it is also exposing us to intrusion and greater vulnerability."

Harford said he suggests to manufacturing clients to update computers in the office along with technology on the floor.

And since most hacks are done through online access, these manufacturers should have stand-alone technology not linked to other computer systems.

SILENT ATTACKS

A key defense tactic is that a cyberat-



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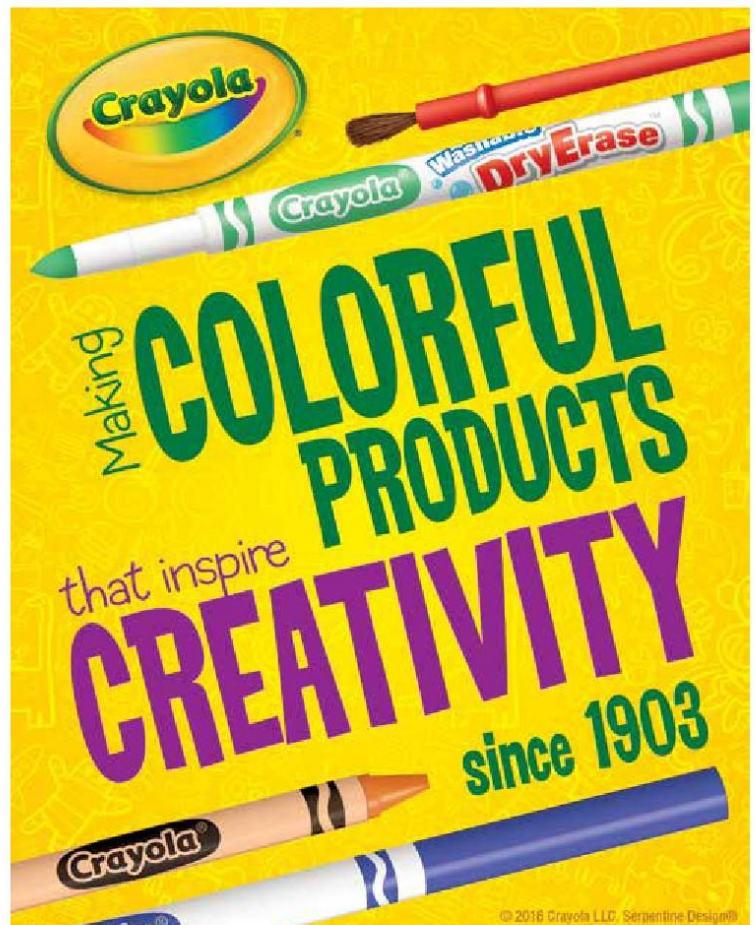
that, but it is more about silent attacks."

— Joe Harford
Reclamere

tack can be minimized at a manufacturing facility when robots, technology on the floor and computers in the offices are separate and distinct, according to Harford.

"It all depends on how devices are configured. What computer does your internet banking? Try to make sure that this computer has no connection to other systems," Harford said. "These attackers do not want to necessarily shut down your systems. Everyone worries about that, but it is more about silent attacks."

"Hackers are quietly gaining access, watching daily activities and taking their information without people knowing that they are in the system." 7



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