

As  
Seen In...



# The HUTTON HERALD™

Hutton Centre's New Business Magazine

## OC Commercial Real Estate Booms

by Barry Saywitz



### THE SAYWITZ COMPANY

Commercial rental rates continue to rise as the commercial real estate market here in Southern California continues its recovery. The current trend of increased office rents throughout Orange County and particularly near John Wayne airport have forced some tenants to relocate. The bargain prices for "A" class office space that were seen in the early 90's have disappeared and the companies who signed leases at the bottom of the real estate market are now faced with expiring leases and dramatic rent increases. In many instances, tenants renewing their leases must choose between a 30-50% rent increase or the cost and disruption of relocation to more affordable space. The days of free parking in the structures of high rise buildings have vanished; free rent and improvement allowances have decreased significantly as well.

Other segments of the commercial real estate market are beginning to follow this trend in office rents. Industrial and R&D buildings have seen steady rent increases with the vacancy rates for these types of buildings decreasing on a monthly basis. Retail rents have begun to increase as well with the replacement of under performing tenants and the elimination of long-standing vacancies. As a retail center becomes fully leased, all of the tenants benefit from greater traffic flow and increased exposure. This adds value to the center and ultimately adds to the increase in rental rates.

As the economy recovers and vacancy rates continue to fall, rents will rise accordingly. As for the tenants;

serious considerations will have to be given to the type of building and utilization of space in order to maximize their layout and control rising real estate costs. Companies will begin to reevaluate issues of geographics and quality of building as noted by the recent decisions of the Fluor Corp. and Western Digital to relocate from high rise office space to a more cost effective and efficient low rise alternative. The astute tenant will begin to analyze its alternatives well in advance of their lease expiration. The need for new and/or additional space will need to be addressed proactively rather than reactively. The more lead time the company has to make decisions relative to their real estate, the greater opportunity they have to hedge against future increases in the real estate market and make the most prudent business decisions.

One way to ensure that real estate costs are controlled and all options are explored, is by utilizing the service of professional real estate experts to assist in the strategic planning, forecasting and implementation of the company's real estate plans. The Saywitz Company, headquartered in Santa Ana, is a national real estate brokerage and consulting firm which specializes in assisting tenants in relocating, renewing their existing leases and strategic planning for the future. The real estate market is now in full recovery mode. There are more potential buyers of commercial real estate in Orange County than there are opportunities. This reversal of supply and demand combined with decreasing vacancy and a solid economy will cause rental rates to climb over the next 12 to 18 months.

Tenants should realize what the market is doing and plan ahead for the future. This may require the realization that your rent will increase significantly or that you may need to readjust your office requirements to fit your budget. Sophisticated tenants will utilize the

services of companies like The Saywitz Company to hedge against future increases by planning in advance and hiring professional negotiators to implement their real estate plan. If you are an investor of commercial real estate, your time has come. If you are a tenant that has had a lease with inexpensive rent for the past several years, you will be faced with difficult decisions and increased bottom line costs. Regardless of which side of the table you are sitting, landlord, tenant, buyer, or seller, all options should be considered carefully.

Although the future of commercial real estate in Orange County looks bright, one should not forget that only a short time ago we were faced with rock bottom rental rates and soaring vacancies. The investor and user of real estate who lives for today and plans for the future will reap the benefits of a sound business decision.

---

Barry Saywitz is President of The Saywitz Company, a national commercial real estate brokerage and consulting firm headquartered in Santa Ana. Mr. Saywitz is also the chairman of the CORE Network, a worldwide organization of commercial real estate firms.

For more information, please call Barry Saywitz at (714) 545-8584.