

## Commercial Vacancy Rates in Bergen County: Some Things Never Change



*David Hirschman, President*

"Today's general office market has not changed significantly," says David Hirschman, president of Paramus-based David Hirschman Realty Company and a commercial real estate veteran of four decades. "Vacancy rates are the same as four to five years ago, absorption rates, except for entrepreneurial buildings, are negligible; even lease prices on regular office space have remained static."

Hirschman has experienced many cyclical changes in the real estate market in the past 40 years. "This is the fourth so-called major real estate 'crisis' I have lived through," says Hirschman, "and it probably won't be the last." According to Hirschman, many key commercial real estate areas are doing fine, especially medical space and entrepreneurial offices of 2,000 to 10,000 sq. ft.

In the 2nd quarter, 2006, 4,492,000 of 29,604,000 sq. ft. office space were available; 2010, 5,280,000 of 29,339,000 are available. Average asking prices in Bergen County remained unchanged: In 2006 the lease price was \$26.00 per sq. ft.; same as today.

"The vacancy in the industrial market has risen from 6,620,000 sq. ft. (6.4%) in 2006 to 8,780,000 sq. ft. (8.6%) today with the industrial market having greater percentage price reductions than the office market," says Hirschman.

"Lease prices are down in some markets, but building sale prices remained constant," says Hirschman. Good location is not the only reason according to Hirschman; it's a result of supply and demand, and risk and reward. "If there is no local competition, prices can remain high; but as the competition heats up, prices will go down; similarly, today's buyers won't necessarily consider a building that has 15%-50% vacancy because the risk is too high. Years ago, they might have taken that risk for the reward of the investment," says Hirschman.

"Big box retail in Bergen County is down, though," says Hirschman. "Route 4 and route 17 suffered substantially: Any buildings with 15,000 to 60,000 sq. ft., which have been vacant for two years will remain that way and I don't see the market coming back to where it was." Remaining optimistic, Hirschman continues, "Most in-town retail, though, is doing well in Bergen, with Ridgewood and Westwood making fair market price adjustments over the past six months. Most owners just had to be flexible in their pricing and have been able to sell or lease their space. There is a market for that kind of space in today's market."

Overall, Hirschman says, commercial real estate in Bergen County has not changed a great deal. Some prices are down, and that brings new opportunity for tenants looking for space. People are moving—not necessarily to larger or smaller, but to better spaces. According to Hirschman, "Four years ago we had 17% commercial vacancy rates and today we have 18% vacancy rates. Some things never change."