



Working smarter in the commercial leasing market: We expect favorable leasing conditions to continue

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As we end the first quarter of 2008, we are seeing signs that the commercial real estate market is loosening. While the economy is experiencing indigestion from the credit crisis, it is important to remember that the New York City commercial market is unique and still one of the most sought after business locales in the world. With low vacancy, stable prices and a small supply of commercial space in the construction pipeline, the New York commercial may not see gains in 2008, but will brave the subprime storm.

As a result of the financial market instability, some companies may delay commitments for new space and as a result there may be less demand in the market, but I believe this will be offset by the limited availability of commercial space. It is amazing to look across our portfolio and see such high-occupancy in office/showroom buildings. As more space becomes available in 2008 as existing lease commitments come to an end, we are seeing activity from a backlog of buyers who were waiting at the sidelines when space was tight. We expect more favorable leasing conditions to continue to draw new interest in market throughout 2008.

Record prices seen in recent years may also stabilize. The financial services industry, which has largely fueled the aggressive rent increases of the past few years, will certainly influence the market going forward as this sector is expected to be more conservative in spending. Fortunately, Manhattan's business community is diverse. If all of the existing businesses in New York City grew by a marginal percentage, we would probably not have enough space to accommodate the growth. With more available space on the market, the best advice I can offer landlords is to retain existing tenants and negotiate new contracts prior to existing lease expirations. This will continue to preserve high occupancy rates for the landlord and also serve the best interest of the tenant. From a cost perspective, investing in a space occupied by an existing tenant is usually less expensive than renovating space for a new tenant and the associated down time that accompanies the change. If you already have a quality tenant, it is important to accommodate the changing needs of the tenant's business because the devil you know is usually better than the devil you don't.

Working smarter is essential for brokers this year. Smart brokers will educate their clients on the market from the very first phone call and manage expectations. While there are signs that the commercial market is slowing, we are still in a tight market. It is important for brokers to help tenants know what they can and cannot negotiate. Market knowledge and awareness are imperative. Smart brokers will look out for their client's best interest and are not afraid of advising their clients by bringing different options to the table that clients did not initially consider. While tenants may be the expert in their own business, brokers are the real estate experts.

It is always important for landlords and brokers to speak to clients regularly to plan for the future. Planning ahead is the key to finding deals. Knowing what space is coming onto the market and the

state of your tenant's business will pay dividends. Peace of mind has a real value as most businesses cannot afford a significant interruption in operations.

When planning to relocate this year, tenants should choose a location close to customers and clients. While Manhattan addresses command rents like no where else in the country, it is best to choose a strategic location that will foster and promote business. Businesses that need to maintain a presence in Manhattan will continue to seek creative alternatives in 2008. With realistic expectations and a quality broker who understands the business' needs, a tenant can find the right alternative.

Predictions for the remainder of the year still vary greatly from person to person and I don't believe that anyone can predict with certainty the full impact of the credit crunch. Those who have been in the industry for years know that real estate moves in cycles and like any industry, there will be times of exceptional growth and times of less activity. New York is a unique, resistant market because it has a limited amount of space that is highly sought after by businesses around the world. From a long-term perspective, I believe that New York real estate represents a solid investment.

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