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Spotlight/Westchester County: Uncertainty about de Blasio, a soft commercial market and other trends shaping New York's real estate industry according to latest Gotham Commercial Real Estate Monitor

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Uncertainty about the de Blasio administration and a high commercial vacancy rate were among the issues that worried New York real estate professionals, according to the 2013 editions of the Gotham Commercial Real Estate Monitor, an ongoing survey conducted by my firm, Marks Paneth.

In March 2014, Marks Paneth will launch its fourth iteration of the survey, which polls top commercial real estate professionals in the New York City market. Respondents will include owners and managers of commercial property, commercial real estate brokers and agents, and attorneys and accountants specializing in the sector.

The aggregated results have begun to give us a longer-term picture of some of the topics and issues that may be trending with professionals in the New York City commercial real estate market over the next year or so. Those topics that will continue to concern the commercial real estate industry include:

* The Financial District is re-emerging as a commercial hub. With the average office rents in Midtown at $70 a s/f compared to $48 a s/f in Lower Manhattan, offices in general will be moving downtown. There is also a trend toward more growth in the hotel and retail industries downtown and a number of hotel projects are under development. Add to that increased tourism and residential popularity, and occupancy overall will be very dynamic in Lower Manhattan over the next year.

* Too many vacancies make for an over-saturated market. There is a view that the New York City office market is not in good shape at present. While in the long term, it will rebound, so much development underway - in 2013, Manhattan saw 4 million s/f of new office building completed, the largest volume of new construction completions since 2011 - begs the question: will increase in supply be met with an increase in demand? Case in point: Citibank, which led the migration of banks and securities firms from Wall Street to Midtown over 50 years ago, has revealed plans to leave 399 Park Ave. and consolidate its New York operations at its existing Lower Manhattan offices. The action has Park Ave. landlords worried that other firms may follow suit.

* Post Bloomberg, where is the relationship between mayor de Blasio and the New York real estate industry going? The vast majority of respondents to our previous surveys have given high marks to former mayor Mike Bloomberg. The results from our November 2013 survey were starkly different - only 7% of New York commercial real estate executives said that mayor de Blasio will strongly support their interests. But de Blasio has committed to presenting a revised proposal for rezoning Midtown East by year-end, as an example, and it may be that the industry and the mayor will collaborate. Much of de Blasio's push in the industry has been with regards to affordable housing - but the market is still unsure about what his approach will be and whether or not he will raise

commercial property taxes.

* Office projects are also moving out of Manhattan. Manhattan looks a lot different than it did before the Bloomberg era. Is it becoming a corporate center and eschewing its residential side, except for the very wealthy? Office projects underway in Gowanus, Bushwick and Crown Heights and a new shopping mall in Williamsburg may be a precursor to what some see as a certainty. The outer boroughs and places like Jersey City are seen as attractive alternatives to Manhattan's high prices and a burgeoning interest in 'green' alternatives and nontraditional spaces such as bike racks, gallery and cultural spaces, etc. are motivating office and residential development.

* Higher interest rates continue to fuel unease. Speculation on whether the Federal Reserve will raise rates continues and may be driving the uptick in real estate deals. Questions swirl around whether the economy is strong enough to absorb any increases. But there is unease and a sense that any increase will eventually dampen commercial real estate deals. Refinancing seems likely in that case; whether or not there will be a commercial real estate bubble as there was a housing bubble remains questionable. The likelihood is that if rates do go up, it will be a gradual rise.

These are just a few of the trends and issues on the horizon that will inform the questions we develop for our March survey. The results from the previous (http://www.markspaneth.com/publications/fall-2013-gotham-commercial-real-estate-results)

Gotham Commercial Real Estate Monitor continue to enhance and deepen the complex picture of the New York City commercial real estate market.

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