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1Q24

# Long Island Industrial Market Overview



NEWMARK

# Market Observations

## Economy

- The Long Island labor market unemployment rate continues to track below the national average despite experiencing a slight uptick during the first quarter of 2024. Meanwhile, employment growth rebounded in the first quarter, increasing from 0.8% in November 2023 to 1.7% in February 2024.
- Leisure and hospitality, education, government, and other services industries led the region in employment growth over the past year. Meanwhile, several primary industrial using sectors including manufacturing and construction experienced negative employment growth.
- In February 2024, the Long Island trade/transportation/utilities sector experienced a positive 12-month growth rate for the first time since February 2023. Meanwhile, the manufacturing industry stayed stagnant as it saw a 12-month growth rate of negative 0.5%.

## Major Transactions

- Leasing recorded 1,033,526 square feet of activity in the first quarter of 2024, a 17.7% increase from the previous quarter. Suffolk County accounted for 82.9% of the leasing activity during the quarter, signing 856,559 square feet of space.
- Bakery Process Solutions signed the largest deal of the quarter, with a lease for 75,000 square feet at 33 Rajon Road.

## Leasing Market Fundamentals

- Long Island total vacancy increased to 4.6% in the first quarter of 2024, largely driven by a delivery of four properties totaling 568,679 square feet.
- In the first quarter of 2024, demand for industrial space rose 17.7% from the previous quarter, recording 1.0 million square feet of activity.
- At \$16.90, average asking rents remain elevated during the first quarter of 2024.

## Outlook

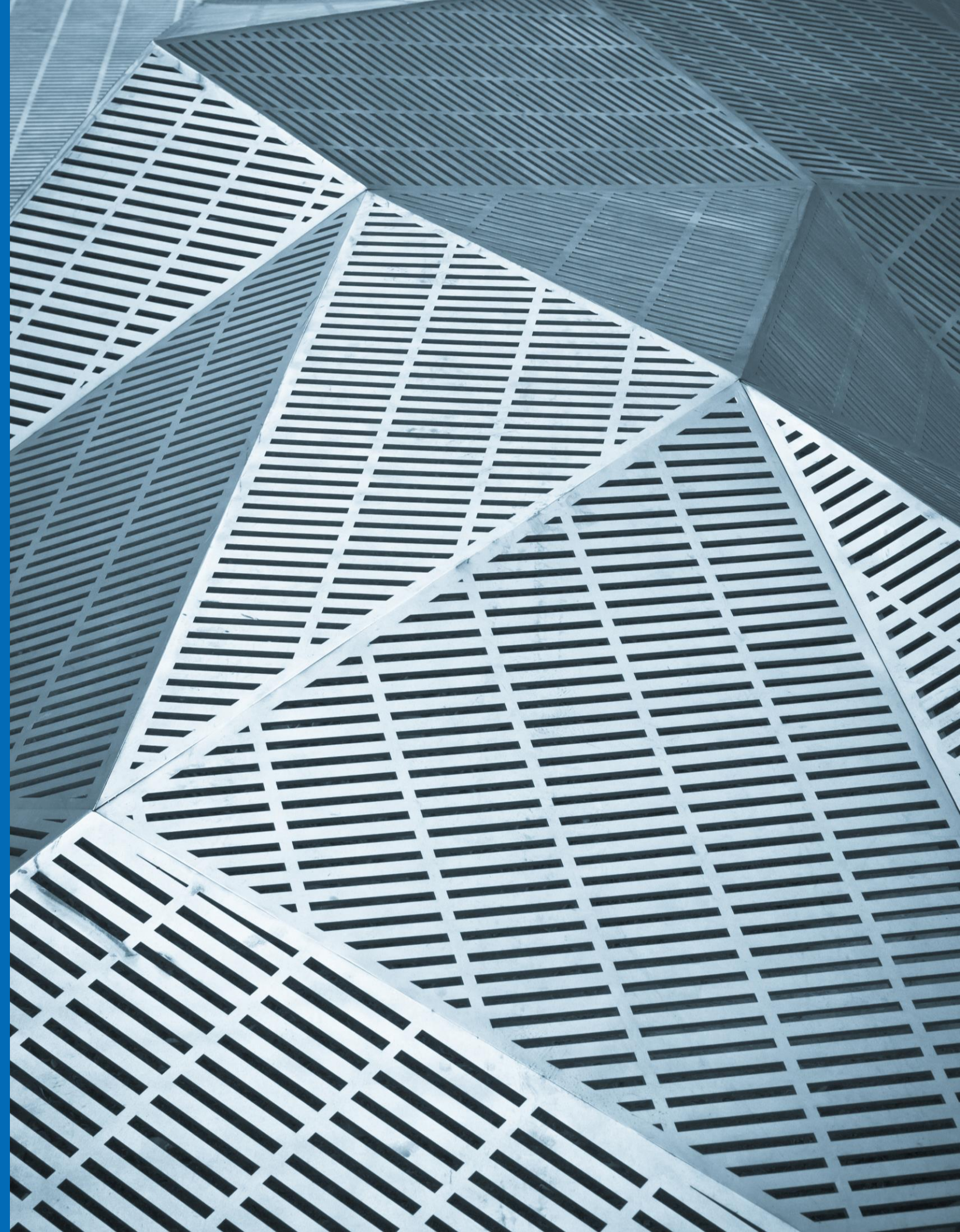
- As construction deliveries continue to outpace net absorption, vacancy is expected to rise over the next few quarters.
- Rent growth is expected to continue as strong demand and leasing activity persists.
- The Long Island industrial pipeline remains active with 2.1 million square feet under construction and over 6.5 million square feet proposed. Developers continue to turn towards industrial properties as demand for the property type increases.

