SUMMER SAVINGS:
6 MONTHS FOR 99¢

Most popular

1. Men arguing on upstate highway are hit, killed by car, troopers say
2. Man is found in Adirondack swamp after wandering for three days
3. Churchill: More mountain towing equals more stranded hikers
4. Police return to scene of Dominique Eley's killing in Albany
5. Zeldin path's to governor may come through Suozzi, not Pataki
6. State Liquor Authority proposal could benefit consumers, bars and

BUSINESS

Pandemic created new opportunities for commercial real estate sector

Medical office and warehouse space is hot as companies take a step back on office space and what office of future will look like

Larry Rulison

June 30, 2022

1 of 5

Jesse Tomczak, executive vice president and chief banking officer at Pioneer Bank in Colonie says the medical office space and warehouse and logistics market are red hot in the commercial real estate sector.

Courtesy Pioneer

ALBANY - The stock market may be in a free fall, and the housing market may be losing a bit of its luster as mortgage rates rise amid efforts by the Federal Reserve Board to tame inflation and avoid a recession.

But when it comes to the commercial real estate market - minus the office space sector - there appears to be no indication that things are slowing down.

In fact, as the COVID-19 pandemic has rapidly reshaped how people work, live and play, the commercial real estate market has swiftly adapted.

What's hot? Warehouses, apartment complexes and medical offices.

What's not? Office space, although that trend can vary based on the size and affordability of different metro areas and the ability of companies to offer their workers a "hybrid" environment that allows them to work either from home or in the office.

Although it was a tough transition when the pandemic first forced workers home at the beginning of the pandemic in 2020, many workers have realized the benefits of remote work and never want to go back to the 9-to-5 grind at the office in favor of life-work balance.

"Obviously, office space has been a big topic, and it's interesting to see how companies are responding," said Jesse Tomczak, the chief banking officer of Colonie-based Pioneer Bank, which goes by just Pioneer these days. "I don't think we know where the numbers will end up with office space. A lot of jobs are being done (in hybrid environments), so they'll probably need a little less office space in the future."

While office space demand may be down about 10 percent as people spend less time in the office, other segments of the commercial real estate market are thriving - even those that may have seemed plain vanilla and uninspiring in the past.

"The medical office space market is really hot now," Tomczak said.

We are, after all, still in the middle of a global pandemic that has pushed the health care industry to its limits, especially hospitals.

And with people being forced to stay at home and cancel elective surgeries the past two years, there has been a trend to "decentralize" hospitals, most of which are located in cities, and bring care closer to patients, Tomczak said.

And that has led to a surge in new medical office buildings, urgent care offices and dental offices. OrthoNY, the orthopedic medical practice, now has four urgent care locations in the Capital Region that specialize in seeing patients quickly without an appointment. In the past, those same patients may have opted to go to a hospital emergency room. In the post-COVID era, an ER visit means hours of waiting and waiting without seeing a doctor and more chances to be exposed to COVID.

"You're seeing a lot of medical office space that's being distributed around," Tomczak said. He also said that warehouse space is in high demand as consumers shifted almost entirely to online shopping during the pandemic, even buying their groceries online.

"The pandemic forced them to learn new behaviors on how to shop," Tomczak said.

But commercial real estate brokers aren't giving up on the office space market just yet. As they see it, the market for office space is evolving into something new - which will provide new opportunities. And the industry isn't giving up on it just yet because there are indications that workers are continuing to return to the office even now in 2022 and more are expected to follow.

"Initially, there was a feeling that the traditional office environment was forever changed," said Peter Struzzi, president of Pyramid Brokerage Co. in Latham. "While we have some substantial blocks of office for sublease, we are seeing a slow but steady return to the work place. I'm not saying it will go back to the way it was, but it's trending that way."

Things aren't so fuzzy when it comes to warehouse space.

Struzzi said a while back, his office had listed a 140,000-square-foot warehouse in Johnstown for $3.50 a square foot for a so-called triple-net lease where the tenant pays for all expenses, including taxes.

