



Customized Real Estate Services, Inc. | Houston

## Shifting Sands: Time to Lock in Low Lease Rates

**D**uring the Fourth Quarter of 2011, the corporate real estate market again reflected differences in regional economies of the world. For example, the United States experienced a nominal improvement with a vacancy drop from 12.5 to 12.3 percent in the absence of new construction, reports CoStar.



Connie Rankin, LEED AP

The average quoted lease rate across all classes of office space in the U.S. was \$21.59/SF Full Service in the Fourth Quarter, representing a 1.5 percent increase over the Third Quarter.

The U.S. industrial real estate market ended the Fourth Quarter with a 9.5 percent vacancy rate, and rental rates decreased to \$5.11/SF Net.

Occupancy growth for office tenants slowed in London, Helsinki, and Moscow while activity increased in Stockholm, Berlin, and St. Petersburg. Rents are bottoming out in Madrid, Rome, and Istanbul, while Hong Kong and Singapore saw a rental rate correction with a 4 - 6 percent decrease. Shanghai and Tokyo experienced low vacancy and high rental expectations.

Even with a modest uptick in occupancy, lease rates worldwide are tending to increase. This may indicate the market is shifting in favor of landlords. Therefore, it is a great time to contact us to lock in low lease rates for office and industrial space and secure the best possible terms for your next move or renewal.



### *Peeling the Big Apple*

## The Submarkets of New York City

By Andrew Stein & Bert Rosenblatt, Principals

ITRA / Vicus Partners, LLC

New York City, New York, United States

**W**hen you walk in New York City, you quickly realize that each neighborhood has a different vibe, style, and architecture. This is the beauty of Manhattan. Go ten blocks, and suddenly it's a new experience.

The same is true with office space. When you decide to open an office in NYC, the first thing you need to do is understand that your NYC might not have anything to do with someone else's NYC. If you are a premier hedge fund in London and you want to dip a toe into the Manhattan water, you'll probably end up in the Plaza District paying somewhere between \$80 — \$200/SF. On the other hand, if you're a hot tech company coming out of Palo Alto and want to be part of the up-and-coming tech scene in NYC, you probably should avoid the Plaza District and those steep rents.

So, when tasked with opening an office in Manhattan, the thing to realize is that the Big Apple is really many apples, and the most important apple is clearly the one that makes sense for you. So, we'll give an overview of the key submarkets of Manhattan from an office leasing perspective as well as insights for each:

- **Plaza District:** This is the area directly south of Central Park, from 3rd to 7th Avenue. This submarket features the crown jewel of the Plaza District, 9 West 57th Street, as well as the General Motors

building. These are usually the two most expensive buildings in New York City. The views of Central Park are spectacular. The firms that occupy them trend toward financial services, hedge funds, and large corporate headquarters, and rents are not for the faint of heart. Park Avenue between 45th and 57th is known as Hedge Fund Alley, with iconic structures like the Seagram's Building, Lever House, and 450 Park among the places you're likely to bump into this year's Masters of the Universe.

- **Wall Street:** The downtown end of Manhattan is the polar opposite of the Plaza District. Believe it or not, if you're looking for the lowest rents in Manhattan, you'll find them downtown. Wall Street, often defined as south of Fulton Street, runs from the East River to the Hudson River and is home to many law firms, trading companies, and non-profit organizations. This is where one can find suitable office space, often with good water views for \$25 — \$50/SF or about half the cost of comparable space in mid-town Manhattan. A big plus for the downtown market is transportation. Nearly every subway line

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# 'Go West, Young Man'—Trends in the World's Top Market

By Ronald R. Pollina, Ph.D., President  
ITRA / Pollina Corporate Real Estate, Inc.  
Chicago, Illinois, United States

