



# It's Your Market

## Commercial Real Estate Review / Economic Forecast

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### The Strange Disconnect in the Real Estate Market [2006]

People always ask me about the Real Estate Market in our area. Many of them have commented on the current weakness in the Residential Market.

My answer begins with pointing out that LB Commercial Realty is solely a Commercial Real Estate business and we do not engage in residential real estate. The two markets are very different!

I am very happy to report that 2006 was the very best year LB Commercial Realty has had since our opening in 1993.

***How can that happen??? The answer is a bit complex.***

There is a huge amount of capital, private, institutional and foreign capital searching for real estate investments in our market. Recent financial turmoil has encouraged investors to seek hard asset investments as a component of their total financial portfolio.

Current tax laws (one of President Bush's tax benefits after 9/11), enable a seller to pay long term capital gains if the property has been owned for a while. This may expire in 2008.

If another real estate investment is being made and qualifies for a 1031 tax free exchange, then all of the taxes and recapture can be deferred to a later date.

We've had the lowest Commercial Mortgage rates that anyone can remember. The Federal Reserve has lowered short term finance rates (and recently raised them 17 times) and adjusted the money supply in order to control inflation. The ten year Treasury note is the commonly used basis for commercial lending and has stayed very low; today it is 4.77%. This can result in Commercial Mortgage rates being

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**THE STRANGE DISCONNECT** Continued from on Page 1

between 6.25% and 7%, depending on variables. It has been a profitable year for many corporations, large and small, as evidenced by the 15.8% increase in the S&P for 2006.

The service sector accounts for about 60 – 65% of gross domestic product and has been expanding for the past three years. When these forces come together at the same time, the climate is beneficial for Investors, Sellers, Owner/Users, and Tenants to lease and purchase commercial/investment real estate. The year 2006 saw low inflation, a very low unemployment, [about 4.5%], in December falling jobless claims, fuel costs that have fallen to mid to low \$50.00 per barrel, and more good news concerning the budget deficit and trade imbalance.

For these reasons, all categories of Commercial Real Estate in our market area have strongly increased in value, compressed capitalizations rates, and lowered vacancy rates, resulting in higher lease rates.

Our greatest dilemma is the shortage of available properties to show our prospective Investors and Users. I wouldn't say our market is bad at all!

## What does 2007 hold for this Commercial Real Estate Market?

The answers will depend on many factors: Will new product come to market. Our area has seen little or no new industrial or office construction. We've had a powerful absorption of space in all sectors of the commercial market for the past three years, driving up lease rates and sales prices. Will the Federal Reserve raise rates, hold steady or lower rates? Will businesses continue to expand and need more office and warehouse space? What about inflation, demand for goods and services [GDP] and consumer spending? Some experts expect slower growth in 2007 of about 7 to 9 % range. Some predict the weakness in the housing market [which has been a drag on our economy] to strengthen in the second half of 2007.

Hopefully, 2007 will be a peaceful year with no natural or geopolitical events that negatively impact our economy and this great country.

We at LB Commercial Realty had the honor and pleasure of serving the needs of many local people and business in 2006.

### As you can easily notice most of these new neighbors are within a small geographic area.

We consider all of the surrounding towns east of Route #17 and north of Route #4, to be our market area. LB Commercial has leased, sold and placed more business's than any other Commercial Real Estate Broker in this local market. Landlords and business's have chosen us to broker properties outside our immediate area.

We would be very pleased to assist you or someone you know with Commercial Real Estate requirements. Please don't hesitate to reach out to us at anytime to answer questions or assist you in any way.

Our plans for 2007 include enlarging our sales staff of 8 full-time agents. We intend to continue timely market reports and demographic analytics. Our current reports and inventory can be viewed by visiting our website: [www.lbcommercial.com](http://www.lbcommercial.com)

Please send [frontdesk@lbcommercial.com](mailto:frontdesk@lbcommercial.com) an email with your current contact information. Let us know if you need more space, want to relocate, downsize, or any changes you anticipate.

We wish you a healthy and prosperous 2007. Thank you for the opportunity to be of service!

Sincerely,

LB Commercial Realty, LLC.

Jerry Boyarsky

Frank Calautti

Louise Boyarsky

Tex Stephenson

Bob Calleo

Sam Boyarsky

Gladys Carullo

Uma Reddy

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## PLEASE JOIN US IN WELCOMING OUR NEW NEIGHBORS!

### **CLOSTER**

Little Scoops	326 Harrington Avenue, Closter
Lenny Zarlin Tickets	7 Reuten Drive, Closter
Teckers, Inc.	81 Ruckman Road, Closter
Island Hot Tubs	231 Herbert Avenue, Closter
Metropolitan Pediatrics	7 Reuten Drive, Closter
Reiner Airconditioning Group	1 Reuten Drive, Closter
JP Limousine	231 Herbert Avenue, Closter
Ace Learning Center	194 Harrington Avenue, Closter
The New Life Church	283 Harrington Avenue, Closter (First Congregational Church)
Veritas	10 McKinley Street, Closter

### **CARLSTADT**

New Direction	1 Terminal Road, Carstadt
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### **CRESSKILL**

North Jersey Community Bank	1 Union Avenue, Cresskill (Formerly Wacovia Bank)
Sain Investments	80 Broadway, Cresskill

### **ENGLEWOOD CLIFFS**

Tekeyan Cultural Assoc.	560 Sylvan Avenue, Englewood Cliffs
Vartivarian Trading	560 Sylvan Avenue, Englewood Cliffs

### **HACKENSACK**

Dakota Excavating	481 Hackensack Avenue, Hackensack
Playtime Publishing	58-60 Main Street, Hackensack
Friends & Family Chiropractic	214 State Street, Hackensack
Jeffrey Wilson, MD.	University Plaza One, Hackensack
USA Properties LLC	117 Central Avenue, Hackensack

### **HARDYSTON**

PODS	Hardyston, N.J.
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### **HOHOKUS**

Palermo Supply Company	691 North Maple Avenue, Ho-Ho-kus
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### **NORTHVALE**

New Yorker Electronics	209 Industrial Parkway, Northvale
Aram Realty	190 Veterans Drive, Northvale
Coastal Home Funding	190 Veterans Drive, Northval.
Silla Industries	408F Paulding Avenue, Northvale
Airborne Leathers	20 Charles Street, Northvale
Pop Pop Industries	190 Veterans Drive, Northvale

### **NORWOOD**

Popeyes Chicken	530 Livingston Street, Norwood (Formerly KFC)
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### **ORADELL**

ENT & Allergy Assoc.	690 Kinderkamack Road, Oradell
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### **TENAFLY**

FUEL	103 North Summit Avenue, Tenafly
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### **WESTWOOD**

DJD Inc.	100 Carver Avenue, Westwood
Chase Transport	41 Bergenline Avenue, Westwood
Speedpro Imaging	41 Bergenline Avenue, Westwood
Dr. John Bosso	354 Old Hook Road, Westwood

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*What you've been waiting for...*

# Commercial Real Estate Review



*Economic Forecast*

[www.lbcommercial.com](http://www.lbcommercial.com)

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