1. Economy
2. Leasing Market Fundamentals

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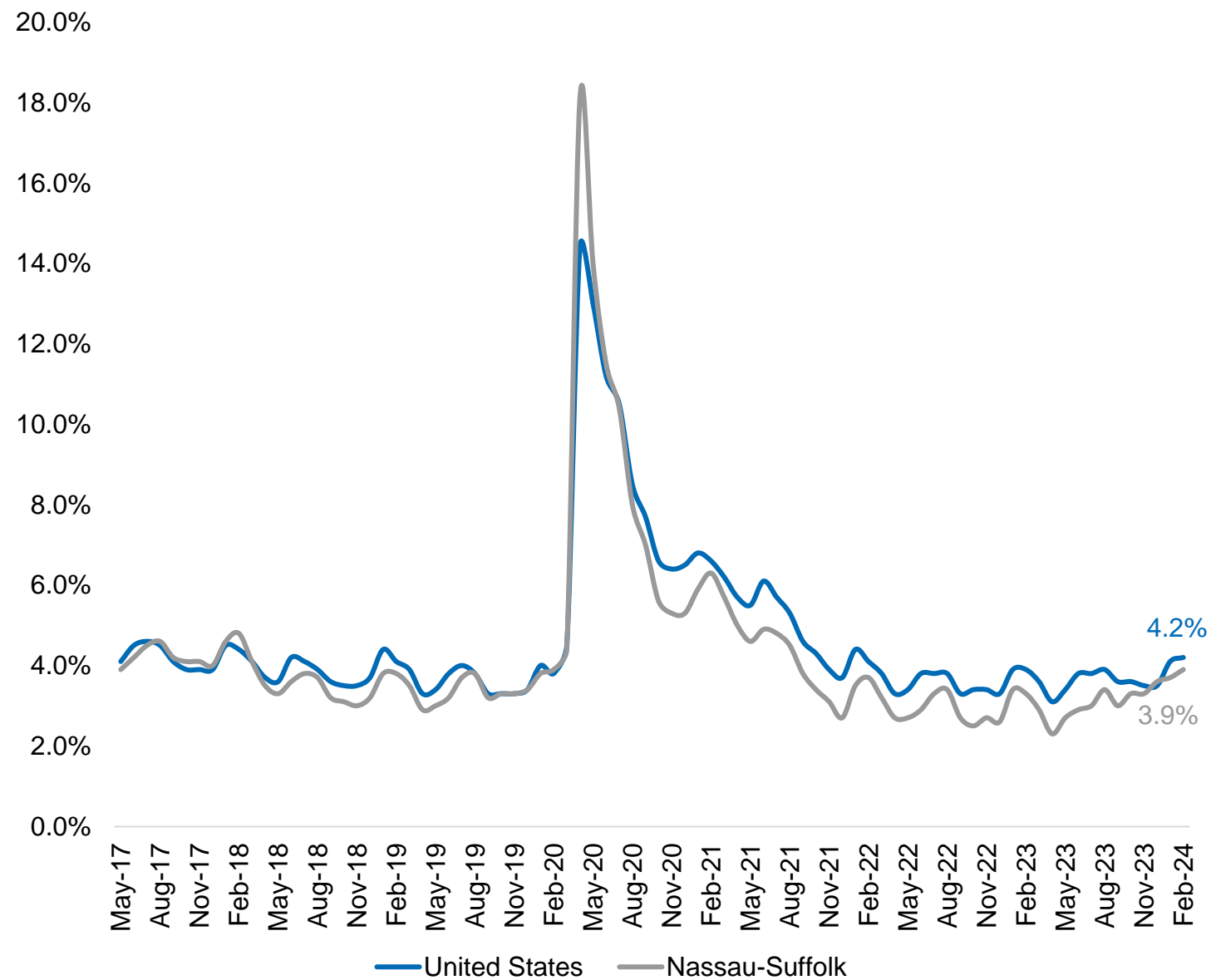
# Economy



