

LONG ISLAND

Light at the end of the tunnel coming into focus

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After the tumultuous Long Island commercial real estate market of 2009, we finally can see stability and progress.

While it would have been optimistic to speculate that 2010 was going to launch with drastic market improvements, it is important to recognize the reality that a complete recovery will take time. Initially, 2010 appeared quiet and stagnant, however the start to 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 should prove to 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 co-operative factors have enticed many developers into resuming projects that were previously placed on hold. We also must 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 Avenue, located in Garden City. The sale of this 335,000 s/f office building for \$15 million (at \$45/sf) 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 is less 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 need 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 that is 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 also has 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.

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Although still in recovery mode, the commercial real estate market on Long Island has clearly shown the early signs of

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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 is on the rise.

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With its aggressive and competitive buyers, expertise and commitment to the sale of commercial real estate, American Investment Properties has triumphed as the principal in commercial real estate on Long Island.