June 11, 2012

POSITION YOUR COMPANY FOR TODAYS SOFT REAL ESTATE MARKET

BY ROSS SELINGER
SELINGER ENTERPRISES, INC.

"It's déjà vu all over again"! After a year of positive economic news, the first quarter of 2012 remains a mixed bag of economic news.

Gross Domestic Product, housing starts and manufacturing all declined while consumer spending and housing sales rose. Most important, unemployment trickled down slightly to 8.1%.

The National office market has followed suit as evidenced by the vacancy rate and average rental rates dropping for four consecutive quarters to 12.2%. This indicates that landlords are continuing to drop prices to keep their buildings occupied. Corporate America is taking advantage of this opportunity by renegotiating their leases and reducing their occupancy costs. They are moving into larger spaces and/or better buildings at reduced rental rates with sizable concessions. The upside for landlords is retaining their quality tenants and keeping their buildings full.

Long Island has followed the national pattern with slightly better numbers. Unemployment dropped significantly led by the Professional and Business Services sector. This has caused Long Island consumer confidence, spending and tax revenues to increase. On the other hand, the housing market remains mired in a slump with foreclosures rising and sales and prices declining.

The Long Island office market has also been steadily improving as evidenced by vacancy rates declining for the fourth consecutive quarter to 9.9%. The average asking rent has declined to $25.91 per square foot. This indicates that Long Island landlords are continuing to negotiate aggressively to do keep their buildings full. Following the trend set by Corporate America, Long Island companies are taking advantage of this window of opportunity by renegotiating their present leases and reducing their occupancy costs or relocating to larger space and/or better buildings at deep discounts.

It is imperative for office tenants to take advantage of today's current market conditions by renegotiating their leases or seeking new space. The most effective tactic is proactive positioning by a tenant representative to create leverage and "make the market". This approach has consistently secured substantial, below market concessions. Furthermore, the lack of new construction indicates that once this economy improves, the office market will reverse itself and office rents will once again spike. It will be "déjà vu all over again"!

Ross Selinger is President of Long Island, New York based ITRA Global / Selinger Enterprises, Inc. You may contact Ross at 1.516.222.7974 or by email at Ross@SelingerEnterprises.com.