



Long Island Office Market

Leasing Activity Continues Moderate Growth One Year From Start of Pandemic

Long Island's office market recorded a modest quarter of activity during the opening months of 2021. A large segment of office employees remains partially or completely remote due to the pandemic. Widespread uncertainty continues to dictate the office landscape, with companies trying to determine future occupancy requirements. However, as vaccine distribution gains momentum, reboarding and market activity are expected to change.

A total of negative 85,861 square feet was recorded in the first quarter, resulting in a 10-basis-point increase in vacancy from the end of 2020, to finish at 10.5%. Leasing activity grew 7.3% during the same period, with 457,653 square feet of completed transactions. While leasing volume has been gradually improving from last year's record lows, this quarter's activity represents a 21.8% decrease from the five-year historical quarterly average of 557,387 square feet. Highlighting the first quarter, First National Bank of Long Island signed a deal to relocate its headquarters to a 40,000-square-foot space at 275 Broadhollow Road in Melville. Additionally, ARC Excess & Surplus, a wholesale insurance brokerage, agreed to renew its 45,656-square-foot space at 113 South Service Road in Jericho. Due to the addition of several large blocks of space in Nassau County, the overall asking rent for Long Island increased by 1.4% to \$27.14/SF quarter-over-quarter. Despite the soft market, landlords of Class A buildings have not experienced a dramatic shift in taking rents. Long Island availability rates are lower compared to other tri-state suburban markets, which has allowed landlords to avoid repricing space. However, many have been open to more flexible lease terms to accommodate tenants who are not ready to make long-term commitments.

Reduced Investment Sales Volume

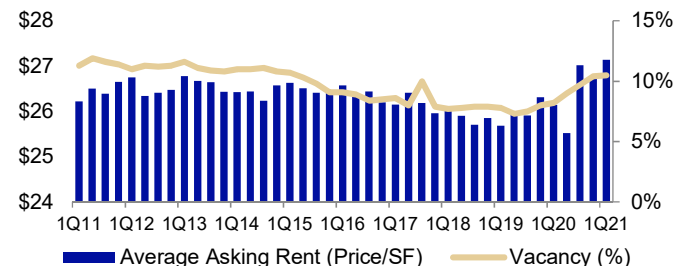
Following a strong fourth quarter of investment activity, only 220,374 square feet was traded during the first three months of the year, for a total of \$37.7 million. The largest property sold was at 510 Broadhollow Road in Melville. Fairfield Properties added the 75,000-square-foot building to its portfolio for \$133/SF. Looking forward, a renewed interest in suburban office product, along with stable rental incomes, is expected to create substantial demand for Class A buildings in 2021.

Current Conditions

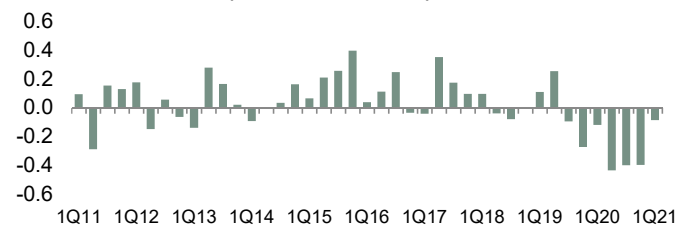
- Widespread uncertainty continues to dictate the office landscape with companies trying to determine their future occupancy requirements.
- A total of negative 85,861 square feet was recorded in the first quarter, resulting in a 10-basis-point increase in vacancy from the end of 2020, to finish at 10.5%.
- The overall asking rent for Long Island increased 1.4% to \$27.14/SF quarter-over-quarter.

