



Reprinted February 18<sup>th</sup>

P&C Trends

### **Pinching Pennies: Saving on Space**

*Agencies are taking advantage of the “buyer’s market” and saving on real estate.*

If there is a bright spot in today’s economy, it’s most evident to those looking to purchase real estate. It’s a buyer’s market and low interest rates and bargain property prices have created opportunities for independent agencies to expand their offices and save money.

Although the majority of real estate bargains exist in the residential sector due to the subprime mortgage crisis and subsequent home foreclosures, there are more and more opportunities to save in the commercial sector as well, according to Bob Pettinicchi, executive vice president of InsurBanc.

“In general, it’s a good time to be in the market for space, whether you’re renting or buying,” says Pettinicchi. “Bargains depend on the part of the country and the vacancy rate for office space, (but) there may be opportunities for agencies that are financially strong to take advantage.”

Pettinicchi notes that most agencies are currently exercising caution when it comes to large purchases, including real estate. He believes the general uncertainty in the markets is causing many agencies to adopt a “wait and see” approach.

One agency that’s not waiting is Watkins Insurance Agency in Austin, Texas. Patrick Watkins, president of Watkins Insurance, says his agency was finally able to purchase the second floor of its office building after recent market activity drove prices down.

“The out-of-pocket cost was similar or less than what we were paying in rent, so it was a major win for us,” says Watkins. “It’s definitely a buyer’s market, and pricing is more beneficial today than it has been in a number of years.”

Watkins advises other agencies in owner-occupancy situations to look closely at purchasing their properties while the market is favorable. He notes that while the lending environment has gotten much tighter, many lenders are willing to provide reasonable terms to owner-occupants. Watkins’ agency, which has nine locations around Texas, is also taking advantage of current prices to re-negotiate leases on some of its properties. Watkins acknowledges it’s a gamble since the market could become even more favorable but says he prefers to lock in while bargains exist.

Agencies renting their office space are also finding deals; Gary Trippe, chairman and CEO of Oswald Trippe & Company, Inc. in Fort Myers, Fla., says rent is falling in his area and he plans to take advantage when his agency's lease is up for renewal later this year. According to Pettinicchi, commercial leases often run as long as five years, so agencies don't have many opportunities for re-negotiation.

*Editor's note: This article is the second in a series entitled "Pinching Pennies," which explores cost-saving measures for independent agencies. For more cost-saving tips, read "Recession-Proof Your Agency" in this month's IA magazine.*

Veronica DeVore (**veronica.devore@iiaba.net**) is Big "I" writer/editor.