



Staying strong in 2008: Diversifying between brokerage and holdings

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As we pass the mid-year mark in 2008, the New York City commercial market continues to move at a healthy pace. While there still remains uncertainty in the financial markets, it is important to remember that the sky is not falling and the Manhattan office market is still a global business destination. A diversified business model and a solid plan are the best weapons to weather the storm and come out on top when the market fully recovers.

While we are not seeing commercial leasing activity at the same breakneck pace we did one year ago, deals are still happening even if they are taking longer to complete. As more space becomes available on the market, there has been activity to absorb the vacancy. Even if vacancy rates go up one or two points, New York City will still see a healthy market with supply and demand in a good balance throughout 2008.

Tenants will find the best values for Manhattan office space in the Fashion District, Flatiron District, Midtown South and Downtown markets. This is absolutely a great time to lease space. A year ago, competition for space was fierce. Now we are in a healthy leasing environment with reasonable give and take between landlords and tenants.

It is important for tenants to select a landlord who is financially strong and can endure any kind of market. One of the benefits of working with a company that operates both as a brokerage and landlord is stability and full service. Both sides of the commercial leasing business compliment each other and offer tenants more knowledge and a fuller picture of the market.

When a broker can speak both from a landlord and tenant perspective, clients are better serviced. In commercial leasing, knowledge builds trust. It is essential for a broker to understand and have experience negotiating from both sides of a leasing transaction to ensure that clients get the best possible deal.

Another benefit of being on both the landlord and broker sides of the leasing business is that it facilitates communication between competing brokers. Brokers from different companies often have to work together to close deals. When brokers handle the landlord side of a transaction, it often opens doors and builds relationships with brokers from other companies. Relationships will always be essential in real estate.

From a business perspective, operating as a brokerage and holdings company is advantageous because market activity often comes from within. Tenants' needs are constantly changing and good landlords will do their best to accommodate and keep tenants.

In the 2008 market in particular, landlords should be partners to tenants and do everything in their power to keep a good tenant. Landlords best service tenants by checking in often - not just when a lease is going to expire. Tenants should likewise communicate any changes in their business with landlords - planning ahead is key.

Commercial leasing activity has been healthy in the first half of the year and we predict it will remain so in the second half. More space on the market is being met with demand from New York City's diverse business landscape. With the dollar value low, New York provides excellent value and we believe we will see continued interest from foreign companies.

The commercial market moves in cycles and there will always be varying rates of activity. It is never safe for a company to put all of their eggs in one basket. Companies with diversified business models have the ability to shift strategies and sales methods during periods of less activity and will thrive in the Manhattan market. By nature, a brokerage and holdings company is stable - tenants and brokers can be assured that this kind of company is going to stick around.

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