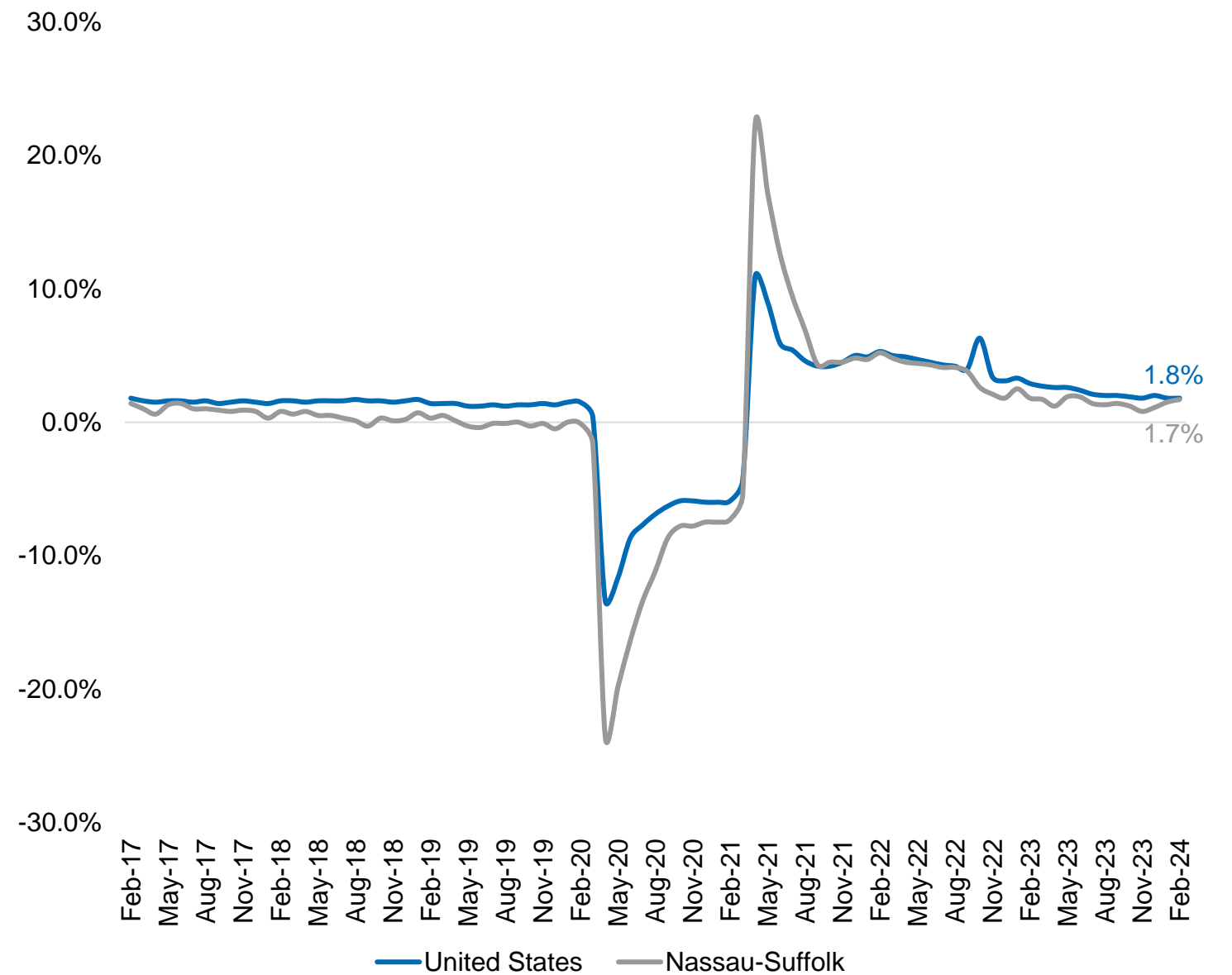
# Metro Employment Trends Signal A Slowing Economy

The Long Island labor market unemployment rate continues to track below the national average despite experiencing a slight uptick during the first quarter of 2024. Meanwhile, employment growth rebounded in the first quarter, increasing from 0.8% in November 2023 to 1.7% in February 2024.

