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As 2012 gets started, I can see optimism in the Connecticut marketplace and I base this solely on the activity at the close of 2011. The activity has for the start of this year been busier. There are more telephone inquiries and landlords have become more aggressive with their negotiating so that they can conclude a deal for a longer term.

I am not confident that many firms will move into our state because of our tax structure, and, the local towns can only assist potential tenants for a short term, so I can see properties becoming available where firms are leaving, and it will be up to our broker network to go out and get occupants for these vacant facilities.

I noticed a marked increase in office leasing during the last quarter of 2011 and it is already carrying over into January 2012, there has been more movement in the industrial buildings and although there are many to choose from, the new tenants can literally get what they want, without a costly fit up. Small retail will increase and the larger space properties may need to reduce their footprint to accommodate interested tenants.

On the purchasing front, more deals should be flowing through CTCIC (Connecticut Community Investment Corp.) for an owner/user transaction, as they (CTCIC) have added more services available to potential buyers. These new services offered will entice more sales. I believe the area banks will be participating more in owner/ user deals, so with these tools for making a sale, the burden of keeping Connecticut clients here is part of our job, along with the lending institutions.

Also new to the commercial Realtor world is the addition of many Realtors that come from the residential marketplace. With their arrival, they are bringing more potential clients with needs in commercial real estate. The new agents are coming into the field with a high energy and excitement, especially if the potential transaction is involving a larger dollar amount than they (the agent) are used to working with. To date there have been a few instances where a commercial broker has needed to educate the residential broker on the various ways a lease or purchase may be offered, such as gross lease, gross plus utilities, NNN, options to purchase, 1031 Exchanges, SBA loan opportunities, and owner financing. Hopefully the local boards of Realtors will make a stronger effort to offer more courses with an emphasis on the needs of the commercial Realtor.

The investor area of commercial real estate is starting to rebound, with shrewd buyers again in hunt for buying a "winner property". This market has been somewhat slow over the past two years, but a rebound is now taking place and it is "Music to our Eyes and Ears".

As a commercial broker, we should also be in a position to educate some of the new investors we have started working with. We can recommend that they (the investor) have a relationship with a good business advisor and/or Certified Public Accountant and a knowledgeable real estate attorney. These professionals will advise the investor on tax breaks and regulations that have changed, such as Real Estate Activity Losses which at this time and juncture very appropriate. Some of the losses your investor might be eligible for are only if the investor is a real estate professional. To be a qualified real estate professional, you must annually perform, (1) More than 50% of your personal services in real property trades or businesses in which he would materially participate, and (2) Have more than 750 hours in these businesses during the year. Each year stands on its own, and there are other items to be aware of. If your investor is concerned he will fail either test and be stuck with passive losses; consider increasing of the hours so as to meet the test.

For more on passive loss rules, consult with a real estate tax advisor.

On Tax Deferrals for Investment Properties it is possible for an investor to divest his appreciated investment real estate but defer the tax liability. This strategy may be risky from a tax perspective until there is more certainty about future capital gains rates. If the tax goes up after 2012 as is currently scheduled, tax deferral could be costly.

There are two areas here that I believe we will see more of in 2012, one would be the installment sale which allows the investor to defer gains by spreading them over several years as they receive the proceeds, and two is the 1031 Exchange also known as a "like kind" exchange of one real property for another and defer the tax until they sell the replacement property. I believe we will see more of this 2012 than in the past two years combined.

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