industry leaders

Industry leaders speak out: Where are we now, where are we headed and where are the opportunities?

ar Anthony Racanelli

Racanelli Realty Services, Inc.

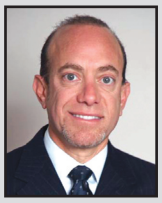
There remain many uncertainties affecting the commercial real estate industry, but we have turned a corner. The Long Island economy is seeing signs of a recovery from lower unemployment rates in Nassau and Suffolk to the positive absorption of industrial and office space. Vacancy rates are expected to continue declining to below 4% for industrial space, below 9% for office, and under 7% for flex space. For property owners, there will be a heightened focus on lowering operating costs by evaluating their service levels, bulk purchasing and use of building automation systems and related energy-efficiency measures. On the property management side, there are still many financial challenges, but some opportunities as well. One in particular is President Obama's proposed Better Buildings Initiative. This voluntary initiative would provide financing opportunities for commercial "green" retrofits and tax incentives for building efficiency."

bc Brad Cronin

Cronin Cronin and Harris P.C.

The market slowdown has forced owners to examine and alter their current operations in to increase efficiency. A few purchases at hefty prices have sparked optimism, however most of these transactions have been limited to premier class "A" properties. There remains a large class of owners searching for effective measures to reduce operational costs. Recent grievance filings indicate that property tax proceedings are a high priority for owners. Due to their symbiotic relationship, municipalities recognize that they must cut back as well. Local governments have made difficult cuts, reducing staff and budgets. On the statewide level, the property tax cap has been touted as a necessary measure in the current economic climate. As we move forward, both owners and taxing authorities must continue to lower costs so that they may not only survive this tumultuous time, but also develop a framework within which sustainable growth can occur.

mr Mitchell Rechler



Rechler Equity Partners

As one of the largest owners of commercial space on Long Island, we've seen the cycles in the market since the company's inception over 50 years ago, including my own involvement over the past 30 years. 2010 was a record breaking year for us with 1.4 million s/f of leasing activity. However, we did a tremendous amount of short term leases due to the fact that many companies were uncertain about the economy and their own future. During the first half of 2011 we've already seen a big shift, with tenants signing leases with terms of seven to 10 years. We feel this is a strong indication of a renewed confidence tenants did not exhibit a year ago. We anticipate that by the close of the first half of 2011 we will have signed close to one million s/f of leases. In terms of the office market, we unfortunately do not see the same robust activity we have experienced through our industrial portfolio. While we are signing leases with office tenants at our Melville and Hauppauge properties, the level of activity is much less than compared to our dominant industrial property type.

jw Joshua Weinkranz

Kimco Realty Corp.

Long Island retail real estate has the benefit of being located in a supply constrained market. According to *Costar*, Long Island has roughly half of the retail real estate per capita (24.25 s/f vs. 41.20 s/f) as compared to the rest of the nation on average. This lack of supply has helped insulate Long Island from high vacancy rates and unusually low rents during the past recession.

Today on Long Island, partially from an improving economy and limited new supply, occupancy is increasing, rents are rising and everyone is cautiously optimistic about the future. There are retail acquisition opportunities in the market for property owners with access to capital. Retailers are expanding again if they can find the right space. We are seeing many new deals in categories such as the big box discounters, health clubs, fast casual restaurant franchises and specialty grocers.

tm Tim McHale

Cerini & Associates, LLP

Commercial real estate has not been exempt from the pain felt across much of the real estate industry in the last few years. Long Island is one of the areas that commercial real estate has fared better than others during the economic downturn.

The decrease in new construction, among other factors has helped control supply and demand which puts pressure on the rental prices and the vacancy rates. This may be the only silver lining.

The construction industry is not the only industry to suffer from the stagnant market. Commercial real estate problems and the lack of new construction causes a domino effect across various industries. Architecture, engineering, legal, and accounting services, to name a few, are strongly affected. These difficulties also continue to weigh heavily on lending institutions.

