

Long Island Industrial Market

Low Vacancy and Increased Demand Drive up Rents

The Long Island vacancy rate declined 10 basis points quarter over quarter to 3.4%, its lowest point since the fourth quarter of 2019. This marks a year-over-year decline of 140 basis points. The low vacancy rate has been a function of strong demand in the market, which has outpaced supply over the past year.

Absorption was recorded at 185,027 square feet this quarter, marking the fifth consecutive quarter that it posted positive, driven by an extremely active leasing market. Eighty transactions were finalized in the first quarter for a total of 1.2 million square feet of activity. Demand for large blocks of space, north of 80,000 square feet, has been particularly strong, with 5 deals of that size completed this quarter. Activity was bolstered by Amazon's lease for 246,500 square feet at 90 Ruland Road in Melville. The new building is the first of two projects developed by Hartz Mountain Industries at the former Newsday site. Other notable deals include Krystal Fruits and Vegetables's 150,145-square-foot lease in Syosset; Tekweld's deal for 104,000 square feet in Happauge; and ELM Global Logistics's deal for 95,000 square feet in Central Islip.

Asking rents were stable quarter over quarter, down just \$0.16/SF, but are up 4.7% year over year, as demand for industrial space has only accelerated during the pandemic, primarily in the areas of logistics, last mile distribution and food and beverage. In response to the surging demand, there is over two million square feet of development under construction across Long Island, primarily in Suffolk, with an additional 1.1 million square feet proposed.

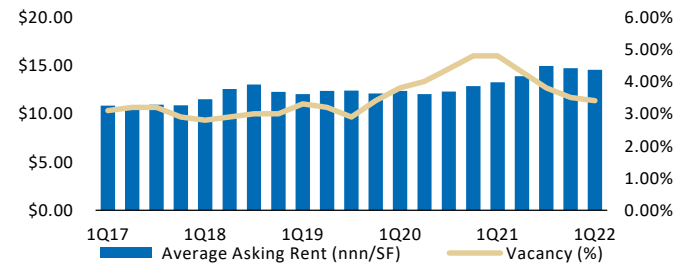
There has also been a flurry of investment and user sale activity, with 994,914 square feet of transaction activity in the first quarter. The largest building sold was 81 Spence Street in Bay Shore, a 129,500-square-foot industrial warehouse that was sold to Metropolitan Realty Associates/Angelo, Gordon, & Co. for \$22.5 million (\$171.81/SF). The average sale price in the first quarter was \$167/SF, up 5.7% quarter over quarter.

Current Conditions

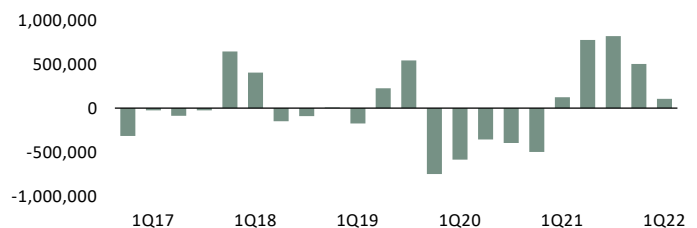
- The vacancy rate reached pre-pandemic levels, falling 10 basis points from the fourth quarter to 3.4%.
- Leasing remained robust, with activity totaling 1.2 million square feet.
- The construction pipeline has reached an all-time high with north of 2 million square feet of development underway.

Market Analysis

ASKING RENT AND VACANCY



NET ABSORPTION (SF)



Market Summary

	Current Quarter	Prior Quarter	Prior Year	12-Month Forecast
Total Inventory	161.4 MSF	161.7 MSF	161.3 MSF	↑
Vacancy Rate	3.4%	3.5%	4.8%	↔
Quarterly Net Absorption	185,027	502,325	124,545	↓
Avg. Ask Rent	\$14.56	\$14.72	\$13.91	↑
Under Const.	2.02 MSF	1.82 MSF	1.21 MSF	↑
Deliveries	0 SF	11,130 SF	10,000 SF	↑

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	52,070,31	439,234	4.1%	345,923	345,923	\$16.85	-	\$16.81
Suffolk	109,343,933	109,350,322	3.0%	(160,896)	(160,896)	\$13.38	-	\$13.36
Long Island	161,421,153	2,018,398	3.4%	185,027	185,027	\$14.60	-	\$14.56

Select Lease/User Transactions

Tenant	Building	Town	County	Square Feet
Amazon	90 Ruland Road	Melville	Suffolk	246,500
Krystal Fruits and Vegetables	300 Michael Drive	Syosset	Nassau	150,145
Tekweld	85 Nikon Court	Hauppauge	Suffolk	104,000
ELM Global Logistics	555 North Research Place	Central Islip	Suffolk	95,000

