

VARIETY

Freebies abound in N.Y. office freefall

BY DULCE ZAMORA

Commercial rents have been plummeting in New York thanks to an ailing economy and residual effects from the Sept. 11, 2001, attacks. It's a complete shift from recent years, when the market was so cutthroat that businesses lucky to find mediocre space often signed leases right away. Now, a glut in vacancies has would-be tenants considering a feast of bargains.

"It's like a shopper's dream," says Stephen Sunderland, managing director at IGDNYC, a tenant broker for commercial real estate. "Landlords are hungry and are offering unbelievably attractive deals."

In addition to lease rates dropping 30%-60%, landlords are giving concessions with long-term contracts, including free rent for six to nine months, cash or complimentary services to help in planning and building spaces, and/or temporary quarters during construction, according to various brokers.

RZO, an accounting and management firm serving musicians such as David Bowie, Sting and Shakira, is among the entertainment companies taking advantage of the renter's market. The firm recently

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roughly \$35 per square foot.

The average rent per square foot in midtown is \$50.72, according to Michael Laginestra, vice chair of national brokerage Insignia/ESG. He says commercial rents in the area peaked in 2001 at \$60.78 a square foot. The exceptional deals also have attracted some media companies looking for better facilities. Laginestra has clients looking into the possibility of relocating from analog to digital-friendly locations. "That's something that's less likely to happen in an expensive market," he notes.

Another broker, Faith Hope Consolo, vice chair of Garrick-Aug Worldwide, says that although real estate activity is slower than in recent years, media and entertainment companies are among the top 10 industries conducting expansions right now. The list is headed by home furnishings retailers (such as Home Depot and Williams-Sonoma) and midrange apparel stores (such as H&M and Zara).

Consolo claims to have at least

two media and entertainment clients vying for the same prime corners on West 42nd Street and on West Broadway (between Spring and Broome streets). Some private West Coast theater companies are supposedly eyeing locations in Tribeca and Soho.

A presence in Gotham provides certain credibility, notes Consolo. "If (companies) have to decide whether to be in New York, St. Louis or Detroit, they pick New York because New York is a great focal point for their product."

Yet, the Big Apple is still reeling from a perfect storm of layoffs and terrorism jitters, counters Sunderland. Prior to these extenuating circumstances, he says New York was a must-go for many companies. Now, businesses reportedly see the place as a good but not crucial place to be.

Nonetheless, both Sunderland and Laginestra believe that the worst is over for the New York real estate market. They predict a turnaround in about two years.