If the individual accounting firms and institutions are not able to adjust on the fly and withstand the storm for the near future, they will be left behind.

ja Joel Ackerman

Fuoco Group

Commercial property values in Long Island still have more room to fall but they're firming. Fundamentals of commercial real estate still suggest major problems ahead. Rents continue to drop, pushing down values. But some values are rising; there is a lot of money on the sidelines. Is the next year going to be different this time? Probably not. Smart buyers remember the history and want to buy. Most lenders are laying low and giving borrowers time.

The next few years will probably offer great opportunity for long-term real estate investors and for lenders willing and able to make conservative loans to back those investors. It's reasonable to expect the crowd of frustrated buyers with bags of cash on the sidelines to reduce their expectations. We can also expect sellers, who so far mostly aren't selling, to reduce their expectations, too, and perhaps feel some pressure to act.

ac Al Centrella

NAI Long Island

We're at a standstill; we're no further worse and no further better than we were two years ago. Although, we are starting to see many retailers that are looking to open additional stores or new stores here on Long Island.

Long Island has a bright future, as there are many projects that are underway in Nassau and Suffolk that will only benefit future employment opportunities, and in turn the Long Island economy. The former Avis Rent-A-Car headquarters in Westbury is a prime example of how the new construction of 330,000 s/f of retail, banking and restaurant development is expected to result in hundreds of new jobs. In Suffolk County, the development of Canon U.S.A.'s new North and South American headquarters in Melville is an impressive 700,000 s/f that is said to bring 2,000 immediate future jobs to the area. Also, the former Huntington Townhouse in Huntington was sold to Lowe's in June 2008 and the new construction is finally underway for a 103,000 s/f store and 26,500 s/f garden center. The new Lowe's is expected to create 125 new jobs and invest over $16 million into the community.

I believe that retail has the largest potential for growth. That may not be what everyone wants to hear, but it is the most active market to date.

tg Thomas Garry

Harris Beach PLLC

As the economy slowly recovers buyers and sellers of commercial properties need to consult with real estate and economic development experts, who know their markets and sources of funding as well as the state and local laws governing properties to optimize incentive opportunities of which they may not be aware. There are also incentives for purchasing and redeveloping distressed properties, such as taking advantage of the state's brownfield redevelopment program. Agencies such as industrial development agencies and local development corporations provide a wealth of incentives to encourage investment in their communities.

ah Andre Haddad

Lockwood, Kessler & Bartlett, Inc.

Long Island's economy? Cyclical, difficult and dynamic! Our firm has persevered through many up and down cycles in our 122 years and I believe that these difficult and dynamic times do not call for rash decisions and reactions, but demand more forethought. We must take this time to reflect and plan our future and develop new ways to move forward by evaluating our past successes. It is our task to try to relieve some of the burden on the Long Island taxpayer by shifting the responsibility of funding projects from the municipalities to a method of public/private partnership or by having the private sector fund, design, build and maintain infrastructure to provide this relief. A successful business must seek out new designs and methods corresponding with associated non-traditional funding sources. These designs and methods must be cost efficient, sustainable, green and renewable to improve our quality of life.

js Judy Simoncic

Forchelli, Curto, Deegan, Schwartz, Mineo, Cohn & Terrana, LLP

The downturn in the real estate market has clearly impacted the practice of real estate development. As an attorney specializing in land use and zoning, the current economy has put a tremendous amount of pressure on attorneys to secure quick zoning approvals at the least possible cost for clients. There are still many development opportunities for clients; however, more than ever I find that I am aggressively pushing applications through the approval process. In this economy, clients can not afford to carry projects while they wait for approvals as they did in the past. In todays economy, my focus has turned to securing approvals as expeditiously as possible, while at the same time being mindful that the necessary steps are taken to achieve the clients' ultimate goals.

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