Select Sale Transactions

Building	Town	Sale Price	Price/SF	Square Feet
49 Wireless Boulevard	Hauppauge	\$21,000,000	\$231.53	90,702
1180 Veterans Memorial Highway	Hauppauge	\$6,500,000	\$153.97	42,217
160 Oser Avenue	Hauppauge	\$7,028,000	\$233.11	31,500
50 Glen Street	Glen Cove	\$6,100,000	\$214.34	28,460

Economic Conditions

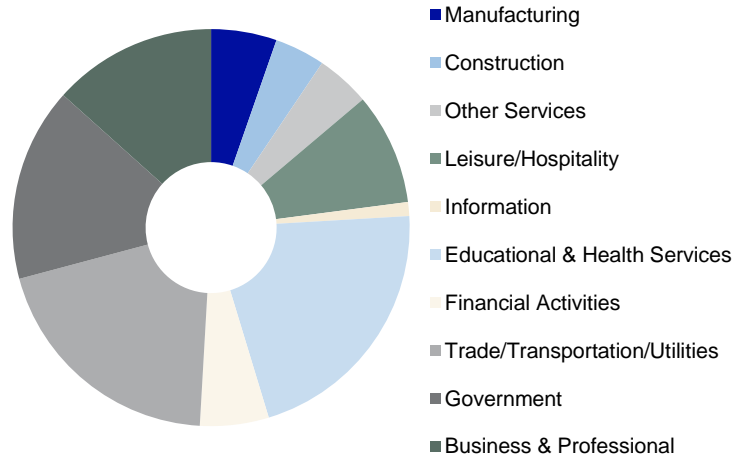
The national unemployment rate remained low, closing February at 3.8%, a month-over-month decline of 20 basis points from January. While the national unemployment rate declined, unemployment on Long Island actually increased by 10 basis points from last month to 3.7%. Despite the slight bump that could be attributed to the omicron surge, local unemployment remains below the national level.

Nonfarm payrolls in Nassau and Suffolk Counties grew by 4.4%, as Long Island has gained 54,200 jobs over the past 12 months. Approximately 58% of those positions have come in the Leisure & Hospitality and Professional & Business Services industries, marking a year-over-year increase of 22.4% in that sector.

The national Consumer Price Index soared by 7.9% year over year, with a lesser increase of 5.1% recorded in the New York City MSA. The Federal Reserve has indicated that inflation will remain a strong concern over the coming months.

Employment By Industry

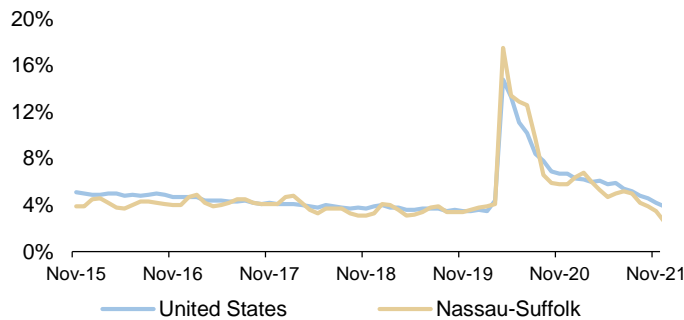
NASSAU-SUFFOLK, FEBRUARY 2022



Source: New York State Department of Labor

Unemployment Rate

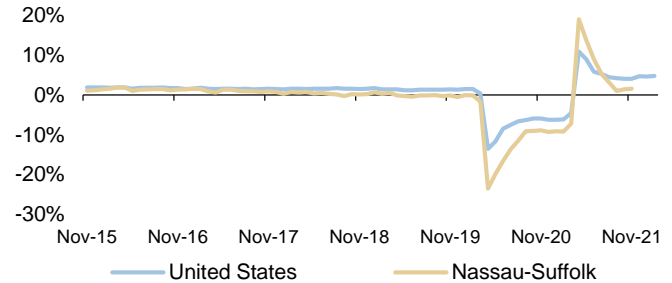
NOT SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics

Payroll Employment

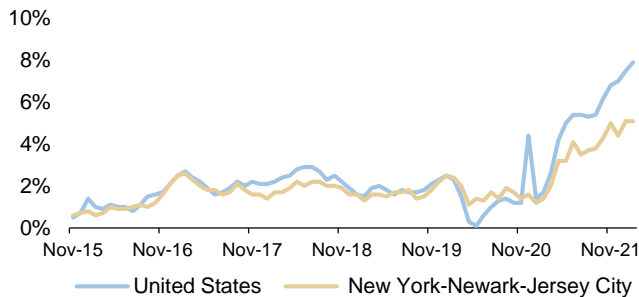
TOTAL NONFARM, NOT SEASONALLY ADJUSTED, 12-MONTH % CHANGE



Source: U.S. Bureau of Labor Statistics

Consumer Price Index (CPI)

