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Long Island commercial real estate: A reflection on the past decade and a look to the next decade

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The past decade can undeniably be summarized as a seller's market. Some of the largest and most substantial properties on Long Island have transferred ownership with record-breaking sales prices. The highest dollar per s/f rates were recorded during the past 10 years. Looking back on the remarkable sales of the past 10 years will help reveal the future for commercial real

estate on Long Island.

EAB Plaza is Long Island's version of Rockefeller Center. One

15-story office towers in Uniondale yielded \$218 per s/f. While retail properties such as the Zomick's

lowest capitalization rates in history. In 2008, a small unanchored strip of stores in Island Park sold at a

REITS, developers, users and private investors all basked in the success of the real estate market on Long Island. With low capitalization rates and high prices per s/f, the past decade made history...However, what goes up must come down. Unlike the previous decade, the next 10 years call for less record breaking statistics. In 2009, real estate transactions subsided and investors held on to their capital, slowing down the real estate market to an almost halt.

of the largest and most prominent properties on Long Island was sold in the last decade for an impressive amount. Nassau County's premiere office complex sold for \$240 million in 2005. The 1.1 million s/f, two

shopping center that sold in 2007 at an almost record-breaking price of \$573 per s/f have been selling at remarkable prices, EAB Plaza commanded attention with its sale.

The past decade saw some of the

capitalization rate of 5.4%. 1031 exchanges guided the bidding of many investors in their quest for properties. This sale of Kikkert Plaza in Island Park revealed the commercial market and summarized

the real estate transactions being recorded on Long Island.

The year 2005, among other notable sales, witnessed the \$300+ million acquisition of the Tilles Family portfolio consisting of 43 buildings in Woodbury. This transaction amounted to a sales price of \$150 per s/f. This sales price broke records as the largest office portfolio sale on Long Island. The purchaser, CLK/HP Management, has acquired more than 4 million s/f of offices in Nassau County since November 1999. Aside from investing \$300 million to buy the 2 million s/f Tilles office portfolio in Woodbury, CLK/HP acquired a portfolio of nine properties in Nassau County for \$70 million in the same year.

In 2008, the top retail sale on Long Island was a 380,000 s/f shopping center on Veterans Highway in Islandia that sold for \$92 million, or \$242 per s/f. While retail centers in New York sold at an average price of \$245 per s/f, the sale of Vincent Polimeni's Islandia shopping center broke all records as the single largest asset sale on Long Island.

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However, what goes up must come down. Unlike the previous decade, the next 10 years call for less record breaking statistics. In 2009, real estate transactions subsided and investors held on to their capital, slowing down the real estate market to an almost halt.

The records set by previous years will be the goal for the next decade. As investors begin to refinance their properties and make decisions in this new market, several trends are due to emerge.

Rising interest rates will affect the future real estate market as properties come to the market in the next few years. Capitalization rates will follow the interest rate trends. Compared with the 5% capitalization rates we've seen in the past decade, the next 3 or 4 years will see 10-12% capitalization rates.

Every seller on Long Island will be more than happy to recall the high bids they received for their properties in the past ten years. Although 5% will no longer be the standard capitalization rate, a more normal rate of 10% will set the bar for real estate transactions on Long Island. The real estate market will indefinitely witness more stability and normalcy in the next decade.

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