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Drug dependent

Growing pharmas energize anemic real estate market

By DAVID WINZELBERG

Amid the downturn in Long Island's commercial real estate market, there is one sector that's shown it's much healthier than the rest.

While most other industries continue to contract and shed space, the makers of pharmaceuticals and nutritional supplements have expanded here recently, with more companies buying property and leasing buildings for their burgeoning businesses.

Founded in 1997 by two immigrant pharmacists from China, A&Z Pharmaceutical is one of a legion of growing pharmaceutical firms here. Headquartered in Pittsburgh, A&Z distributes generic analgesics, antacids, cough and cold medicines, and nutritional and herbal supplements. The company expanded its Long Island operations last year, going from a 23,000-square-foot space in Hauppauge to a 78,000-square-foot building it purchased in Deer Park.

Last November, Natural Organics, makers of Nature's Plus vitamins, paid \$8.4 million for a 110,900-square-foot office/warehouse building at 525 Broadhollow Road in Melville. The flex building had been vacant for more than 18 months. Natural Organics nearly doubled its space in the deal, giving up 56,000 square feet in Amityville.

Chuck Tabone, of Newmark Knight Frank who helped broker the Natural Organics deal, said drug and supplement makers have been a bright spot in an otherwise dim market.

"This is a sector that's continued to grow through good times and through contractions," Tabone said. "It's one of the most resilient sectors of the market."

Gemini Pharmaceuticals in Commack re-

cently bought a 30,000-square-foot building for its expansion and plans to hire as many as 50 new employees. Gemini, which manufactures over-the-counter vitamins and herbal supplements, was wooed by other states to relocate, but principal Mike Finamore was able to secure some state tax breaks and instead chose to grow on Long Island. Bactolac Pharmaceutical in Hauppauge and Hi-Tech Pharmacal in Amityville are two other drug and supplement firms that have nearly doubled the size of their facilities in the last 18 months.

Attorney Peter Curry, a partner at Farrell Fritz in Uniondale, said Long Island is preferred by pharmaceutical firms because of its highly educated work force and quality of life. Curry, who assisted A&Z in its Deer Park expansion, said the industry's success is especially important for the real estate market lately, since drug and supplement suppliers usually take larger blocks of space and landlords welcome them.

"They are more managed, regulated and operate cleaner than a lot of other industries," Curry said. "And they produce a lot of jobs."

More jobs mean more tax breaks, another carrot for encouraging investment in new facilities and equipment. Sources say a Hauppauge-based drug maker is currently in negotiations to buy a 240,000-square-foot building in Central Islip owned by Creative Bath and will add 350 to 400 jobs for its expanded operations. The deal partly hinges on assuming the tax breaks attached to the property by the Islip Industrial Development Agency.

Bill Mannix, Islip's director of economic development, said assuming tax breaks isn't unprecedented and is used when the property buyer can deliver substantial capital invest-



PETER CURRY: Pharma companies love Long Island for its educated work force and quality of life.

ment and job growth. Mannix said tax break agreements can always be extended or amended to better fit the incoming company. "But the eventual goal," he said, "is to get those properties back on the tax rolls."

Curry pointed out that the state's Excelsior Jobs program, designed to replace Empire Zones, lists pharmaceuticals as one of a handful of industries that qualify for job-creation tax benefits. "That shows it's the type of company they want to have on Long Island," he said.

And while many pharmaceutical companies expand here, ancillary businesses can also ride their coattails. Kinematica, a Swiss instrument manufacturer of mixing and measuring equipment for the pharmaceutical industry, grew earlier this year from a 2,900-square-foot space to 8,700 square feet in Bohemia. Michael Zere, of Zere Real Estate Services in Ronkonkoma who brokered the lease, said it's rare to find clients who are looking for more space, not less.

"In a day when everyone's downsizing and shedding space to save money, these companies are in expansion mode and getting bigger," Zere said.

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Farrell Fritz
ATTORNEYS AT LAW

Farrell Fritz, P.C.
1320 RXR Plaza, Uniondale, NY 11556