



long island

Increased stability and progress are being seen in Long Island's commercial real estate market

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After the tumultuous Long Island commercial real estate market of 2009, we can finally see stability and progress. While it would be optimistic to speculate that 2010 was going to begin with drastic improvements, it is important to recognize the reality that a complete recovery will take time. Initially 2010 appeared quiet and stagnant, however, the second half of the year has shown movement indicative of a turnaround.

This momentum can be attributed to the steadying of vacancy rates and unemployment figures. In addition to the concrete evidence an overall sense of increased market confidence will help stimulate the industry. Buyers and sellers of real estate are regaining their confidence and have a more positive outlook in their decision making process. These cooperative factors have enticed many developers into resuming projects that were previously placed on hold. We must also look at our situation from a comprehensive perspective and appreciate that these significant improvements will ultimately create a lasting effect on Long Island's commercial real estate market.

Metropolitan Realty Associates (MRA) is a prime example of a firm that exudes confidence despite the

seemingly dormant marketplace. MRA proclaimed this sense of confidence through the acquisition of 711 Stewart Ave. located in Garden City. The sale of this 335,000 s/f office building for \$15 million (\$45 per s/f) comprises one of the largest transactions on Long Island this year. Their willingness to invest in the market depicts a heightened sense of a confidence that is infectious.

During 2009 we experienced higher than normal vacancy levels in office buildings as a result of economic conditions. Initially landlords responded to their fear of vacancies by eliminating rent escalations for existing tenants. To further combat the possibility of vacancies landlords felt compelled to lower retail and office asking rents. These incentives excited existing tenants and lured new tenants

into occupying vacated spaces. Our current vacancy rate boasts just fewer than 11%, which is one of the lowest in the nation. This trend in declining office vacancies is indicative of a market rebound.

In conjunction with vacancy rates, unemployment figures are a crucial component to the commercial market. Robert Knakal of Massey Knakal recently said, "I believe one of the most important metrics determining the health of real estate fundamentals is unemployment, and it appears that the trend in job losses has reversed." Most experts agree that unemployment rates which previously hit rock bottom are finally heading in the right direction. Now that companies are hiring they are finding a renewed necessity to expand their commercial space.

In recent months we have seen developers put on their hardhats and review their blueprints as development projects resume. One of the most exciting projects which are certainly creating a buzz in Long Island is the plan to build an indoor ski mountain and resort on 750 acres in Calverton.

Last week, Riverhead Resorts completed the final step prior to closing on its \$2.2 billion multi-themed resort project. In addition to its year-round winter sports, Riverhead Resorts will offer an indoor water park, a lake for fishing and boating, a wilderness lodge, whitewater rapids for kayaking, campgrounds, a stadium for horse shows and competitions, an equine museum and care facility, family-style amusements, restaurants, cafés, nightclubs, a conference center, a multipurpose field house, athletic fields and seven hotels. Developers project that the resort will create 2,500 permanent jobs and about 3,000 temporary construction jobs. They are expected to file for site plan approval before the end of the summer which means construction could start in late 2011.

The Rechler/Wang power duo has also provided us with some inspiring news. The Shinnecock Nation is set to finally receive federal recognition giving the tribe the ability to apply for a class III gaming license, which would allow it to operate a full-fledged, high-stakes gaming facility. This casino would serve as the nucleus for a burgeoning entertainment epicenter. All of the commercial, retail and residential "new suburbia" dreams would become reality as developers flock to construct a supporting economy within the glow of the Lighthouse Project.

Although still in recovery mode, the commercial real estate market on Long Island has clearly showed the early signs of growth. Most experts would agree that as we approach this upward second half, investing will prove lucrative. Many investors have already begun to take advantage as they anticipate that the value of shopping centers, office buildings, triple net properties, and apartment buildings are on the rise.

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