

Long Island Office Market

Long Island Office Market Remains Stable as Pandemic Recovery Continues

Market fundamentals have remained relatively stable in Nassau and Suffolk counties over the past quarter. The vacancy rate increased by 20 basis points quarter over quarter, closing at 9.9%. Long Island average asking rents were down \$0.79/SF, or 2.7%, from the fourth quarter. However, asking rents remain up \$1.85/SF, or 7.1%, from pre-pandemic levels. Absorption posted at negative 168,777 square feet following two consecutive quarters of positive absorption.

The healthcare industry continued to be a key driver of leasing on Long Island this quarter. North Suffolk Cardiology signed a 23,000-square-foot lease at 45 Research Way in East Setauket; WellLife signed a 17,500-square-foot lease at 1985 Marcus Avenue in Lake Success; and Aceto signed a 17,497-square-foot lease at 26 Harbor Park Drive in Port Washington. The largest deal of the quarter was a 170,000-square-foot lease by Signature Bank in Melville.

Investment activity remained healthy following last quarter's record high, with the average sales price closing at \$193/SF. Despite strong sales prices, the number of transactions from the prior quarter was down 50% quarter over quarter. The most significant transaction of the quarter was the purchase of 49 Wireless Boulevard by Venture One for \$21 million. The Illinois-based firm plans to build a 124,000-square-foot warehouse and distribution center at the property.

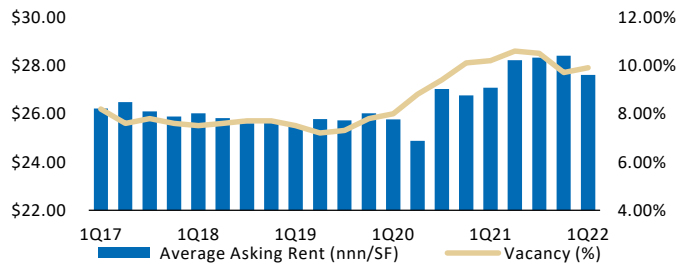
Mobility has improved significantly as workers continue to return to the office with the waning of the omicron variant. According to Apple mobility data, there was a 40-percentage-point increase in driving levels and a 60-percentage-point increase in transit ridership quarter over quarter. These figures are even more robust when compared to the start of the pandemic, from which transit ridership levels are now up over 100% and driving levels in both Nassau and Suffolk counties are up over 120%.

Current Conditions

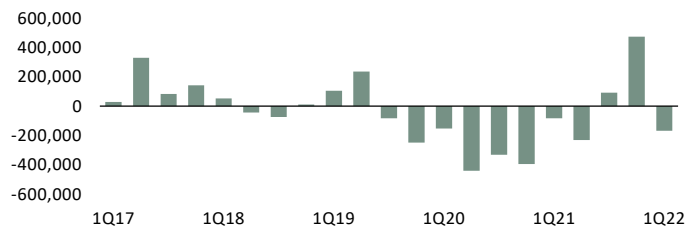
- Due to a drop in leasing activity in the first quarter of 2021, the vacancy rate increased by 20 basis points from last quarter to 9.9%.
- Healthcare was a key leasing driver this quarter, with three deals signed for over 15,000 square feet.
- Absorption posted at negative 168,777 square feet following two consecutive quarters of positive absorption.

Market Analysis

ASKING RENT AND VACANCY



NET ABSORPTION (SF, THOUSANDS)



Market Summary

	Current Quarter	Prior Quarter	Prior Year	12-Month Forecast
Total Inventory	57.7 MSF	57.7 MSF	57.7 MSF	↑
Vacancy Rate	9.9%	9.7%	9.8%	↓
Quarterly Net Absorption	-168,777	473,435	-82,224	↓
Avg. Ask Rent	\$27.61	\$28.40	\$27.07	↔
Under Const.	35,700 SF	35,700 SF	21,250 SF	↔
Deliveries	0 SF	0 SF	0 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	34,844,680	0	9.5%	-166,118	-166,118	\$30.41	\$29.64	\$30.38
Suffolk	22,900,418	35,700	10.5%	-2,659	-2,659	\$24.53	-	\$24.53
Long Island	57,745,098	35,700	9.9%	-168,777	-168,777	\$27.53	\$31.48	\$27.61

