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# Long Island Office Market Report - Q4

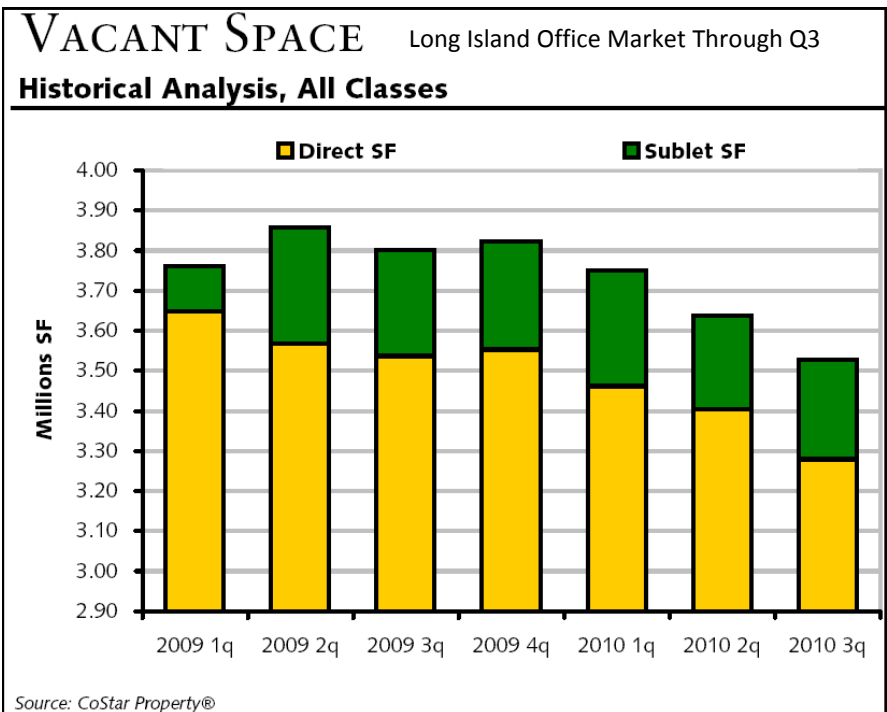
The Long Island Office Market is in Early Stages of Recovery

When the National Bureau of Economic Research announced in September that the recession had officially ended in June of 2009, Americans were doubtful. How could that be possible with foreclosures at an all-time high, historically low interest rates, an abundance of vacant commercial and residential properties, and a virtual halt on lending for commercial properties? Do not be mistaken; the recession may be **officially** over, but we are only in the very early stages of recovery and signs of improvement are not yet apparent in all markets, particularly in larger cities. Growth has been gradual and even anemic at times, but for the smaller submarkets, such as Long Island's Hauppauge and Melville business districts, there are visible signs that things are finally turning the corner.

Some things we witnessed throughout the recession were low leasing activity, negative absorption, increased vacancy rates, high levels of unemployment, and a freeze on all new construction and development. Because the market was flooded with vacant space, there was an abundance of existing options to fit most occupier's needs. Building and adding new space to a market with such high vacancy rates would have been a losing endeavor. Developers were seeing a negative return on investments with new buildings sitting empty on the market with no prospective tenants. Landlords were forced to decrease lease rates and were expected to make more concessions in order to compete with all of the availability. It has been a "Tenants Market" and they were able to get much more for their money.

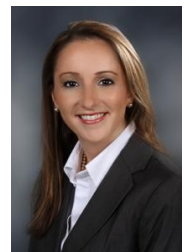
Where does this leave us, and what can we expect in the New Year? The good news about hitting bottom as this market did, is that there is no where to go but up. Consumer confidence has slowly begun to stabilize and now that companies believe the real estate market has hit rock bottom, they have confidence to make decisions and changes. They may buy or sell buildings, or perhaps take advantage of the historically low rental rates by moving into a higher class office building and pay the same, or even less, than they were at less desirable locations. This had led to several quarters of increased leasing activity, and modest, yet position absorption, as tenants are finally starting to fill up the vast amount of unoccupied commercial space. Interest rates have started going up again, but are still so low compared to what most of us are used to. This continues to stimulate the market by encouraging business owners to buy and bring cash to the market.

We have witnessed positive signs over the last several quarters of 2010, and these signs all show that the commercial real estate market has started to get its pulse back. The decreased vacancy rates and increased leasing activity is slowly starting to restore confidence in local business leaders. This will lead to an eventual improvement in the overall health of our economy with increased corporate profits and lower unemployment levels. We have a long way to go before we see levels even get close to what they were prior to 2007. However, with continual and gradual stabilization, we are well on our way.



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