*The Pollina Corporate Top 10 Pro-Business Study, considered the most comprehensive, unbiased, and unvarnished report by the economic development industry, is the "Gold Standard" for evaluating job creation. It ranks states on pro-business policies based on 32 factors controlled by state government, including taxes, human resources, education, right-to-work legislation, energy costs, infrastructure spending, workers compensation laws, economic incentive programs, and state economic development efforts. The study, authored by the Chairman Emeritus of ITRA, identified fascinating trends in the American economic landscape as illustrated by the top 10 pro-business states for 2011 in the United States: 1) Virginia 2) Utah 3) North Dakota 4) Wyoming 5) Nebraska 6) Kansas 7) South Dakota 8) Missouri 9) South Carolina, and 10) Indiana.*

A dramatic trend is now occurring in America with the Western states of Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Utah, and Wyoming experiencing some of the fastest growth in the country while California, which had led the West in population growth, has slowed considerably. The West, with nearly 72 million people, is now second to the South, with nearly 115 million people, according to 2010 figures.

It appears that many Americans and immigrants alike see the future of American prosperity in the West, shifting the geographic center of U.S. population westward in 2010.

This population shift affects the nation's politics and even the traditional notion of the country's heartland—the symbol of mainstream American beliefs and culture. The West is America's new heartland, and it is increasingly a dominant region of population growth and political influence.

Employers and people go where the opportunities for success are greatest and leave less desirable areas of the country. As this year's Pollina Corporate Top 10 study shows, the only state in the North that showed any promise for employers and jobs, Indiana, ranked #10. The remaining Northern states field positions among the bottom 25 pro-business states.

### New Pro-Business Region

The West is not only a leader in population growth but has also become the pro-business leader, thus showing the greatest potential for job growth. Between 2005 and 2008, the South dominated the Pollina Corporate Top 10 Pro-Business States annual study maintaining six states in the Top 10. In 2009, the South began to slip while the West began a rapid rise. For 2011, only two Southern states, Virginia, #1 and South Carolina #9, made it into the Top 10 ranks.

The West is a multi-faceted region.



On the east are the Plains states with the greatest potential for long-term continued growth. The Desert states in the Southwest, while experiencing considerable growth recently, will be limited by access to water unless this problem can be solved. The Pacific states of California, Oregon, and Washington certainly experienced the greatest economic growth in the West during the last century. But their future, it would appear, will be less stellar. They, like the Northern states, suffer from a sense of entitlement and overconfidence with a healthy serving of political complacency when it comes to economic development. Unfortunately,

California ranked #50 in our Top 10 Pro-Business report for the eighth year in a row. Oregon dropped from #13 in 2009 to #32 this year, and Washington dropped from #19 to #28.

### Future Economic Growth

With the exception of Michigan, all U.S. states gained some population between 2000 and 2010, but the fastest rates of population gains in the U.S. are now occurring in the West and South. The West grew 13.8 percent and the South 14.3 percent, while the Northeast grew 3.2 percent and the Midwest 3.9 percent.

Perhaps the shift in the demographic and pro-business center of gravity for the nation to the West will be the nation's salvation, siphoning political power from the weakening Northeast and Midwest. States in both of these regions, with the exception of Indiana, continue to wallow in endless political rhetoric, and little strategic planning for job creation and economic advancement.

Based on the poor job and economic development performance of the North and increasingly from the South, as our study illustrates, the growth of the West will be essential to the nation's economic future; however, we should not discount or underestimate the South. While this region may have fewer Top 10 states, they still have some very strong contenders and potential.

Virginia at #1 is the keystone for the South, and it is the unquestionably brightest star on the American flag when it comes to being pro-business. This state has the greatest lead over the #2 ranked Utah that any state has ever had in the eight years of this study. Virginia is the state others should emulate when it comes to economic development as they look past the recession and try to expand job growth and prosperity in all sectors of their economy.

Companies worldwide should also consider the changing economic development trends in the United States as they evaluate their expansion and relocation strategies in the largest economy of the world.



