

Real Estate Journal

THE LARGEST WEEKLY COMMERCIAL/INVESTMENT NEWSPAPER COVERING THE STATE

2008 to be a profitable year for local brokerage houses



Brian Soss
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Delphi Commercial Properties Inc. is a full service commercial real estate brokerage company offering leasing, sales and management services to office, industrial, flex, retail, medical and biotech companies based in Westchester County. We work closely with our clients and have retained many relationships for over 24 years. We work on inter-county relocations, N.Y.C. satellite offices, regional representation of international corporations and more. From our vantage point, 2007 was a strong year for most Westchester County brokers and although there are some storm clouds on the horizon, we continue to be optimistic about 2008. We believe it will be a strong year for the more flexible, streamlined, local brokerage houses.

Costar's year-end 2007 numbers indicate that the Westchester County industrial market is moving in the right direction for brokers and landlords. Costar reports that vacancy rates across the Westchester industrial market have fallen to 10.1%. Warehouse projects ended the year with a vacancy rate of 9.8% and flex space followed closely behind at a vacancy rate of 11.5%.

As any broker will tell you, these numbers do not paint a complete picture of the market. Westchester is more well-known as a "white collar" county with more office space than industrial space. Setting aside Costar calculation and reporting errors, more than half of the "available" industrial space accounted for is un-rentable.

These industrial market constraints served building owners and brokers well in 2007. Brokers benefited from tenants having a hard time finding space on their own while owners gained from a favorable supply and demand equation.

In search of higher ceilings, larger spaces, better parking many of these industrial tenants vacated the long constrained more typical locales of Westchester warehouse space. But don't expect to find any landlords inclined to make cheap deals in these markets. Most of the warehouse space recently vacated was quickly leased by other growing industrial

Coming off solid performance in 2007, the industrial sector is showing no signs of a slow down. Our customers have shown that they'd rather find the perfect space to work in as opposed to making a less than perfect space, work. The office sector data tells a different story. Year-end 2007 overall office rental rates were up over the previous quarter, but vacancy rates were also on the rise. Costar reported that the average fourth quarter price per s/f for Westchester office space was \$27.63 and brokerage house, Grubb and Ellis reported an overall office vacancy rate of 14.9%.

The class A office properties located at major transportation hubs should hold their current rental values instead of continuing to increase while other class A buildings will settle into position with rental rates below those with better access to mass transit. The lower priced class B office properties will see increased action as tenants look to relocate away from higher rent class A and B properties. Local brokers more familiar with these buildings and their often non-institutional owners should have an easy time finding the right deals for their customers.

Medical and bio-tech companies will likely continue their steady 2007 demand growth through 2008. Medical and small bio-tech lab spaces became hard to find as 2007 reached a close with very little product being added to the market. The one place that bio-tech space may come to market over the next few years is at The Landmark at Eastview where Regeneron will be relocating out of their older space into new product that is being built for them now.

2007 was flush with deals for Westchester County commercial real estate brokers and while 2008 tenants may not be as expansionary, the versatile N.Y. economy should continue to offer brokers the opportunity to make deals. It will be the local brokers who have market knowledge and long standing relationships with Westchester building owners that turn 2008 into another profitable and successful year.

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