

NEWS FROM *The New York Times*

Office Leasing: No Influx From Manhattan Reported

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Published: November 11, 2001

SPECIALISTS in the Long Island real estate market, including a big developer, say they are still optimistic about prospects for office space despite the lack of response to offers of free space to companies displaced in the World Trade Center attack. In the long term, they say, they expect large Manhattan companies seeking to open branch offices and smaller companies relocating from New York City will turn to the Island.

"Those companies that have temporarily found shelter are now looking to make long-term commitments," said Martin L. Lomazow, senior managing director for Insignia/ESG, the real estate services company. "Also, those whose Manhattan leases are up are questioning if they want to stay in the city with all their people in one building. Big offices will be looking to decentralize with regional satellite offices. They will see it as an opportunity to expand and cut costs."

Currently, rents for Class A office buildings -- those that are well situated with the most modern amenities -- in Manhattan are \$60 to \$100 a square foot a year. On Long Island, Class A offices rent from \$24 to \$32, Mr. Lomazow said.

"If you isolate the trend toward satellite offices, I am optimistic," he said. "There are always people considering Long Island as an option to relocate. Now those on the fence will make the move, because much of the work force is out here and because of our quality of life."

Ernest W. Grendi, a principal at Totus, which leases offices of various configurations ranging from a cubicle for a day to a large suite for five years, says that even though Manhattan companies that were displaced on Sept. 11 did not take him up on his offer of free office space for a month, he is optimistic that small companies that can do business outside the city will soon be moving to Long Island.

Totus, based in Melville, opened in May in the heart of the Route 110 corridor, a direct north-south route in the middle of Long Island that is lined with blocks of modern corporate office buildings.

"Before Sept. 11, we had 13 tenants," Mr. Grendi said. "Then for two weeks there were no calls, but since Oct. 1 it has picked up again and we've gotten three more tenants."

Totus is in a 17,000-square-foot section of the 149,000-square-foot, three-story Melville Corporate Center One on Maxess Road, which is owned by the T. Weiss Realty Corporation. The 59 offices at Totus range from a partitioned cubicle with a desk at \$25 a day or \$500 a month, to a 200-square-foot windowed corner office for \$1,700 a month. Smaller offices ranging from 12 by 12 feet to 16 by 20 feet have the flexibility to be made into suites.

The furnished offices include a cherrywood desk and file cabinet, three chairs and Internet access. Also included in the price are consulting services offered by Mr. Grendi, a former investment adviser and banker; a receptionist; and use of a conference room, office equipment and the building's fitness center and cafeteria.

A "virtual office," which is "no space, but a presence, with use of the center's address on business cards and letterhead" and four hours of conference-room time, is \$250 a month, Mr. Grendi said.

Totus expects to open another set of offices about half a mile north at the 80,000-square-foot Melville Corporate Center Two building, which is being renovated by T. Weiss.

T. Weiss, which has more than 50,000 square feet of available office space on Long Island, offered a 60-day-free lease to companies displaced by the attack. No one took the company up on the offer, but last month "we began negotiating with two New York City companies looking for small space," said Ted Weiss, a principal.

ONE is a 15-year-old law firm that is interested in 2,500 square feet. "All their principals live on Long Island, and they don't need to be in the city for what they do," Mr. Weiss said.

The other is a company looking for 4,000 square feet.

"Their president lives in Huntington, and they are considering whether to stay in the city or move to Long Island," Mr. Weiss said.

"I believe Long Island will benefit in three to six months," he said. "I anticipate the larger displaced companies who choose to remain in the city will do anything to maintain office space. They will push out the smaller companies, buy out leases and those smaller displaced companies will go out to the suburbs."

Early in October, T. Weiss began leasing Corporate Center Two. Rents range from \$24 to \$26 per square foot plus utilities. The building is expected to be completed by June, with 80 percent of the space leased by the end of this year. Two or three potential tenants, including one from New York City, are "actively pursuing 40,000 to 60,000 square feet," Mr. Weiss said.

Before Long Island can hope to attract large and prestigious businesses, Mr. Weiss said, it must address the Island's lack of mass transportation, an issue that he says may have kept large displaced Manhattan companies from relocating to Long Island even temporarily.

A midyear report for 2001 issued in September by Insignia/ESG said that there was 3.9 million square feet of office space available in Nassau and Suffolk Counties. This represented 11 percent of 36.1 million square feet of office space on Long Island.

The amount of office space on Long Island will increase by the beginning of 2002 as companies like T. Weiss, Tritec and Reckson open new buildings, saying they are confident that the space will be filled.

"There will be a big move toward geographic diversification," said Robert J. Coughlin, a principal at Tritec in East Setauket, which builds and manages properties.

"Large companies are looking outside of Manhattan as a diversification and contingency plan," he said. "It is too vulnerable having all their people and documents in one spot. They are also concerned about space in a building over 40 stories. They will be breaking up one million square feet in one location into maybe five in several areas."

Tritec will have a new 204,000-square-foot, six-story Class A office building in Hauppauge ready for occupancy by January, he said. It could accommodate up to 15 tenants. An additional 27,000-square-foot building for as many as four tenants in the Stony Brook Technical Center will be completed by March.

Mitchell Rechler, a co-president at the Reckson Associates Realty Corporation, a publicly traded real estate investment trust, said: "Since Sept. 11, a few leases have gone out but are not signed yet. It's slow and steady. We are in various stages of 350,000 square feet of deals."

Of its 3.9 million square feet of office space on Long Island, 97 percent is occupied, not including 100,000 square feet that has been leased in Reckson's new 277,000-square-foot building in Melville.

i.park Holdings of Greenwich, Conn., a principal in i.park Lake Success, a 1.4 million-square-foot corporate office and technology center that was once a Lockheed military plant, stepped up its renovation of an 80,000-square-foot building in the center in preparation for what it expected to be an influx of Manhattan renters.

In the last month, fast-track construction has slowed and normal construction is proceeding, said Lynn Ward, a vice president at i.park.

"Prior to Sept. 11, there had been no momentum in the leasing," she said. "Those who were waiting to decide suddenly saw the competition that could be coming in from New York City and now we are close to executing many deals."

Mr. Weiss, who owns 10 office buildings on Long Island, which total more than 600,000 square feet, said he was close to signing a deal for an additional 150,000-square-foot building in Melville.

"I'm fully confident we will fill these offices," he said. "My money is sitting there."