# Select ITRA Global Transactions

- **ITRA / Cooke, Swaney & Cooke** represented NW Sign Industries, Inc. for a 92,500 square foot industrial lease in Dallas, Texas.
- **ITRA / New York Realty Group** represented Junior Achievement of New York for a 6,841 square foot office lease in New York City, New York.
- **ITRA / Kingsbridge Realty Advisors** represented Boomerang Systems, Inc. for a 7,500 square feet office lease in Florham Park, New Jersey.
- **ITRA / Nidea Realities Corporation Limited, Brokerage** represented Gamma-Dynacare Medical Laboratories for a 20,000 square foot office/lab lease in Winnipeg, Canada.
- **ITRA / Cherry & Associates** represented Cisco Systems, Inc. for a 12,300 square foot office lease in Franklin, Tennessee.
- **ITRA / Vicus Partners, LLC** represented Henri Stern Watch Agency Inc. (Patek Philippe) in a 38,000 square foot office lease in New York City, New York.
- **ITRA / Customized Real Estate Services** represented Swift Worldwide Resources in a 14,000 square foot office lease in Houston, Texas.
- **ITRA / Carrie S. Holstead Real Estate Consultants, Inc.** represented The HDH Group in a 20,000 square foot office lease in Pittsburgh, Pennsylvania.
- **ITRA / Cherry & Associates** represented Viacom, Inc. for a 23,300 square foot office lease in Franklin, Tennessee.



# Services

## Office, Industrial and Retail Facilities

- Regional, National, International Headquarters
- Research & Development
- Life Sciences
- Warehouse / Distribution
- Manufacturing

## Real Estate Market Analysis

- Acquisitions
- Dispositions
- Lease Renewals

## Negotiations

- Proposals
- Leases
- Dispositions
- Acquisition Contracts
- State & Local Incentives
- Sale / Leasebacks
- Work Letters
- Operating Expense & Tax Audits
- Architectural / Engineering Contracts
- Developer Agreements

## State & Local Incentive Negotiations

- Statutory and Negotiated Incentives
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- Tax Credits and Abatements
- Workforce Grants and Training
- Subsidized Land and Building Costs

## Lease Management

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## Strategic Planning

- Model Development
- Acquisition/Consolidation Analysis
- Policies & Procedures Manuals
- Space Planning

## Location Analysis

- Labor Market Analysis
- Transportation Costs
- Utility Costs & Availability
- Quality of Life
- Taxation
- Market Accessibility

## Financial Analysis

- Buy vs. Lease
- Build-to-Suit
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- Sale / Leasebacks

## Surplus Property Analysis

- Marketability
- Highest & Best Use
- Disposition Strategies

## Project Management

- Needs Assessment
- Project Budget Management
- Selection and Oversight of Design Team Contractors and Vendors
- Move Coordination