Market Analysis

ASKING RENT AND VACANCY



NET ABSORPTION (SF, THOUSANDS)



Market Summary

	Current Quarter	Prior Quarter	Prior Year	12-Month Forecast
Total Inventory	56.6 MSF	56.6 MSF	56.6 MSF	↔
Vacancy Rate	10.5%	10.4%	8.2%	↑
Quarterly Net Absorption	-85,861	-395,800	-117,711	↓
Avg. Ask Rent	\$27.14	\$26.76	\$26.14	↑
Under Const.	0 SF	0 SF	0 SF	↔
Deliveries	0 SF	0 SF	0 SF	↔

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Average Asking Rent	\$27.14	\$26.76	\$26.14	↑
Under Construction	0	0	0	↔
Deliveries	0	0	0	↔

Submarket Statistics

Market	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Net Qtr Absorption (SF)	Net YTD Absorption (SF)	Direct Asking Rent (Price/SF)	Sublet Asking Rent (Price/SF)	Total Asking Rent (Price/SF)
Nassau	34,256,466	0	10.0%	-184,403	-184,403	\$28.92	\$29.72	\$28.95
Suffolk	22,355,366	0	13.9%	98,542	98,542	\$24.58	-	\$24.58
Long Island	56,611,832	0	10.5%	-85,861	-85,861	\$27.09	\$29.72	\$27.14

Select Lease/User Transactions

Tenant	Building	Town	County	Square Feet
ARC Excess & Surplus LLC – Renewal	113 South Service Road	Jericho	Nassau	45,656
First National Bank of LI – New	275 Broadhollow Road	Melville	Suffolk	40,000
Madison Mortgage – Sublease	3 Dakota Drive	Lake Success	Nassau	20,000
Anchin, Block & Anchin LLP - Sublease	50 Charles Lindbergh Boulevard	Uniondale	Nassau	11,250

Select Sale Transactions

Building	Town	Sale Price	Price/SF	Square Feet
510 Broadhollow Road	Melville	\$10,000,000	\$133.33	75,000
393-399 Old Country Road	Carle Place	\$9,375,000	\$169.00	55,472
175 Sunnyside Boulevard	Plainview	\$4,900,000	\$233.13	21,018
111 Express Street	Plainview	\$3,450,000	\$230.00	15,000

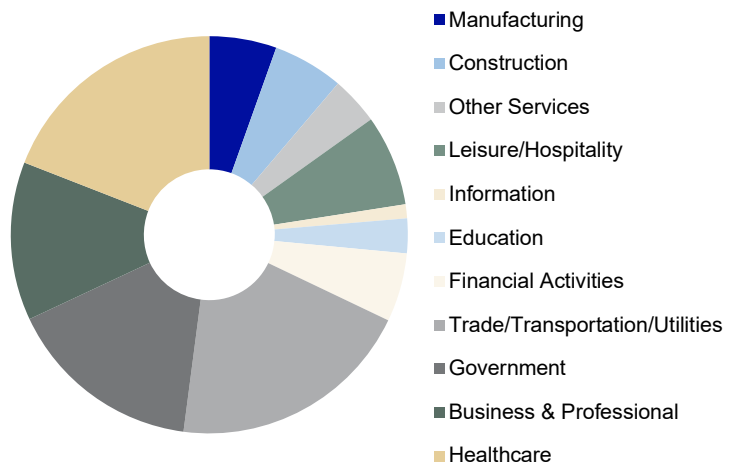
Economic Conditions

Long Island unemployment levels grew from 6.4% in January 2021 to 6.7% in February 2021. Despite the increase, the overall Long Island economy has rebounded firmly from last year when all nonessential work was shut down due to the pandemic. Long Island reported a net decrease of 7,900 jobs on a month-over-month basis, in addition to 7,489 new jobless claims being filed during the week ending March 23rd. Following months of positive job growth figures, the recent jump in jobless claims shows that employers in some industries are still proceeding with layoffs due to the pandemic. Employment growth in all office-using sectors is down compared to a year ago.

As the warmer months approach, the nation finds itself in a race to vaccinate the populace before new COVID-19 variants with increased transmissibility have the chance to take hold. According to New York State data, at the end of March, 1/3 of the state population received a single shot of the vaccine and approximately 1/5 are fully vaccinated.