Select Lease/User Transactions

Tenant	Building	Town	County	Square Feet
Signature Bank	68 South Service Road	Melville	Suffolk	170,000
North Suffolk Cardiology	45 Research Way	East Setauket	Suffolk	23,000
WellLife	1985 Marcus Avenue	Lake Success	Nassau	17,500
Aceto	26 Harbor Park Drive	Port Washington	Nassau	17,500

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	\$209.52	31,500
50 Glen Street	Glen Cove	\$6,100,000	\$214.34	28,460

Economic Conditions

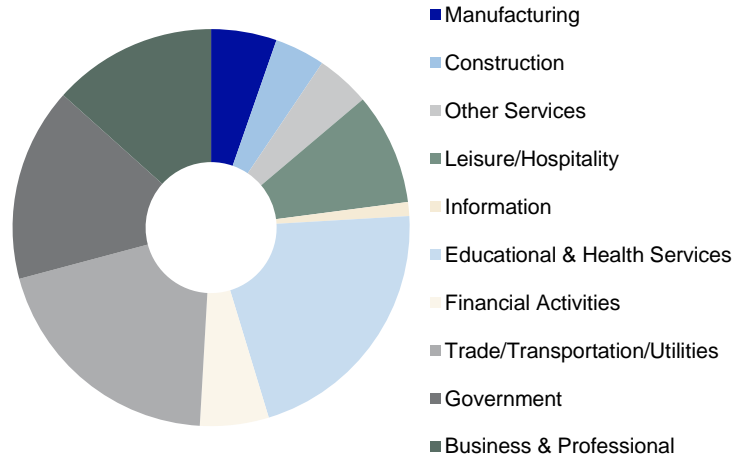
The national unemployment rate remained low, closing February at 3.8%, a month-over-month decline of 20 basis points from January. While the national unemployment rate declined, unemployment on Long Island actually increased by 10 basis points from last month to 3.7%. Despite the slight bump that could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

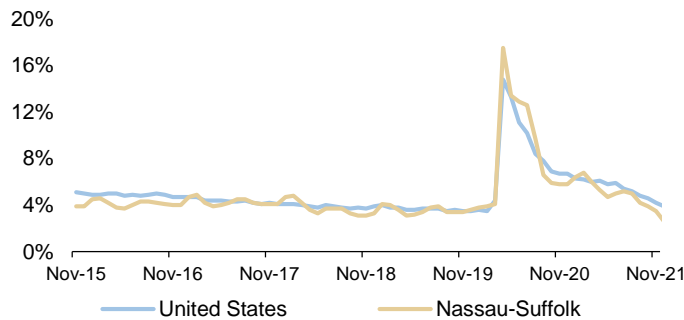
NASSAU-SUFFOLK, FEBRUARY 2022



Source: New York State Department of Labor

Unemployment Rate

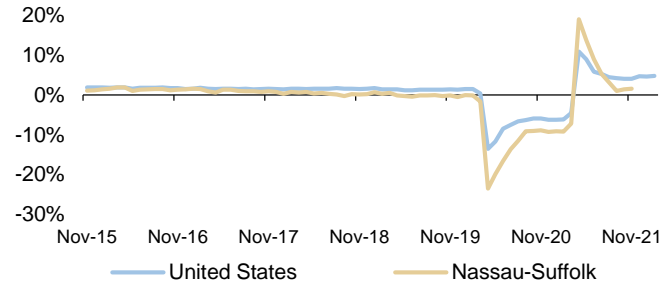
NOT SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics

Payroll Employment

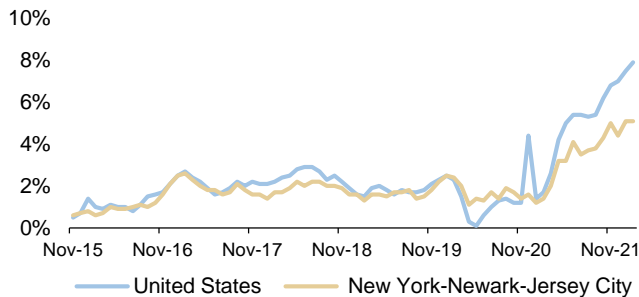
TOTAL NONFARM, NOT SEASONALLY ADJUSTED, 12-MONTH % CHANGE



Source: U.S. Bureau of Labor Statistics

Consumer Price Index (CPI)