Today, that same building is all leased out for $5.50 per square foot, an increase of 60 percent. Newly constructed warehouse space is going for $9.50 a square foot.

"Industrial is insane," Struzzi said.

But Struzzi says the thirst for warehouse space isn't totally tied to the move by consumers to shop online after the pandemic hit. It's also about technology.

Amazon and other companies have dramatically upgraded their ability to get products to consumers faster than ever, and that is requiring new, custom-built facilities with robotics.

"I would not put it all on online shopping," Struzzi said. "Automation is making the older (warehouse) stock obsolete."

Those trends match up with what national real estate experts are saying as well.

At a legislative forum held in May in Washington, D.C., the top economist for the National Realtors Association said the commercial real estate market was expected to be strong for the time being, despite the headwinds against it from COVID and rising interest rates.

"Outside of the office sector, which is lagging behind as employers allow increased remote work flexibility to keep and attract talent, commercial real estate continues to strengthen," Lawrence Yun, the chief economist at the National Realtors Association told the gathering. "The industrial sector is booming, retail is turning positive, the hotel industry is recovering, apartments are doing very well, and rents are rising in all commercial sectors."

Office space demand really depends on the type of business you are. Banks, for instance, still require a lot of in-person meetings with customers to sign loan documents and other verifications, and people still like going to the bank branch.

And companies in many cases have to spread employees out more now due to COVID precautions, so they need just as much space as ever while still being able to have their people work from home when the need arises. Many workers now see that flexibility as a mainstream benefit.

"In some cases, we reconfigured the workplace environment to support and enhance employee health and safety, which has been, and remains, an organizational imperative," said Susan Hollister, chief human resources officer at Pioneer, which has 22 branches. "And, when necessitated by regional rises in COVID-19 cases, we instituted hybrid schedules to further safeguard our employees."

And there are other benefits that have come about due to the pandemic and the dramatic shifts in workplace behavior and expectations.

"I haven't had a tie on in months, and I'm not missing it," Struzzi, from Pyramid said.

Written By
Larry Rulison

Reach Larry on

Larry Rulison has been a reporter for the Albany Times Union since 2005. Larry's reporting for the Times Union has won several awards for business and investigative journalism from the New York State Associated Press Association and the New York News Publishers Association. Contact him at 518-454-5504 or lrulison@timesunion.com.

TOP SHOPPING PICKS

Shopping
Here's how to get a free $20 credit for Prime Day

Shopping
There's a 'Schitt's Creek' expansion pack for What Do You Meme

Shopping
These are the best deals on Amazon today

Shopping
A rom-com is shockingly HBO Max's biggest streaming debut ever

From The Web

Sponsored Links by Taboola

6 Credit Cards You Should Not Ignore If You Have Excellent Credit
NerdWallet

The New Hyundai Palisade Is Nearly Unrecognizable
Hyundai Palisade SUV Sales

Diagnosed with Non-Hodgkin's Lymphoma or CLL?
Select Justice
Learn More

Gronk's Favorite "Dressy" Shoes Feel Like Walking On Clouds
Wolf & Shepherd

Where "The Biggest Loser" Winners Are Now
Women's Health

New Senior Apartments Coming Nearby Albany (Take a Look at The Cost)
Senior Living | Search Ads
Learn More

Clearance on Grills
Discount Grill Liquidators
Learn More

A Visual History of the Honda Civic
Car & Driver

56 Gloriously Awkward Photos Of Celebrities At Prom
Elle

TIMES UNION

RETURN TO TOP

ABOUT
Our Company
General Standards and Practices
Newspaper Delivery Safety Procedures
Advertising
Interest Based Ads
Terms of Use
Privacy Notice
Your California Privacy Rights
Jobs at the TU

CONTACT
Contact Us
Weather
School Closings
Events Calendar
Celebrations
Obituaries
Online Store
Puzzles Palace

SERVICES
Subscriber Services
Home Delivery
Become a Carrier
e-Edition
Corporate Subscriptions
Mobile App
Copyright and Reprint
Archives

HEARST newspapers

©2022 Hearst