



long island

The facts of Long Island commercial real estate reveal only one undeniable conclusion

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Is commercial real estate on Long Island still a good investment? Ask any average home owner and they will know that the residential market is at a low, but this does not necessarily translate to commercial real estate. The facts are clear: Long Island vacancy is low, rents are high, outside investors are suddenly joining the market, properties are being valued at unprecedented prices, and

new developments make way for more activity in the market.

While the residential real estate market is currently flat, New York's commercial market has been flourishing since 2004. Rents are on the rise and vacancies are down. Recent research shows that although the national average of office vacancies are up, New York ranks amongst the few regions that are declining. Office vacancies in the area are half or even a third of what they were five years ago. On average, N.Y.C. and Long Island rents rose 18% in the past year alone. Class A space has seen a 34% increase in monthly rents in the past year and are up 74% from the 2003 low point. Long Island has ranked as the number one market in the country for office rent growth, according to Coldwell

Banker Commercial. Experts show few signs, if any at all, for a slow-down in the near future.

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The Long Island commercial real estate market was once completely dominated by local players. More recently however, new faces are coming into the mix from outside the area. These investors see great opportunity on Long Island, specifically with office buildings and retail centers.

But when and why did these new

investors from outside the area begin to come? Long Island may have first caught attention when

the large local company Reckson Group went public and became Reckson Associates Realty Association in the mid 1990s. Reckson Associates changed the face of Long Island commercial real estate. The company owns more than 100 properties and over six millions of commercial space. When Reckson went public it put a magnifying

glass on Long Island real estate. This brought many new investors with large capital to get involved in commercial real estate on Long Island, and in turn, raised the value of properties dramatically.

More and more investors are paying unprecedented prices for properties on Long Island. In one of the largest commercial real estate transactions ever, CRIC Capital and Prudential Real Estate Investors purchased the 778,000 s/f office building in Islandia for a whopping \$204 million. Last year Kimco Realty Corp. purchased Airport Plaza in Farmingdale for \$211 per s/f.

A school building property on four acres of land in the village of Lawrence recently sold for \$30 million, which very well may be the highest price per acre ever paid for on Long Island. This school building, located on Central Ave., is planned to become a four-story luxury condominium this coming fall.

Another recent deal that must be taken into notice is the Islandia Shopping Center. Long Island developer Vince Polimeni, president of Polimeni International LLC, sold the 400,000 s/f shopping center for \$92 million. At an incredible \$230 per s/f, many local real estate experts believe this to be one of the largest single-asset transactions in Long Island history.

Less than a year ago, CB Richard Ellis Group, the big commercial real estate services company, bought Trammell Crow for approximately \$1.8 billion. The company ranked number 33 on Fortune's list of fastest growing companies in 2007. Ellis, based out of California conducts tremendous activity in the Long Island commercial real estate industry.

Many local companies are taking advantage of the opportunities available now that outside investors are in the market. Two years ago a joint venture between CLK Management Corp. and Houlihan-Parnes Realtors, both based on Long Island, purchased the Tilles portfolio for \$335 million. This accumulated 2.1 million s/f of office space for CLK/Houlihan-Parnes.

Development on Long Island may be matured, but it is certainly has not reached a plateau. The new development of Heart Town Sq. is located where the Sagtikos Parkway meets the LIE. This will be Long Island's first smart growth community. This development will include 9,000 housing units, a 1 million s/f lifestyle center, a hotel and convention center, and 3 million s/f of class A office space.

Another large development in the works is the Glen Cove mixed-use waterfront. Glen Isle Partners is

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Manhattan's luxury properties remain the healthiest sector of the borough's residential market

ib Ilan Bracha



Bracha Group

As we enter the fall season, Manhattan real estate professionals are gearing up for their busy season. Brokers, buyers, and investors all return to the city and look to make and spend money respectively. Much to the dismay of market doomsday predictors, the Manhattan market has weathered the notorious credit crisis experienced this past August. Although lenders have tightened their restrictions on prospective borrowers, they are still generating loans and deals are getting done. The bottom line is that in a city that enjoys steady population growth, buyers need to buy and sellers need to sell.

The healthiest sector of Manhattan real estate remains the luxury market and large 3 and 4 plus bedroom units. These buyers are not affected by the

credit crunch because they are the buyers who do not fret about securing mortgage. These are the all-cash buyers or buyers who do not blink at putting down more than 20%. It is these buyers who will eventually convert into the sellers who stand to profit the most. A perfect example of this situation is happening right now at 15 Central Park West. Many scoffed at the buyers who purchased units during the preliminary stages of sales where they were buying at \$2,000-\$3,000 per s/f. Now, these averages are reaching \$5,000 per s/f. Like it or not, the old adage of the rich getting richer remains true to this day.