Employment By Industry

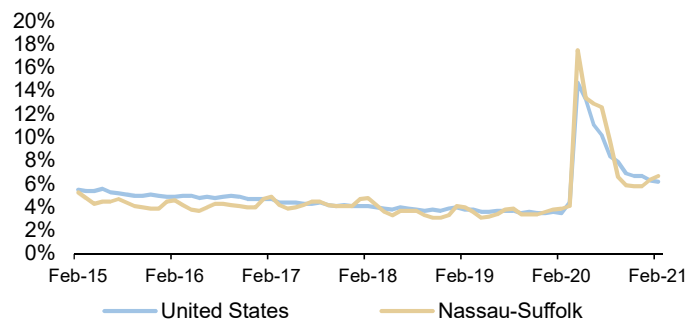
NASSAU-SUFFOLK, FEBRUARY 2021



Source: New York State Department of Labor

Unemployment Rate

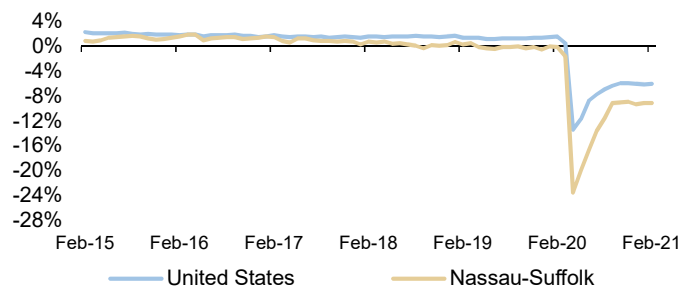
NOT SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics

Payroll Employment

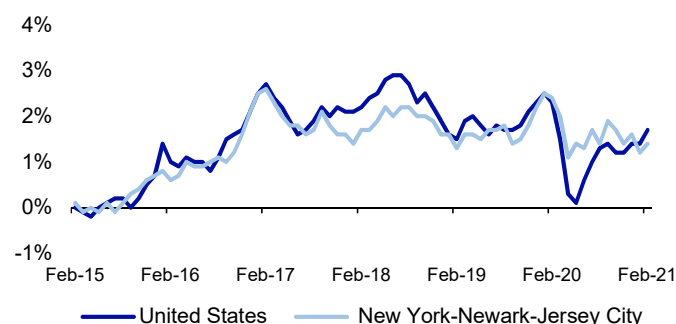
TOTAL NONFARM, NOT SEASONALLY ADJUSTED, 12-MONTH % CHANGE



Source: U.S. Bureau of Labor Statistics

Consumer Price Index (CPI)

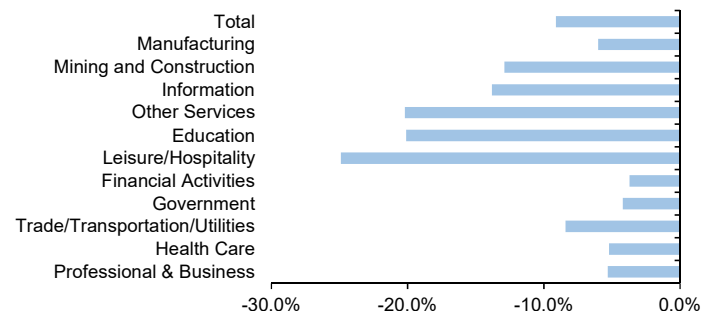
ALL ITEMS, 12-MONTH % CHANGE, NOT SEASONALLY ADJUSTED