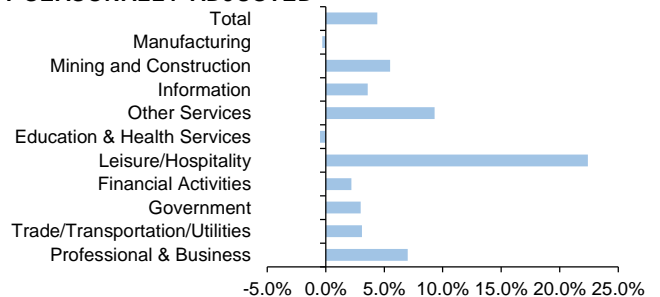
ALL ITEMS, 12-MONTH % CHANGE, NOT SEASONALLY ADJUSTED



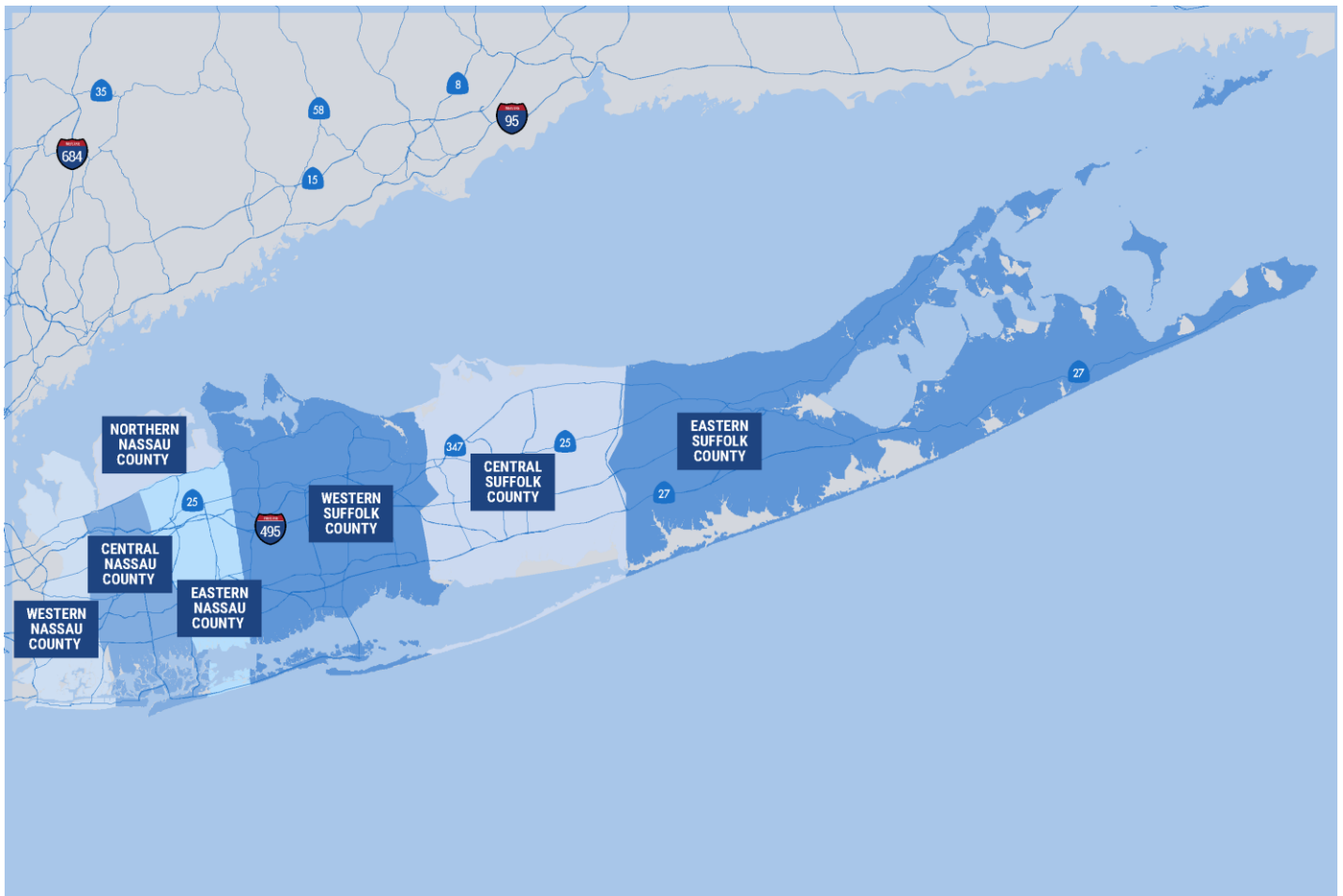
Source: U.S. Bureau of Labor Statistics

Employment Growth By Industry

NASSAU-SUFFOLK, FEBRUARY '22, 12-MONTH % CHANGE, NOT SEASONALLY ADJUSTED



Source: New York State Department of Labor



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