

Office Condos are GOOD. I told you, but read this!

Office Condominiums Boom Despite Poor Economy

[Modified from an article by Jim Riggs, the CEO and founder of Shea Commercial]

Office building construction has slowed or halted in many parts of the country due to lease rates that have leveled off or declined and mounting vacancy rates. One bright spot, however, has been **office condominiums**, which have continued to gain in popularity.

Last year, The Wall Street Journal's RealEstateJournal.com noted in an article, "Amid Low Interest Rates, Office Condos Multiply," that "while average office-rental rates in Manhattan have fallen about 30 percent during the last three years, prices for office condos have increased 50 percent during the same period." Skyline News & Research newsletter reported that "In Florida, Arizona, Minnesota and cities such as New York, Atlanta, Washington, DC, and Los Angeles, commercial condominium development has yielded high returns for investors."

Why Has This Market Segment Done So Well?

Office condominiums are uniquely positioned to meet the needs of small to mid-sized businesses, usually firms such as medical practices, dentists, lawyers, engineers, accountants, architects, real estate companies, mortgage brokers, insurance brokers, general contractors, dance studios and other service-oriented businesses with established practices. Business owners and partners in these organizations are receptive to the benefits that owning versus leasing office space provides. They welcome the opportunity to buy property without the expense of purchasing land and the aggravation of supervising the construction of a building. Benefits of ownership include:

- Significant tax advantages
- Building equity
- Property appreciation
- Completely customizable space
- Predictable, stable monthly expenses
- Locking in a prime location even if rents spike

Office condominiums are also an attractive option because many cities have an under-supply of small buildings in the 1,000- to 5,000-square-foot range available for purchase. For example, according to the Skyline News & Research newsletter, tenants with space requirements of less than 10,000 square feet comprise 80 percent of the marketplace in San Francisco. Office condominium developments, which typically offer space from 1,000 to 10,000 square feet, can help to satisfy this unmet need.