



Right now is the perfect time to invest in Long Island's commercial real estate market

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Noticeably, Long Island's residential real estate market has been declining in recent months. We at American Investment Properties are often finding many of our clients asking us how this phenomenon in the residential market affects the commercial real estate market on Long Island? The answer to this question is, not very much. One of the main reasons commercial real estate on Long Island is holding its value relatively well, is the dominant leasing segment. Businesses on Long Island necessitate a site for their operations, making it possible for the commercial market to stay afloat despite the shortcomings of the residential market.

According to the National Association of Realtors' chief economist, Lawrence Yun, commercial fundamentals are essentially sound. "Although vacancy rates remain relatively low for all sectors, they are expected to rise slightly in the office and industrial markets during the coming year because much of the space being absorbed is in high-quality buildings or in built-to-suit. As a result, there is a fair amount of older space on the market, particularly in the industrial sector where obsolescence is a factor, although industrial rents are showing healthy gains. Vacancy rates in the retail and multifamily sectors are projected to tighten in 2008 with rents rising in all sectors."

Another reason that the Long Island commercial real estate sector is safe from taking a hit is the fact that many new investors are coming from outside the immediate area to buy and lease space. We are now seeing national and regional investors with heavy cash flow who would otherwise overlook Long Island. With Long Island being only 25 miles from New York City with lower rental rates, the attraction for investors is logical.

According to the Emerging Trends survey respondents, New York City was chosen as the nation's "hottest commercial real estate market." This is primarily due to New York City's low vacancy and expensive rents.

Long Island is absorbing the overflow of investors from Manhattan's saturated market. Many respondents from the Emerging Trends survey also viewed New York City as a leading bellwether for the rest of the U.S. commercial real estate market.

Long Island's commercial real estate market maintains its stability by attracting a large supply of tenants, primarily in Nassau County. Nassau County has an extremely wealthy and highly educated population. The tenants are willing to pay these rents which are elevated due to proximity to New York City. The Nassau County tenants are a very dedicated and loyal population. Over 60% of the people who live on Long Island also work on Long Island. This is an ever growing trend, as opposed to 15-20 years ago where many people would commute to the city from Long Island; there has been a change in the commuting population.

One more trend in the Long Island commercial real estate market is the demand for larger slabs of space. Due to the diminishing available land left for development, Long Island will never see building

development like they can acquire to try and receive approval to build. This has caused developers and investors to purchase whatever space they could get and try to get approval to build. This helps keep the market relatively stable, because you won't have to deal with additional product being added to the market. Most land and building owners will only have to deal with the normal economic cycle of Long Island and the U.S. Nassau and Suffolk building tenants are very focused on servicing the local community.

Much of the tenants consist of regional offices of major corporations alongside local companies. Due to the diverse tenant base on long island the credit and mortgage crisis will have only a very slight impact, and will probably only increase vacancy rate by around 1- 2%. Commercial structures on Long Island are being built at a steady rate, proving the strength and confidence of investors. Especially in a time of real estate uncertainty in most areas, investors want to invest in an area with the least amount of risk, and Long Island's commercial market is sure to please investors in the upcoming year. The future is promising for Long Island's commercial market, thanks in part to an abundance of quality tenants and high rents.

Ron Koenigsberg is the president of American Investment Properties, Garden City, N.Y.

New York Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540