

Real Estate Journal

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IFMA/GNY hosts Annual Real Estate Panel - March 13

By Steve Salowe, Cushman & Wakefield

On Thursday, March 13, Edward Norton of CIBC hosted "IFMA GNY's Annual Real Estate Panel" at their 300 Madison Ave. headquarters. Moderated, once again, by Cushman & Wakefield's broker extraordinaire, Harry Greeley, the distinguished panel addressed a series of topical New York related real estate trends. The panel featured a diverse group of real estate professionals, each with a unique perspective on a series of issues based on their particular area of expertise. The four panelists included Gerald McGowan, director of Real Estate and Purchasing for American Lawyer Media, Stephen Yavrouian, senior director of TPG Architecture, Alex Getelman, president of Aragon Construction, and Todd Korren, senior vice president of Swig Equities.

The first topic offered to the panel for discussion by Harry of Cushman & Wakefield, was trends in cost per s/f leasing rates. Gerry from American Lawyer Media noted that his firm was looking for additional space, and he found that leasing rates, despite the mortgage crunch and national deterioration in the residential markets, had actually increased in Manhattan. He estimated that, for his requirements, midtown rates were 10% higher than the previous year, while downtown reflected an increase by as much as 30%. To be prudent and protect his organization from securing space at perhaps peak rates, his alternative strategy was to explore opportunities in Brooklyn's MetroTech and Jersey City's financial areas.

The discussion progressed to the topic of construction costs, where Getelman of Aragon Construction commented that labor rates had been maintained, but material costs were skyrocketing based on the dramatic increase in oil prices. He added that at \$110 per barrel for oil, material costs cannot be controlled and will most likely continue to rise. The panel agreed with this observation and shared concerns that the ceiling was expanding and the impact would be realized throughout the real estate industry.

Harry of Cushman & Wakefield then posed the question of sustainability and trends towards the "greening" of buildings and spaces in New York. He asked if landlords were embracing this trend or opposing it. The panel agreed that the concept was important, but Todd of Swig Equities remarked that many developers simply could not afford the additional costs to implement the full contingent of LEED requirements. He added that larger developers, such as The Durst Organization, were leaders in sustainability initiatives. Stephen of TPG Architecture commented that tenants were increasingly aware and knowledgeable of sustainability and were requesting that new space be designed with "green" initiatives in mind. The panel then discussed the particular areas of increased costs that were required to successfully meet LEED criteria. This includes the need for a variety of architects and consultants, MEP engineers, certification applications and processing, and higher costs for materials.

Alex of Aragon Construction concluded that Fortune 500 companies were making concerted efforts to achieve certification, and he noted that Bryant Park Tower had recently been awarded Platinum status. He acknowledged that costs were certainly a factor for owners and developers, but trends were very clearly moving forward. Gerry from American Lawyer Media concurred with this opinion, particularly for projects in new locations, but he also reiterated that additional costs were a concern and not all organizations could afford the initiatives that they want to achieve.

The final discussion topic centered on trends in space management and design. The panel was in general agreement that most new office build-outs were increasingly featuring an open design. Alex of Aragon Construction stated that the most popular trends were 6'x 6' and 9'x 9' employee cubicles throughout new space, with executives in private offices (more often inside offices with cubes to the space's perimeter). Another factor for consideration in space design was technology and the appropriate utilization of space, based upon each organization's particular needs and core business practices.

A lively question and answer period wrapped up the presentation, which was followed by an outstanding gourmet dinner arranged by Edward Norton and his team from CIBC. The panel event was spirited and informative. As in past years, the attendees left the presentation with a stronger understanding of trends in the real estate market and were better prepared to face the real estate related challenges of their jobs.

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