

## broKERage

# The Long Island marketplace: A resource that has barely begun to be tapped

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Windsor  
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Long Island is still attracting national attention as a hot real estate market and a solid investment spot for continued future growth. When one sees the level of buying which is still continuing, many local real estate firms have wondered what it is that is spurring this level of activity. After all, it defies local historical trends. Office rental rates are on the rise, pushing new records, and local developers are convinced that this trend will continue. In fact, rising energy rates and higher costs of concrete, steel and even sheetrock have done little to put a damper on this phenomenon and in spite of the high cost of development (which on Long Island may run around \$250 per s/f for a new class A office building), rental rates are continuing to remain strong enough to cover these costs. At the newly renamed Reckson Plaza, new lease rates are now topping \$35 per s/f, and in Garden City the newly redeveloped 1001 Franklin Ave., an impressive class A "green" office building, rental rates are achieving high \$30s from a posh and exclusive list of triple A tenants.

What is it that these developers see? What is spurring heavyweights such as Blumenfeld, Wilpon, Reckson and Wang to fight for new development rights in Nassau County? To answer that question, maybe we need to stop looking at Long Island like Islanders and start analyzing the market from the wider eyes of national perspective. Take a moment to consider Long Island as a snapshot of a national economy. If Long Island were officially considered its own Metro Area, it would rank nearly 19th largest in the country, with a population of 2.83 million people. Nassau and Suffolk counties compare to such metro areas as San Diego, which boasts a population of 2.9 million people according to a U.S. Census 2004 estimate, or Cleveland at 2.84 million people. Of the top 20 metro marketplaces, N.Y.C. and Los Angeles being the top two each with a population of roughly 20 million people, the average office vacancy rate is approximately 15%. Long Island, sporting an office inventory somewhere in the 40 million square foot range, is currently running at about 11% vacancy. If you look at the difference between the current Long Island vacancy and the top 20 metro areas average, your ini-

tial sense might not be overly impressive. But to break that down a little further, and assuming a ranking amongst the top 20 metro areas, Long Island has the 4th lowest vacancy rate, edged out only by N.Y.C., Chicago and San Diego. This placement is in the top 20% of the country's largest metro areas, and as a suburb of the country's most populous city and financial capital, it has a pretty solid core of local business driven by a rich history and deep roots that run back to the very birth of our nation. Long Island puts out some of the most skilled and talented executives in the country, and to these natives, moving off of The Island may as well equate to moving to another country. There is no such thing as moving 15 miles north, or south for

that matter as 15 miles to the north will get you two hours from family and friends and roots, and 15 miles

lotion that is strongly committed to making things work here, and nowhere else. Long Island is the home

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south will get you to a sparsely populated area of the Atlantic Ocean. What that leaves you with is a popu-

of a diverse collection of economic giants including Computer Associates, Weight Watchers, Symbol

Technologies, and 800 Flowers to name just a few that bring national dollars into the local market.

With this perspective, is it really so difficult to see why growth remains strong and the real estate market tight? It may even lead one to wonder why there isn't an even stronger influx of capital from some of the country's weaker markets such as Houston, Dallas, Detroit and Atlanta where vacancy rates have pushed above 20%. After all, diversification is the key to investment, and Long Island may as yet be a market that has in fact, barely begun to be tapped.

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