

THE LEASE YOU CAN DO

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Empty space translates to great negotiation power for office and retail rents.

Tenants are calling the shots

TRANSACTIONS are taking longer and rents are dropping across the board.

“Everything is slower and lower,” said Kim Mogull, CEO of Mogull Realty whose focus is retail deals. But those sentiments are symbolic of the entire leasing and sales market.

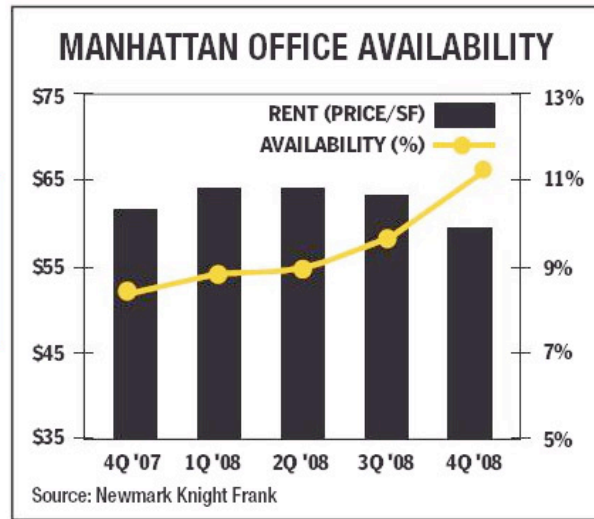
Owners are working harder to fill spaces and brokers are working harder to satisfy both sides. Josh Zamir of Capstone Equities, who owns the 1 million foot building at 14 Wall Street, said: “We are doing anything to lease space and we are very aggressive and very flexible as to the options we provide the tenants.”

“If you are a tenant in a catbird seat and have good credit, you will have a lot of suitors,” said James Buslik of Adams & Co., which owns and leases properties.

Tenant broker Mitchell Steir, chairman of Studley, explained the market is repricing itself lower, “even as we speak.” Therefore, any tenant that doesn’t have to make a decision is going to postpone the process.

Many are in the middle of studies to see how they can more efficiently use space, said Gregg Lorberbaum, a partner with Centric Real Estate Advisors.

“The days of lavish offices and trophy spaces are being



replaced with economics and quality of life issues,” added Lorberbaum.

Tenants also have lots of choices that can save them money, including gorgeous spaces recently built out, Steir noted. But tenants whose needs fit their current spaces will renew. “It saves a lot of capital for both parties,” said Peter Riguardi, president of Jones Lang LaSalle.

Many tenants in the middle of negotiations are indecisive. “Some are satisfied with the rents but worried about leaving something on the table,” said Grant Greenspan, a principal with the Kaufman Organization.

If tenants stay in place past their lease expirations, some owners are not even going after holdover rents,

but are pushing them to renew.

“The tenants can get three or six months extensions,” Greenspan said.

“A smart owner will move someone around [the buildings or in their portfolio] if they are assured of having someone in that space,” said Michelle Grant, managing director of Howard Ecker & Co., a tenant broker.

Anthony Malkin, president of W&H Properties, which owns and manages Pre-War trophy office buildings including the Empire State Building, noted: “The market environment has deteriorated, so tenants and brokers are going to the better landlords who are assured of providing good quality upkeep on their buildings.” — Lois Weiss