

Tenants' Market Creates Exceptional Opportunities in Commercial Real Estate

By: The Everest Group/TCN Worldwide

While it is true that the economy is soft, the commercial/industrial real estate market is stagnant and unemployment remains high, there is actually plenty of good news in the marketplace. Perhaps not seen in almost a decade, the current climate of the commercial real estate market has created one of the strongest tenant markets in quite some time.

Across the country, in most primary and secondary markets, there is a tremendous surplus of office, industrial and retail space on the market. Whether this space is directly available from a developer/landlord or in the form of sublet space being put back on the market by a corporation, the choices and bargaining power available to tenants is unprecedented in recent memory. Tenants looking to take advantage of these market opportunities do not necessarily need to be in an expansion mode, many are either signing early lease renewals, securing better terms in a new location or downsizing. Whatever the scenario, tremendous bottom-line, long-term benefits can be had by securing space in this tenants' marketplace. Here are some advantages to keep in mind:

Lower Rental Rates: One of the most significant by-products of the market slowdown has been the downward pressure on rental rates. In almost every market, rents have softened creating some of the best opportunities in many years for tenants to lock in generous lease terms. For this reason, a great many tenants are renewing early and securing very favorable lease rates.

More Choices: Whether you are a small tenant looking for a few thousand square feet, or a larger tenant seeking a build-to-suit development, tenants have a plethora of choices available to them ranging from sublet to direct space, existing space with high-end fit-outs, build-to-suit options and many more.

Generous T/I Allowances: With developers/owners in a position of greater flexibility, they are working harder than ever to meet their tenants' needs. The result is very generous allowances from owners to tenants for space upgrades and installations.

Build-to-Suit Option: If you are a large tenant seeking a headquarters facility, now is a great time to consider this route. Build-to-suit facilities can be more cost efficient for your business and provide the customized space solution that meets your specific requirements.

Sale/Leaseback: One of the most prevalent trends occurring in the marketplace today is the large number of sale/leaseback transactions. The sale/leaseback affords an owner of a facility the ability to tap the value of its real estate asset, selling it to an investor, while remaining a tenant in the facility. The benefit to a tenant is allowing the company to inject money into their business while taking advantage of the very aggressive investment sales market.

User Sales: With interest rates at historically low levels, a great many tenants are recognizing the tremendous advantages of buying a facility for their business. Financing is not only available at competitive rates, but it is abundant in most categories with bankers and lenders anxious to lend to clients with good credit. If your business has ever considered owning a building rather than leasing now is the time to strongly consider this strategy.

Being a tenant in this market is one of the most desirable positions to be in, with all of the choices and options to explore. A commercial real estate professional is essential to help navigate through the myriad of options available, choose the correct strategy and implement the plan. The bottom line is that the market is on a path to recovery, and when it does, this window of opportunity will close for the foreseeable future.

The Everest Group, Inc. is a privately held employee owned Cincinnati based real estate brokerage firm formed in 1987. Everest specializes in the sale and leasing of office, retail, industrial and investment real estate in the Cincinnati/Northern Kentucky markets. The Everest Group provides personalized quality service to a select clientele.

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