

**long island brokerage**

# Past, present and future of Long Island real estate reveals a secret no investor should be without!

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If you ask the average person in the area, "How is the commercial real estate on Long Island?" you will most likely hear the monotonous reply, "Good." The average person may give this answer but has no idea of the factors involved in such an answer or even such a question. The fact of the matter is that commercial real estate on Long Island is good, in fact, it's fantastic. Ten years ago commercial real estate in the area

began to get big, and now today, we aren't even close to a peak.

Ten years ago, unlike today, there was little to no bank financing. This meant that the seller, more often than not, financed the property, for example, for 15 years at 8% self-liquidating in order to attract more buyers. The time period of 1997 was definitely considered a buyer's market.

Shopping centers on Long Island were selling at an average of seven to eight times the NOI. This equates to an average of 12%-15% returns on any transaction. And this is ten years ago!

Fast forward to today. "Tremendous growth" is the only term to describe the transition. Since 1997, we have experienced one of the greatest increases in property values in any

major real estate market across the nation. In many cases property values have doubled since 1995 and

some of the largest capital gains to be created in the history of the real estate market.

**The real estate market on Long Island is very healthy and is expected to continue to be vigorous in the future. Since 1997, we have experienced one of the greatest increases in property values in any major real estate market across the nation. In many cases property values have doubled since 1995 and in some cases only in the past three years.**

in some cases only in the past three years. When these properties are transferred, they will account for

The transformations in financing since 1997 have been dramatic. IRS Code 1031 tax-free exchange was

broadened in 2000 with the approval of the reverse exchange. Now, instead of having to find someone willing to swap property, you could sell to one person and buy from another. The use of section 1031 to defer income taxes has mushroomed in the past half-decade. By sheltering the gain and deferring all taxes, an investor is able to unlock the biggest impediment to a high rate of return, and for the first time in real estate history, be able to secure larger returns.

The real estate market on Long Island is very healthy and is expected to continue to be vigorous in the future. In the past 10 years, office space has tripled, from 13.6 million s/f to 35.7 million s/f. Long Island's vacancy rate is the third lowest for any suburban business district in the country, with only 11.7% of commercial space unoccupied.

Today, 2007, shopping centers on Long Island are selling at an average of 13-18 times the net. Compared to ten years ago, this is an incredible 100% increase!

Granted, it is not possible to know for sure what the future will be for commercial properties of Long Island real estate. A person can never fully predict and time any market, whether it is stocks or real estate or any other. However, the facts that we have at our fingertips greatly evidence the following extrapolation.

The basic and fundamental principle that any investor, or any on-viewer for that matter, must be aware of is that real estate is cyclical. As the saying goes, "What goes up must come down." Over the past ten years there has been an incredible run-up in real estate investments. There is no way to avoid the inevitable decrease in property value, the only tactic we can execute is to embrace this fact and prepare ourselves to limit the loss and look for even greater returns when the cyclical market takes yet another turn.

The past has taught us that unlike any other market, real estate will always be advantageous in the long-run. Although it may sound rather cliché, there are current and active factories around the world producing additional goods to trade on a market, but the factory for real estate went out of business long ago. This means that a property owner must look to have good tenants and to upkeep the property. If a person takes an active role in these feats then over time there is no better investment. With the right mindset, the right timing, and the right broker, an investor will always have limitless earning potential.

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