

COMMERCIAL REAL ESTATE

Landlords Give Free Rent, Steak Dinners, Even a BMW To Lure Lessors

By ERIC WOLFF
Special to the Sun

Demand for commercial office space has gotten so soft, landlords are practically giving it away.

After the tight rental markets of the go-go nineties, when landlords wouldn't even return prospective tenants' phone calls, they now find themselves fighting against a poor economy and a jittery business climate to let out space. To compete they have to offer previously unheard of services: built-to-fit offices (design included), several months free rent, and features that were previously only the province of luxury office spaces.

Depending who is asked, rents today are 30%-50% lower than their peak in the spring of 2001. Renters looking now for a large space — 40,000 square feet or more — can expect major rent concessions, as much as nine months free. One building on Fifth Avenue even offered the use of a BMW in exchange for renting a two-floor space. Seven of the building's 17 floors remain available, plus assorted smaller offices.

But even small renters can expect higher standards of office space available to them.

"The quality of the installation to say that's being built is far superior than in prior years" said tenant broker Jonathan Anapol of Prime Manhattan Realty. "Full size interior glass in conference rooms, these are all becoming standard."

Landlords are practically trying to bribe brokers into showing their space, offering roses, raffees, steak dinners — even extra commissions.



FOR RENT This building at 79 Fifth Ave. has seven empty floors. It's offering to loan tenants a BMW in exchange for s

"I'm not sure those gimmicks work," said ICENYVC broker Stephen Sunderland. "I'm sure I've never cashed one of those checks or bonuses."

Mr. Sunderland believes the gimmicks are just for landlords that don't want to lower their base rent to the market price.

"The New York market is so broad and deep that there is always a clearance price," he said.

One of the big selling points for a recent Vivendi sublease was that it had recently been renovated and was in move-in condition.

"The space that is moving these days is space which is in very good condition,"

said Jane Roundell, the Vivendi broker. "Space that needs work sits there and forget it, nobody will look at it."

Even downtown has begun to rebound, shedding the stigma of the events of September 11th. Vacancies in the area fell slightly during the month of May from 12.25 million square feet to 11.86 million.

"The negative aura, the pollution, the inaccess to transportation it is slowly fading," said Mr. Anapol. "Wall Street is becoming more of the same mentality as it had prior to 9/11."

Not all neighborhoods have been as badly effected. Vacancies in Mid-

town are only 12.6%, and some neighborhoods like SoHo TriBeCa had sufficient cache wealthy and artistic neighbors to maintain their appeal.

The best deals can now be found the Garment District, between and ninth Avenues. Where space merely occupied by now-defunct coms are now open, and comps that survived the market have moved up to better spaces. Fifteen-year zoning laws cramp the market, as require that only garment factories long ago driven out of the city by rising labor costs — occupy these buildings.