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Long Island's economy is rebounding after a long hiatus

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After what seems to be a long vacation, the real estate market on Long Island is coming back rested, relaxed, and ready for business as usual. Commercial real estate particularly on the Island is experiencing a boom compared to previous months. The retail and office sectors are filling up vacant stores and office suites. Developers are putting on their hardhats and reviewing their blueprints as new development projects resume.

In recent years, the retail sector on Long Island has experienced an increase in vacancies. Many retail chains have faced increased merger activity causing numerous store closings. Retail rental rates have sky rocketed in the past 5 years and until recently, landlords have struggled to replace vacant stores at high rates. The absorption rate of retail space has been high. Office buildings have been experiencing higher than normal vacancy levels due to economic conditions. In recent months, the gloomy news has subsided. Long Island currently boasts some of the lowest vacancy rates in the nation, with a current rate of around 11 percent. All current news seems to be good news.

Net absorption of office space, which includes leasing of new space coming on the market as well as space in existing properties is also down, indicating a rebound in the market. The decrease in vacancy levels is due to creative problem solving on the part of local landlords. Ted Weiss, president of T. Weiss Realty for example is offering brokers 10 percent above standard commission as an incentive to lease his Melville office building. Retail property owners are finding themselves renegotiating leases with their tenants in an effort to keep their properties occupied. Ingenuity is proving to be crucial in keeping Long Island at the top of the nation's real estate market.

Many local investors are finding themselves replacing and competing with conglomerates such as REITS to purchase properties once unattainable to local purchasers. With the fluctuations in the stock market taking everyone for a ride, the large REITS have halted their acquisition intensity to focus on managing and maintaining existing properties in their extensive portfolios. Most of the top REITS are playing it safe, allowing local investors to fill their shoes and purchase local shopping centers at aggressive prices. Right now is the perfect time for investors to purchase shopping centers, office buildings, triple net properties and apartment buildings.

According to the New York State Builders Association, there had been 97 development project initiatives in Nassau County and 334 in Suffolk County this year as of April. The typical obstacles for developers are city and state approvals. In the current market, the major obstacle is the declining of potential profits as a result of reduced sales of condominium and apartment units and difficulty leasing out new retail and office space. Developers and owners who in recent months have been forced to put their projects on hold are reinstating financing and working with lenders to resume development. Many of the development projects which have recently been sidelined due to financing concerns are showing signs of recovery as commercial properties on Long Island are in the process of being refinanced with mortgages coming due. Refinancing gives landlords more financial leverage to deal with vacancies and building costs. Lenders are beginning to approve potential purchasers of halted projects which in turn jump starts the construction process.

Long Island consistently evolves and adapts to the ever changing economic environment. Although the economy has been on a steady decline, it seems as though the commercial real estate market is rebounding, particularly on Long Island. With creative solutions and bold actions, the commercial real estate market in Nassau and Suffolk counties continues to lead the way for the nation. For more information on how to take advantage of current opportunities, please call American Investment Properties.

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