## North America

Fourth Quarter 2011

	CITY	Total Square Feet	Vacancy	Available Space	Average Rent
1	Asheville	10.1M	9.1%	0.9M	\$16.95
2	Atlanta	269.5M	17.1%	45.5M	\$18.73
3	Austin	42.6M	16.5%	7.1M	\$24.96
4	Baltimore	127.8M	12.4%	15.8M	\$21.45
5	Boston	221.8M	11.9%	26.4M	\$23.51
6	Charlotte	95.8M	13.0%	12.4M	\$19.06
7	Chicago	325.0M	16.9%	55.0M	\$24.00
8	Colorado Springs	27.9M	16.5%	4.6M	\$11.14
9	Dallas/Ft. Worth	336.7M	16.4%	55.2M	\$19.33
10	Denver/Boulder	183.8M	12.6%	22.9M	\$20.13
11	Detroit	187.7M	16.5%	45.6M	\$18.24
12	Fairfield County, CT	54.2M	14.2%	11.9M	\$32.11
13	Ft. Lauderdale/W Palm Bch	90.0M	18.0%	19.1M	\$25.63
14	Houston	267.7M	12.8%	34.4M	\$23.01
15	Indianapolis	76.4M	10.2%	7.8M	\$17.48
16	Las Vegas	60.7M	19.4%	11.8M	\$20.34
17	Long Island	84.0M	10.3%	8.4M	\$26.21
18	Los Angeles	421.5M	12.6%	53.1M	\$27.93
19	Miami - Dade Cty	99.6M	14.3%	14.2M	\$28.72
20	Minneapolis	179.8M	9.1%	16.4M	\$16.99
21	Nashville	31.1M	10.3%	3.2M	\$18.58
22	Northern New Jersey	260.0M	18.1%	56.6M	\$23.47
23	New York City - Downtown	120.0M	8.5%	10.2M	\$38.28
24	New York City - Midtown	409.3M	7.2%	29.3M	\$52.44
25	Norfolk	37.8M	14.0%	6.7M	\$17.18
26	Orange County (CA)	150.5M	14.1%	21.2M	\$22.58
27	Orlando	100.7M	13.3%	13.4M	\$18.60
28	Philadelphia	93.5M	11.0%	10.3M	\$25.43
29	Phoenix	134.9M	21.9%	32.5M	\$21.00
30	Pittsburgh	124.1M	8.6%	10.7M	\$18.80
31	Portland	68.9M	11.0%	9.7M	\$20.12
32	Richmond	60.2M	11.4%	6.9M	\$16.72
33	Salt Lake City	83.4M	6.4%	5.3M	\$17.04
34	San Diego	111.5M	13.8%	15.4M	\$25.40
35	San Francisco	90.8M	14.9%	13.6M	\$34.91
36	Seattle/Puget Sound	178.7M	11.8%	21.1M	\$25.25
37	Silicon Valley	89.3M	14.2%	12.7M	\$28.89
38	Spokane	21.1M	9.6%	2.0M	\$15.65
39	St. Louis	129.7M	12.1%	15.7M	\$17.97
40	Tampa	142.4M	13.6%	19.4M	\$19.10
41	Toronto	170.0M	5.4%	16.3M	\$18.18
42	Tucson	18.3M	13.0%	2.6M	\$19.25
43	Washington, D.C. Metro	458.3M	13.3%	60.8M	\$33.81 Metro \$48.36 DC
44	Westchester County, NY	38.1M	13.3%	7.4M	\$26.34

## London

Fourth Quarter 2011

	DISTRICTS	Take Up (sf)	Vacancy	Prime Yield	Prime Rent*
45	London West End	1.07M	2.2%	4.0%	£95.00
46	London City	1.0M	4.4%	5.25%	£55.00
47	London Docklands	0.12M	6.6%	N/A	£38.50
48	London Midtown	0.40M	3.5%	5.50%	£50.00

Definitions for London

\*Take Up\* - Space absorbed in the previous quarter / \*Grade A Vacancy\* - Available Space / \*GBP\* - British Pounds / per sq ft.

## Paris

Fourth Quarter 2011

	DISTRICTS	Take Up (m²)	Vacancy	Prime Yield	Prime Rent*
49	Paris Central Business District (CBD)	.841M	4.6%	4.75 % - 5.25 %	€759/m²
50	Paris Central Districts (excluding CBD)	.278M	6.2%	5.00 % - 5.50 %	€494/m²
51	La Défense	.309M	5.4%	5.75 % - 6.25 %	€581/m²
52	Western Suburbs	1.114M	12.5%	5.75 % - 6.75 %	€485/m²
53	Neuilly Levallois	.182M	7.9%	N/A	€537/m²
54	Southwest	.263M	9.2%	N/A	€438/m²
55	Proximity la Défense	.388M	20.5%	N/A	€385/m²
56	Northwest	.28M	13.8%	N/A	€378/m²

\*Euros / m²

## Germany

Fourth Quarter 2011

	CITY	Total Office Space (m²)	Take Up	Vacancy	Off. Space Avail. (m²)	Av. Rent (Eur/m² / mo.)	Prime Rent (Eur/m² / mo.)	Under Construct. (m²)
57	Berlin	18.1M	560K	7.2%	1.3 M	€12.50	€22.00	250K
58	Frankfurt (Hesse)	12.1M	452K	14.8%	1.8 M	€18.50	€33.00	140K
59	Hamburg (Hamburg)	13.7M	538K	8.3%	1.1M approx.	€14.50	€23.50	230K
60	Munich (Bavaria)	21.8M	865K	7.9%	1.7 M	€19.00	€32.00	150K

\*Disclaimer: This survey contains information from sources deemed to be reliable and accurate. However, we make no representation, warranty or guaranty of its accuracy.