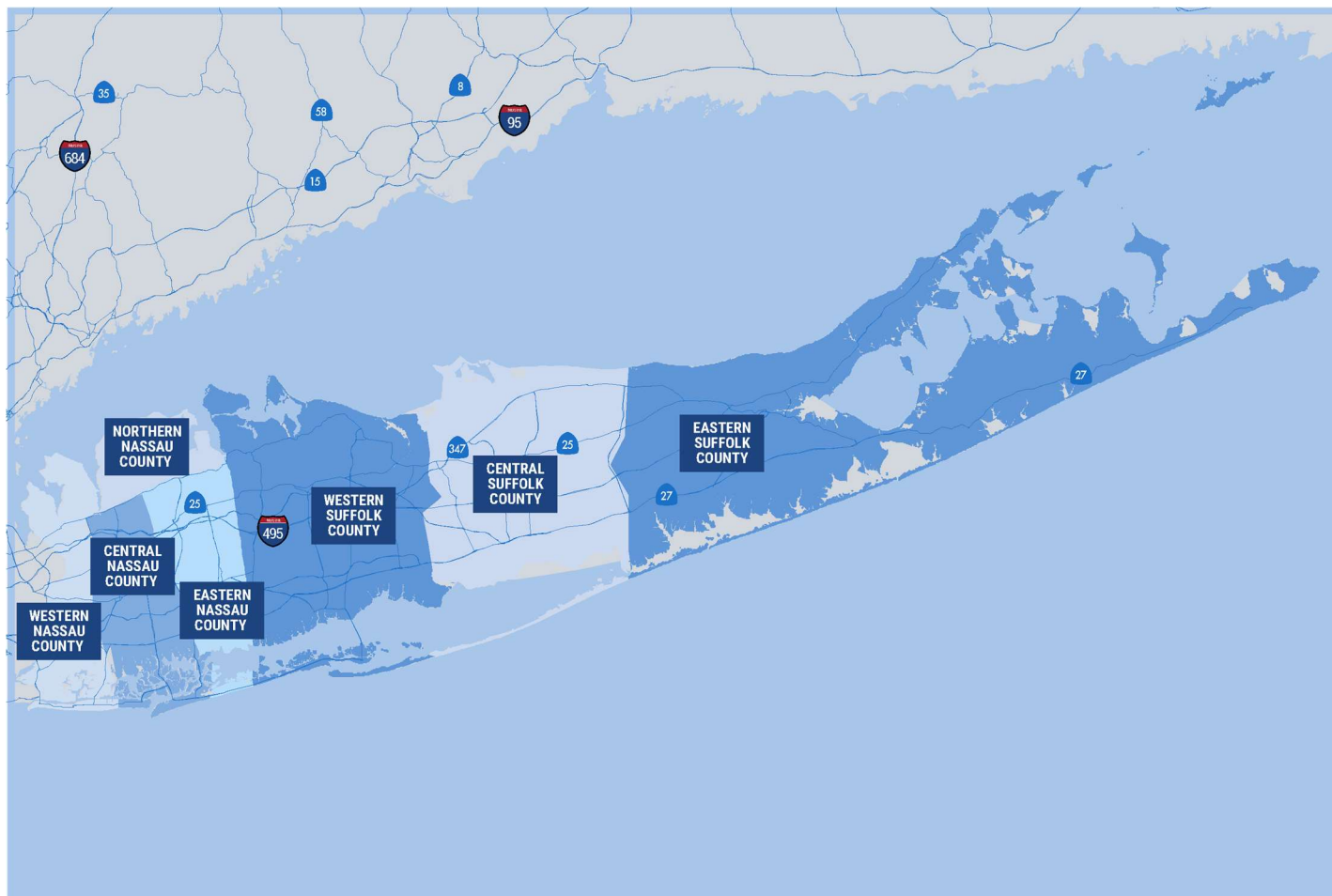
Source: U.S. Bureau of Labor Statistics

Employment Growth By Industry

NASSAU-SUFFOLK, FEBRUARY '21, 12-MONTH % CHANGE, NOT SEASONALLY ADJUSTED



Source: New York State Department of Labor



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