



What's the forecast? CoreNet looks at this year's real estate market

March 17, 2008 - Long Island

Market predictions were on the agenda at the February 28 meeting of CoreNet Long Island. Contributing to a broad overview of Long Island's real estate market were three industry leaders: Jack O'Connor of Newmark Knight Frank; Gregg Carlin of CB Richard Ellis Group; and Herb Agin of Sutton & Edwards.

O'Connor, covering the industrial segment, noted that despite the subprime and energy situations, last year "the Long Island economy chugged along, though not at the same consumer pace." Vacancy rates remained very low this past year, and in fact, 2007 ended "with positive absorption and rents near their highest levels."

This year will see more construction to meet demand, he pointed out. In all, he was optimistic: "the industrial market will probably not be dragged down by the loan crisis though prices will begin to soften, with banks becoming more stringent with credit."

Carlin talked about the retail market. "It's a lot different—consumers are confused by the plummeting value of homes," he said. "This has a psychological impact and with the weakening job market, means less spending and lower retail sales." Nationally, he said, this January was the worst since 1969. Locally, retailers have put expansion on hold and a number of stores have been closed. However, Carlin said, this represents opportunity to national chains wanting to locate on Long Island. The region's demographics retain an enormous pull and the chains are buying, or leasing, wherever they can because so little is available. "I'm hoping more projects get built," Carlin concluded.

Will people be smiling at the end of 2008? That was Herb Agin's question in discussing his arena, office real estate. "Everywhere you see a fear running through the economy," he said. He lamented the lack of cranes on the horizon, because no real development has been taking place for years. However, looking back at earlier recessions, Agin noted that in those cases the market was overbuilt. Now the lack of activity creates a better balance, though making deals becomes harder.

"We're doing well as a country but when we hear we're in a recession we tighten up," Agin said. While the industrial component is doing well, he reported, a slow 2008 should be anticipated. His advice to colleagues: adapt, don't overextend, and remember we're encountering just another bump in the road—Long Island is recognized as among the best markets in the U.S. "With our 4 million population, we have a lot of attributes to sell."

CoreNet Global is the largest world-wide organization devoted to the professional education of corporate real estate executives; for more information visit www.corenetglobal.org/chapters/longisland/ The Long Island Chapter meets on the third Thursday of most months 8-9:30 a.m., at the Milleridge Inn in Jericho.