# ITRA Global Expands its Worldwide Network

**T**wo new members with offices in major international markets—Houston, Texas, and Indianapolis, Indiana—have been selected as affiliates of ITRA Global, an organization comprised of leading real estate professionals devoted to representing corporate tenants and occupiers of commercial real estate worldwide. The new affiliates are:

- **ITRA / Customized Real Estate Services Inc.** was founded in Houston in 2001 by Connie Rankin after nearly 20 years of experience as an Executive Senior Manager with PM Realty Group, the largest third-party management company in the nation. Over the past 10 years, Customized Real Estate Services has accomplished its mission to provide a broad spectrum of diverse experience in commercial real estate—adding value while having a positive impact on the environment.

In 2011, the company formed a division called LEAD 2 GREEN specializing in green real estate services after the firm became the first certified woman-owned company in commercial real estate to earn the LEED® professional accreditation designation in 2008. Customized

Real Estate Services with LEAD 2 GREEN now works with clients in the oil and gas industry, non-profits, small and large companies, and with local government. The company uses its extensive commercial real estate experience and LEED knowledge to help companies locate the best facilities, and educate them on the benefits of environmentally friendly buildings.

Resultantly, the company has earned the reputation of “The Tenant’s Best Advocate” with such firms as Shell Oil, City of Houston, and the Women’s Business Enterprise Alliance. Visit Customized Real Estate Services at [www.cresrealestate.com](http://www.cresrealestate.com), or contact Connie Rankin at +281.931.7775 or [crankin@itraglobal.com](mailto:crankin@itraglobal.com).

- **ITRA / CARMEN Commercial Real Estate Services**, founded in 1993 in Indianapolis by Christopher Carmen, has distinguished itself as an industry leader in the exclusive representation of office and industrial tenants and buyers, fulfilling the real estate needs of more than 400 client businesses.

CARMEN navigates the ever-changing real estate market to deliver solutions

that accomplish each client’s unique goals, maximize corporate productivity, and minimize costs and risk. Through its vast experience, market knowledge, and in-depth resources, CARMEN advises its clients throughout the life of a lease or long after a purchase is complete to assist them in making informed decisions that will save their companies time and money. By establishing solid, enduring relationships with clients, the company contradicts the “transaction mentality” occasionally associated with segments of the commercial brokerage industry.

Moreover, CARMEN has also partnered with some of the most highly regarded and successful service providers in the fields of interior design, construction, relocation management, and economic development incentive procurement to fully implement strategies that reduce occupancy costs, improve space efficiency, and maximize employee productivity.

Visit CARMEN Commercial Real Estate Services at [www.carmenrealestate.com](http://www.carmenrealestate.com) or contact Chris Carmen at +317.848.0900, ext. 705 or [ccarmen@itraglobal.com](mailto:ccarmen@itraglobal.com).

## Submarkets of New York City *Continued from page 1*

runs through this area, proximity to Brooklyn is fantastic, commuter buses from the outer boroughs and New Jersey stop there, and the new transit hub to the Freedom Tower will be spectacular when it comes on-line.

- **Union Square:** When General Assembly opened its doors at 902 Broadway, it was like sticking a flag in the earth and declaring Union Square as the tech epicenter of New York City. Tech companies large and small flock to Union Square. Firms here are young, hip, and smart. Union Square also boasts the lowest vacancy rate in Manhattan. Rents can be south of \$30/SF in older and smaller side street buildings. But if you’re in better buildings on Broadway or Park Avenue South, expect to pay closer to \$40-\$50 or more. Office space that you will find there will be converted lofts and older, converted manufacturing facilities. Restaurants here rock—with “beautiful” people everywhere.

- **Grand Central:** If you live in Westchester County or Connecticut, you travel by Metro North and land in Grand Central Station. Wouldn’t it be nice if your office were a short walk from the train?