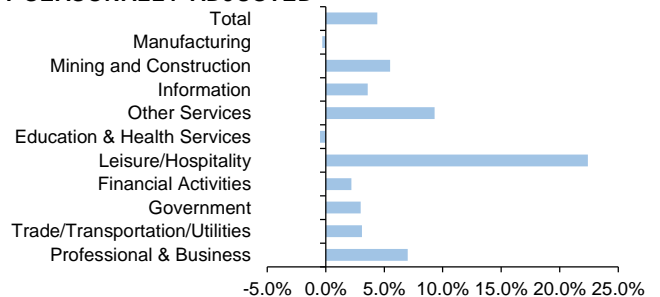
ALL ITEMS, 12-MONTH % CHANGE, NOT SEASONALLY ADJUSTED



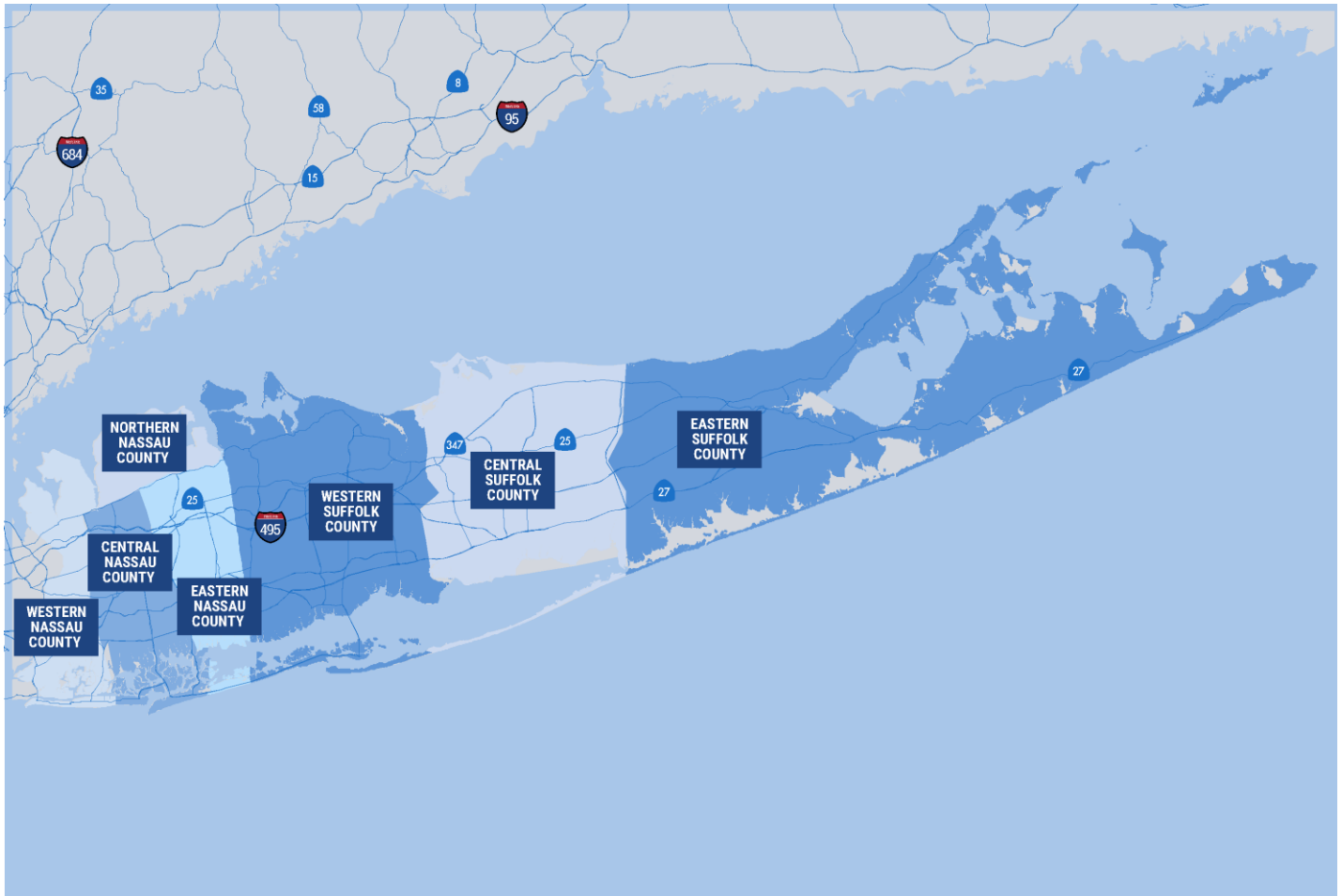
Source: U.S. Bureau of Labor Statistics

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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