The luxury market is also being boosted by the continued increase in foreign investors. The weaken-

ing dollar has allowed foreigners, especially those carrying Euros and British pounds, to purchase real

Americans read the national real estate reports and believe they can find good deals in what they believe

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estate in Manhattan. Foreigners are placing their money in Manhattan because it is the only viable market in the country. Although foreign buyers recognize this fact, many

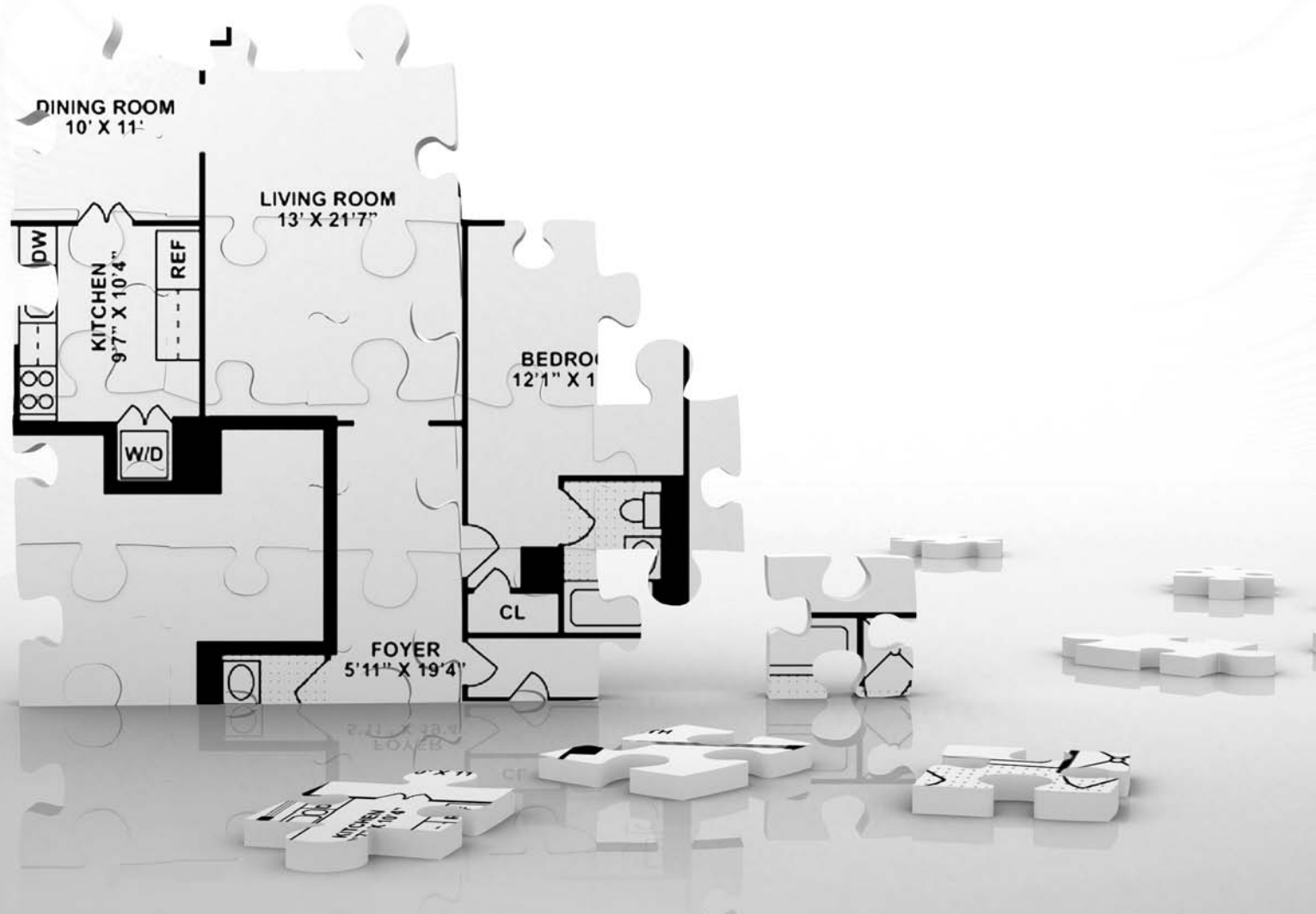
is becoming a buyer's market. This is not correct. Manhattan real estate continues to be resilient. However, since the rates of appreciation are not as high as they were a few years

ago, there will be some sellers who find themselves in a situation where they must sell and this is where you will find the deals.

I will leave you with the following tips... For the buyers, there are deals out there but you need to look for them. You have a small window to find a bargain, so take advantage now, the opportunity will not last. For the seller, price your property based on contract signed comparables and not on available inventory, this will generate the proper traffic to your unit so that it will be sold in a timely manner. For the brokers, only work with motivated sellers.

Ilan Bracha is the president of the Bracha Grp. and VP at Prudential Douglas Elliman, New York, N.Y.

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constructing a smart growth development including 860 residential units, 41,000 s/f of entertainment use, 200 suite hotel, 32,000 s/f retail space, and 50,000 s/f office space.

These in-process developments add to the newly developed Rte. 110 in Farmingdale. Breslin Realty Development recently demolished vacant buildings of Polytechnic University to build the giant retail complex in its place. The 25-acre development borders Republic Airport with massive frontage on Rte. 110. This \$60 million development totals 275,000 s/f of commercial space which will be anchored by the largest Wal-Mart store on Long Island. Among other tenants, the Wal-Mart joins a Bank of America, Chili's Restaurant, Boulder Creek Steakhouse, and Panera Bread.

The fact that Long Island real estate is flourishing and will continue to do so is evidenced by every piece of data available. After taking into account the low vacancy rate, the high rents, the new investors, the increasing value of properties, and the rising market activity due to new developments, there is only one undeniable conclusion that can be reached: This is absolutely the best time to invest in Long Island commercial real estate.

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