WESTCHESTER COUNTY BUSINESS JOURNAL
Your only source for local business news
July 5, 2010

Perspectives

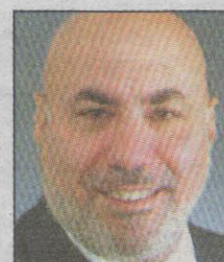
Brokers discuss market trends in county

Brokers with NAI Friedland Realty in Yonkers recently participated in a roundtable discussion on the state of Westchester's industrial real estate market.

Ross Schneiderman, senior executive vice president, and executive vice presidents Peter Cokin and Steven Kornspun participated in the discussion, which was held at Friedland's office in Yonkers and moderated by Michael Dardano from Co-Communications of Mount Kisco.

What are some of the prevailing trends in this region?

Schneiderman: We are seeing the baseline for the industrial markets being lowered. Where space was leasing for $12 per square foot, now it is going for $10 or even less in some cases. Space selling at $100 per square foot two years ago is currently on the market at $75 to $90 a square foot. There are clear examples of this deterioration in value in southern Westchester County, for example. Particularly, we have seen evidence of this in property sales that have closed recently in Yonkers and Mount Vernon.


SCHNEIDERMAN

Cokin: Owners who are keeping yesterday's prices hoping that the market will come back are the ones that are having difficulties selling their properties. Once they adjust building prices to today's values, they can sell, and users are able to get loans if they put down enough of a deposit.

Kornspun: The banks are really looking for stronger customers. The appraisals are coming in at lower values than anticipated, which requires a higher down payment from the purchaser. This, in turn, tends to deplete cash reserves and operating capital and makes it more difficult to own. We're currently in a bit more of a rental market and it is predominantly a smaller user who is looking.

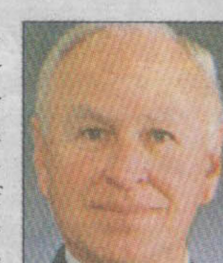

KORNSPUN

Is the market on the road to recovery or do we have a ways to go before the sector returns to normal?

Schneiderman: We have gotten back to the point where the growth (in a property's value) is going to be so minimal that you won't even see it because we're so used to the jumps (prior to the downturn) of 10 percent, 15 percent each year. We are going to see real low single-digit appreciation.

Kornspun: It's very difficult to tell at this point whether or not we still have some more deterioration in value before we start going back up or whether we're already at the bottom. It's a cycle and we are somewhere at the bottom of that cycle. I agree with the people who are starting to take advantage of the market. We have interest rates at 40-year lows, and that is going to change eventually as prices go up.

Cokin: The situation of a property owner under water is very common in the residential market. But now, a lot of our customer's businesses and factories are under water, and they're realizing that although they might want to get $2 million for a building, in today's market they will likely only sell it for $1 million. Many owners are going to try to hold onto the building, because they can't afford to sell it.


COKIN

Schneiderman: In terms of leasing, price is going to dictate everything. The landlords who don't bite the bullet and lower their prices will not lease their space.