

Sweep... From page 23

that Bruno had blocked in previous years.

The plan threatened Bruno's grip on GOP senate control when the mayor used his personal funds to back Democratic candidates in senate election races. A story was leaked to the media saying one Republican eyed by Bloomberg was state Senator Serphin Maltese (R-C, Middle Village), the Queens Republican leader with whom Bloomberg had clashed on a local political matter.

The mayor's strategy seemed to be working when Bruno came down to the city one weekend to meet with him. Eventually Bruno and Governor George Pataki joined Assembly Speaker Sheldon Silver in agreeing to place the school construction funding the mayor had been

victories much easier.

A key factor in the sharp GOP decline was Pataki's precipitous drop in popularity which not only forced him to abandon any plans for re-election to a fourth term, but also rendered him virtually powerless in party matters.

There was no credible candidate to challenge either Spitzer or Clinton because Pataki's pick as state GOP leader, Stephan Minarik, could never get support for his choices from party leaders. As a result, William Weld stepped aside and John Faso became a weak candidate against Spitzer.

At the same time, Jeanine Pirro, who would have been the Republicans' best choice to challenge Clinton, never achieved unified support. She then became the candidate for state attorney

general against Cuomo and any chance she had against him evaporated as her personal problems and a threatened federal investigation were revealed.

Brian McLaughlin's indictment came as a surprise, although he had announced his retirement from the Assembly earlier in the year. He was held in high esteem because his Assembly work was heavily oriented toward his community and district. He also had influence in citywide politics owing to his dual roles as legislator and union leader.

Finally, as the 2006 elections became history, Clinton's superb re-election victory positioned her much more clearly as a prospective presidential candidate in the 2008 election. Some pos-

sible opposition in the person of U.S. Senator Barack Obama of Illinois also seemed to move Clinton into a more overt candidate mode.

On the Republican side, the end of the election season brought former Mayor Rudy Giuliani and U.S. Senator John McCain (R-Arizona) further into the open as possible 2008 presidential candidates.

However, they all seem prematurely thrust onto the presidential scene, in large part because of the media attention they are all receiving. It is far too soon to take any of them seriously. The beginning of real campaigning is still a year off and the election almost a year further away. We can only watch closely their daily moves, but we won't draw any conclusions at the moment.



U.S. Senator Schumer, Congressmembers Ackerman, Weiner and Maloney.

seeking in the budget. Bloomberg never fulfilled his threat to oppose Maltese in the Senate campaign and the lawmaker won re-election.

The Democratic sweep in New York state was emulated on the national level, where the party took control of both houses of Congress. U.S. Senator Charles Schumer and every congressman from New York City moved into important committee positions, which should benefit the city.

Schumer, who had contributed enormously to his party's takeover of the Senate through his job as Democratic Senate Campaign Finance Committee chairman, emerged after November 7 as the Number Three Democrat in the Senate majority. The funds raised by the committee he headed went into several campaigns which were won by Democratic candidates. He was rewarded with a position in the Democratic hierarchy where he will have a voice in setting policy and other decision-making duties.

In the House, Crowley, already Democratic Deputy Whip, was appointed a member of the powerful Ways and Means Committee after being given a nudge by the panel's incoming chairman, Congressman Charles Rangel of Harlem. Crowley will also continue on a subcommittee to the International Relations Committee.

Also winning appointments were Congressmembers Gary Ackerman, Carolyn Maloney and Anthony Weiner. Congressman Nydia Velazquez, who has had a portion of Western Queens in her congressional district for many years, won a major appointment as chairperson of the Small Business Committee, becoming the first Hispanic to head a major committee.

Collectively, the appointments for the Queens congressmembers should translate into considerable benefits for New York City.

A companion story to the Democrats' successes in 2006 was the collapse of the state Republican Party, which made the Democrats'

BY JOHN MALTZ

The national and local real estate markets are made up primarily of five sectors, Residential, Retail, Industrial, Commercial and Investment, which all overlap on their fringes. While it should be noted that national trends can differ drastically from local trends, and that there are economic influences such as interest rates that affect all markets, overall, all sectors are currently healthy and will be getting healthier through 2007. Now let me tell you why, sector by sector.

Residential: The news you've been reading over the past year is either grossly overstated or just plain wrong. There has been no crash in real estate pricing and only in certain select markets has there been a bubble that has now mostly deflated. The strength of a residential market is dependent on financing rates, overall unemployment and household formation. Market downturns are caused by excess supply or the fairly rapid increase of the first two factors mentioned. Specific markets, such as luxury condominiums in Miami, Tucson and Los Angeles, experienced supply and prices which overshot their targeted market. Those are the headlines we are being bombarded with. Interest rates remain in a very affordable sweet spot of between five to six and one half percent, the unemployment rate is at a historic low of below 5 percent and normal household formation is being added to by an ever-increasing flood of immigrants as well as the growing trend of empty nesters purchasing second homes. While there are bargains in the overbuilt condo markets in some cities, there has only been a leveling out of pricing for prime residential properties in most markets (except in areas like Michigan that are dependent on the shrinking

auto industry). So don't wait to make that bid thinking that prices will go much lower.

Retail: The single two factors which will affect retail in 2007 will be the accelerating trend of leveraged buyouts as well as changing youth demographics.

Private capital is opportunistic and tends to look to consolidate horizontally across an industry. This will result in a consolidation of retail outlets, causing a higher vacancy factor. Overall, it should increase the health of the sector, as brand duplication is significantly reduced and surviving retailers have a base for future growth. The demographic we tend to watch is the continued urbanization of young household formations, which will create faster retail square footage growth in the city environment over the suburban and exurban areas.

Industrial: Here the sinking dollar is the big story. Companies like Caterpillar, in the heavy equipment sector, and General Electric, which manufactures power generators and jet engines, will find their exported products highly competitive overseas. This will cause both employment and wage growth at home. Further, the sinking dollar provides motivation for offshore companies to relocate their manufacturing into the U.S. market, much like Toyota and Honda has done over the past decade. Further growth, independent of the exchange rates, will be based on power plant and electric grid construction, as well as the rebuilding of the country's road and bridge infrastructure. We predict that manufacturing job levels will stabilize and industrial properties in most areas of the country will maintain high occupancy levels, resulting in accelerating rental rates.

Commercial: Made up primarily of office buildings, this market has experienced increas-

ing space absorption over the past three years as the sector of the economy made up of service industry increases. As in the retail sector, we see an increasing trend for urban areas to attract the greatest office building growth, due to the synergy of convenient and inexpensive transportation as well as the availability of labor as the nation's vibrant cities attract a growing majority of young, college-age professionals.

Investment: The real estate investment market is exhibiting unparalleled strength and a tide of dollars continues to flow into this inflation-protected sector. While the falling dollar will cause the nation's real estate to be more attractive to offshore investors, the big story here is the continuation of lowering cap rates as investors perceive that residual values at the end of a typical holding period should increase substantially, due to land use changes. We are constantly asked, "Why did that property sell for so much money?" The answer is usually that an investor was satisfied with a 4- to 5-percent going-in cap rate, as they were confident that their industrial building, parking lot, or office building would grow substantially in value, based on growing population density, rezoning pressures and continued gentrification trends.

Summary: Without question, real estate is the sector of choice for 2007. A combination of stable rates, positive demographic trends and a falling dollar, as well as the double benefits of inflation protection and investment leverage, will continue to cause it to be the nation's healthiest economic component.

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Real Estate Trends For 2007