



Findings from Marks Paneth & Shron's Gotham Commercial Real Estate Monitor

February 25, 2013 - Spotlights

This summary presents the key findings of a survey of over 100 top commercial real estate professionals in the New York City market. A dual-mode methodology was employed of self-administered questionnaires completed either online or on paper by respondents. The list of professionals surveyed was compiled by Marks Paneth and Shron LLP, the research sponsor. Interviews were completed during the period of November 16, 2012 to January 4, 2013.

Manhattan Commercial Real Estate Today: Overvalued and a Risky Investment

More than half of commercial real estate executives (52%) said commercial real estate in New York City is overvalued compared with commercial property in other major global cities. (8% said it's highly overvalued, and another 44% said it's moderately overvalued.) Nearly three-quarters (74%) said there's moderate to high risk in investing in Manhattan's commercial property. Only a quarter (24%) said there is moderately low or low risk.

What's the Next "Hot" Office Area: Grand Central, Lower Manhattan or the Garment Center?

Property executives were most likely to cite the Garment Center/West 30s as the next "hot" area for office space (24%). The next biggest group - 17% - cited the Grand Central area, followed by Hells Kitchen/Far West Side (15%). 12% named Downtown Brooklyn.

Hurricane Sandy's Impact on the Lower Manhattan Commercial Real Estate Market: Dramatic and Damaging

The majority of executives say Hurricane Sandy hurt Lower Manhattan real estate rates: More than a third (36%) say commercial property values in Lower Manhattan will be lower in 2013 because of the effects of Hurricane Sandy. Another 19% say storm damage has permanently lowered commercial property values there. Nearly half of the executives (47%) say Lower Manhattan property owners will be forced to lower lease rates and offer incentives to retain existing commercial tenants, and one in five say many existing tenants will relocate as leases expire. Only one in 10 executives say they believe the Financial District is the next "hot" office area where rents will skyrocket.

Major Development Projects with Biggest Potential Impact on Property Values

Executives were most likely to cite the planned Hudson Yards development on the Far West Side in the 30s as the major project that will have the most positive effect on neighborhood commercial property values (44%). The next biggest group (25%) chose the Long Island Railroad access to Grand Central project, followed by the Second Avenue Subway. The smallest group (8%) chose the

Freedom Tower development at the World Trade Center site.

Is Manhattan Commercial Real Estate Back to 2007 Levels of Health? Not Yet...It Will Be a While

Nearly two-thirds of commercial real estate executives in New York say occupancy rates will stay below 2007 levels well into 2014, and maybe past 2016. Where are leasing prices now? A quarter of executives believe commercial leasing prices are now at 2007 levels. But 29% believe it will take a year or two to get there, and another 29% think it will take until 2016 or later. The next office construction boom in Manhattan: A quarter of executives say it will happen between 2014 and 2015, but far more - 42% - believe it won't happen until 2016 or later.

Mayor Bloomberg: Good for New York Commercial Real Estate

The vast majority of real estate executives gave mayor Bloomberg high marks. A third (33%) said mayor Bloomberg has done an "excellent" job supporting the interests of commercial real estate, and another 43% said he's done a "good" job.

Lots of Commercial Mortgages in New York Are Coming Due in 2013. Should We Expect Foreclosures, or Refinancings?

Most property executives (65%) say owners of underwater properties will probably not opt for foreclosures. And 83% say banks will probably refinance properties at current low financing rates. But the majority (60%) also say that owner refinancings will result in cost-cutting reductions in the number of employees at commercial properties.

Methodology

The Gotham Commercial Real Estate Monitor from Marks Paneth & Shron represents the findings of a survey of over 100 top commercial real estate professionals in the New York City market. They included owners and managers of commercial property and commercial real estate brokers, agents, attorneys and accountants specializing in the sector.

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