

THE GOTHAM COMMERCIAL REAL ESTATE MONITOR

Highlights of Fall 2015 Findings

Below are highlights from the Fall 2015 Marks Paneth survey of New York City commercial real estate executives (completed in October). To take the Winter 2015 survey, click [here](#).

New York Commercial Property Values Have Peaked, Says City's Real Estate Community

- A huge majority (71%) of New York commercial real estate practitioners say values have now peaked. (That compares with only 54% who said this in the last survey, several months earlier.)
- Nearly half of that majority (35% of executives overall) say values will begin declining. Thirty-six percent think they'll hold as they are, and only 21% say values will continue to rise.
- Sixty-six percent of executives say New York real estate is, at its current level, overvalued compared to property in other major global cities.



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Will an Interest Rate Hike Compound the Pressure on Values?

- Real estate executives are divided on the question. Forty-six percent say values will decline if the Fed raises interest rates, and 35% say they'll stay the same. (Thirteen percent say they don't know.)

International Crises and New York Real Estate – the Jury's Not In



- Many commercial property executives – 40% – are certain that international crises benefit the New York market, as money flows out of foreign economies and into the haven of New York real estate.
 - But 38% say global crises are a double-edged sword – they can both benefit and drag down values here.
 - Just 11% say troubles abroad only hurt the New York market.
- While very few executives say financial volatility in Greece and Russia stand to affect New York commercial real estate values very much, the majority (55%) do say that volatility in China will have a negative impact.

On the Waterfront – That's Where the Techies Are Heading, Say Property Execs

- Asked what's the next hot neighborhood for leasing to technology businesses, executives are most likely to name Long Island City (18%) in Queens.
- Closely following are Brooklyn Navy Yard (17%) and Lower Manhattan (15%). (Fewer than 4% chose Union Square, SoHo, Midtown East or DUMBO.)
- Nearly eight in 10 (79%) of executives say real estate developers will be retrofitting older buildings in up-and-coming parts of Long Island City.



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How Sanguine is the Real Estate Community about Lower Manhattan's New Identity?

Very...

- Seventy percent of real estate executives say they agree with World Trade Center developer Larry Silverstein's suggestion that "Lower Manhattan...has also remade itself into the new media and entertainment capital of America."
- In fact, 26% say they "greatly" agree.
- But there may be a countervailing force to Lower Manhattan's new identity: Half of executives say the possibility of flooding in low-lying areas (like the Financial District) are a significant factor in decisions made by property investors, buyers and tenants.

The West Side: Times Square vs. Hudson Yards



- With new office space opening in and some big existing tenants moving out of Times Square, 67% of executives say it will be a challenge to bring new tenants there – largely because of the perception that it's chaotic and overrun with tourists.
- Looking a bit to the south and the west, the giant Hudson Yards project under way draws mixed views from property executives. Just fewer than half (49%) say it's too soon to tell whether the project will be a success. Thirty-seven percent think it will be, and 12% say it has challenges.
- That said, executives were most likely to choose Hudson Yards (46%) as the mega-project in the city that will have the most positive long-term impact on real estate values in its neighborhood. A quarter chose the Second Avenue Subway, and 23% chose the Long Island Railroad access to Grand Central. Only 6% chose the World Trade Center site.

Methodology

This summary presents the key findings of the Fall 2015 *Gotham Commercial Real Estate Monitor* survey of commercial real estate professionals in the New York City market. The 109 professionals participating in the research include owners and managers of commercial property, commercial real estate brokers and agents, attorneys, accountants and other professionals specializing in the sector.

The research employed self-administered questionnaires completed online and on paper by respondents. The list of professionals surveyed was compiled by Marks Paneth LLP, the research sponsor, and by Michaels Opinion Research. Interviews were completed during the period of August 6-October 14, 2015.

To participate in future surveys and receive results please email us at contacts@markspaneth.com.