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Q&A

Bob Owens, President and CEO, O,R&L Facility Services

Today

Recent stats released by Cushman & Wakefield for the third quarter show some heavy vacancies in places like Hartford's central business district with a rate of 21.7 percent. What do heavy vacancies mean for companies like O,R &L that provide facility management? What are some of the challenges of heavy vacancy rates?

Bob Owens

O,R&L has always advised our clients that investment in real estate has always been a long-term commitment. Short-term windfalls are few and far between. Investors considering commercial investment properties must have sophisticated development and market knowledge behind them to be successful.

Rising vacancy rates and the resulting loss of rental income will lead to the reduction of the market values of properties and increase foreclosure rates. The sooner an investor reacts proactively to market changes, then the better the chances of surviving it. O,R&L's mission is to utilize our three dimensional real estate expertise (commercial management, brokerage and construction) to help our clients find new solutions for attracting new businesses and tenants to their properties.

Rising higher vacancy rates here in Connecticut and nationwide will prolong the recovery and will potentially increase the foreclosure rates. Increasing vacancy rates will dramatically reduce rental rates, which will make it more attractive for existing tenants in once stable buildings to look to new locations to take advantage of the distressed market conditions. This effect could result in making the downturn more far reaching. A forecast of increasing commercial vacancy means a higher unemployment scenario. We will not be in an economic recovery until commercial occupancy rates and employment rates see consistent improvement.

How about the issue of commercial foreclosures? Are you seeing increases in foreclosures as vacancy rates increase?

O,R&L expects an increased trend of commercial foreclosures across the country. We expect the greatest volume in commercial foreclosures to be concentrated over the next 12 to 24 months.

Mortgages on commercial and investment properties typically have a 3 to 5 year maturity and based upon the recent borrowing cycles a high volume of large commercial mortgages will mature during this period with challenging prospects for sources of new financing.

Your company has expanded your operations in the Southeast region, specifically in Florida recently. Is this part of the country a growth area for an industry like yours?

O,R&L opened an office the Orlando Florida area in 2005. And while we remain committed to Connecticut and our Northeast operations, the area has offered tremendous growth for O,R&L. The company currently manages and maintains over seven million square feet of buildings in central Florida.

Our clients include a Fortune 500 theme park operator, the state of Florida, numerous Florida county governments, health care facilities and Class A office towers.

While O,R&L calls home to Connecticut, and while we continue to have a strong presence in the Connecticut commercial real estate landscape, we have also expanded into Massachusetts and New York. Our growth is attributed to our seasoned team of financial and operational specialist who are committed to reducing operational costs through state of the art financial management technology, energy management systems and labor management best practices.

One of our office towers won the 2009 Mid -Atlantic Building Owners and Managers Associations Building of the Year Award and was the runner up for the 2009 International BOMA Building of the Year.