This is why so many firms have set up shop between 40th Street and 45th Street and Third Avenue to Fifth Avenue. The buildings in and around Grand Central vary from trophy buildings to side street hovels and everything in between. There are several buildings that have direct access by tunnel to Grand Central. This means you don’t get wet or cold going from train to desk. Commuters enjoy the Lincoln Building, The Chain Building, 317 Madison, 230 Park, and the Graybar. These are solid Class “A” buildings well absorbed by smaller companies. The Chrysler Building and 450 Lexington are among the nicer and more expensive buildings in the area. The higher floors at 200 Park, right above Grand Central, feature incredible views of the rivers, the Statue of Liberty, and Central Park.

- **Penn Plaza/Times Square:** If you live in New Jersey or Long Island and come into Penn Station or Port Authority, there are several Class “A” buildings near both transportation hubs. Without question, 1 Penn Plaza and the new *New York Times* building are best in class. Rents will range from \$50 to \$100/SF. This area was the original “Garment Center” in

NYC, and other than a handful of Class “A” buildings, these “B” and “C” buildings are home to many fashion companies, manufacturing firms, non-profits, and a variety of retailers.

- **Hudson Square:** This area, on the West Side of Manhattan above Tribeca, has emerged as an extremely hip area. Running from Canal up to Houston is an area that once was home to printers who needed big, cheap industrial spaces. But with the gentrification of New York, printers are now nearly extinct in this area and have been replaced by media and high fashion companies. Characteristics of this building stock are high ceilings, large windows, and a cool industrial feel, and typical prices are \$35-\$45/SF. You’ll find some of the hippest clubs and restaurants in the city located here. New York City provides an exhilarating business environment not found elsewhere in America and offers a spectrum of exceptional office space choices. Therefore, it is critical to take your time to explore the varied office space options in NYC so you take the right bite of the Big Apple.

# Global Coverage

## NORTH AMERICA

Asheville  
Atlanta  
Austin  
Boston  
Chicago  
Colorado Springs  
Dallas  
Denver/Boulder  
Detroit  
Fairfield County  
Ft. Lauderdale  
Houston  
Indianapolis  
Long Island  
Los Angeles  
Nashville  
New Jersey (Northern)  
New York City (Downtown)  
New York City (Midtown)  
Norfolk  
Philadelphia  
Phoenix  
Pittsburgh  
Portland  
San Francisco/Silicon Valley  
Toronto

Tucson  
W. Palm Beach/Boca Raton  
Washington, D.C.  
Westchester County, NY

## LATIN AMERICA

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Buenos Aires  
Caracas  
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Curitiba  
Lima  
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Monterrey  
Panama  
San Jose  
Santiago  
Santo Domingo  
Sao Paulo

## EUROPE

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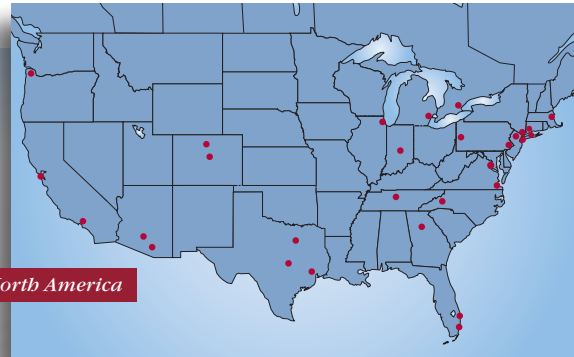
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Hong Kong  
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Shanghai  
Suzhou  
Tokyo  
Wuxi

## AUSTRALIA

Brisbane  
Melbourne  
Sydney



North America



Europe



Latin America



Australia



Asia

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## Corporate Real Estate Strategies

Customized Real Estate Services, Inc. | Houston

650 N. Sam Houston Pkwy E, Suite 108  
Houston, TX 77060  
Phone 1+ (281) 931-7775  
crankin@cresrealestate.com  
www.cresrealestate.com

*ITRA Global provides corporate real estate services for tenants and buyers throughout the world.*

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