Unemployment Rate, Non-Seasonally Adjusted



Nonfarm Payroll Employment, Non-Seasonally Adjusted, 12-Month % Change

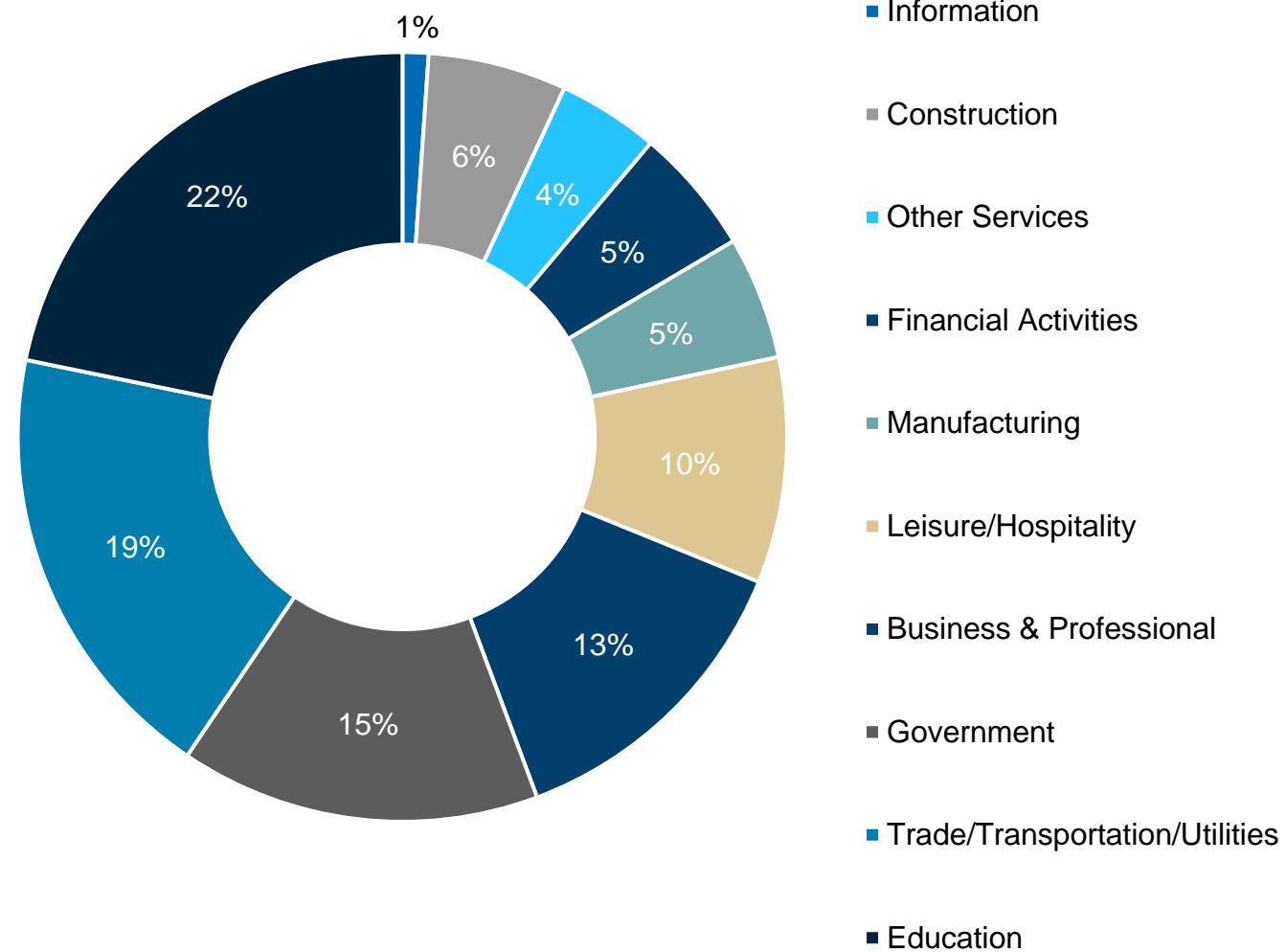


Source: U.S. Bureau of Labor Statistics, Nassau-Suffolk

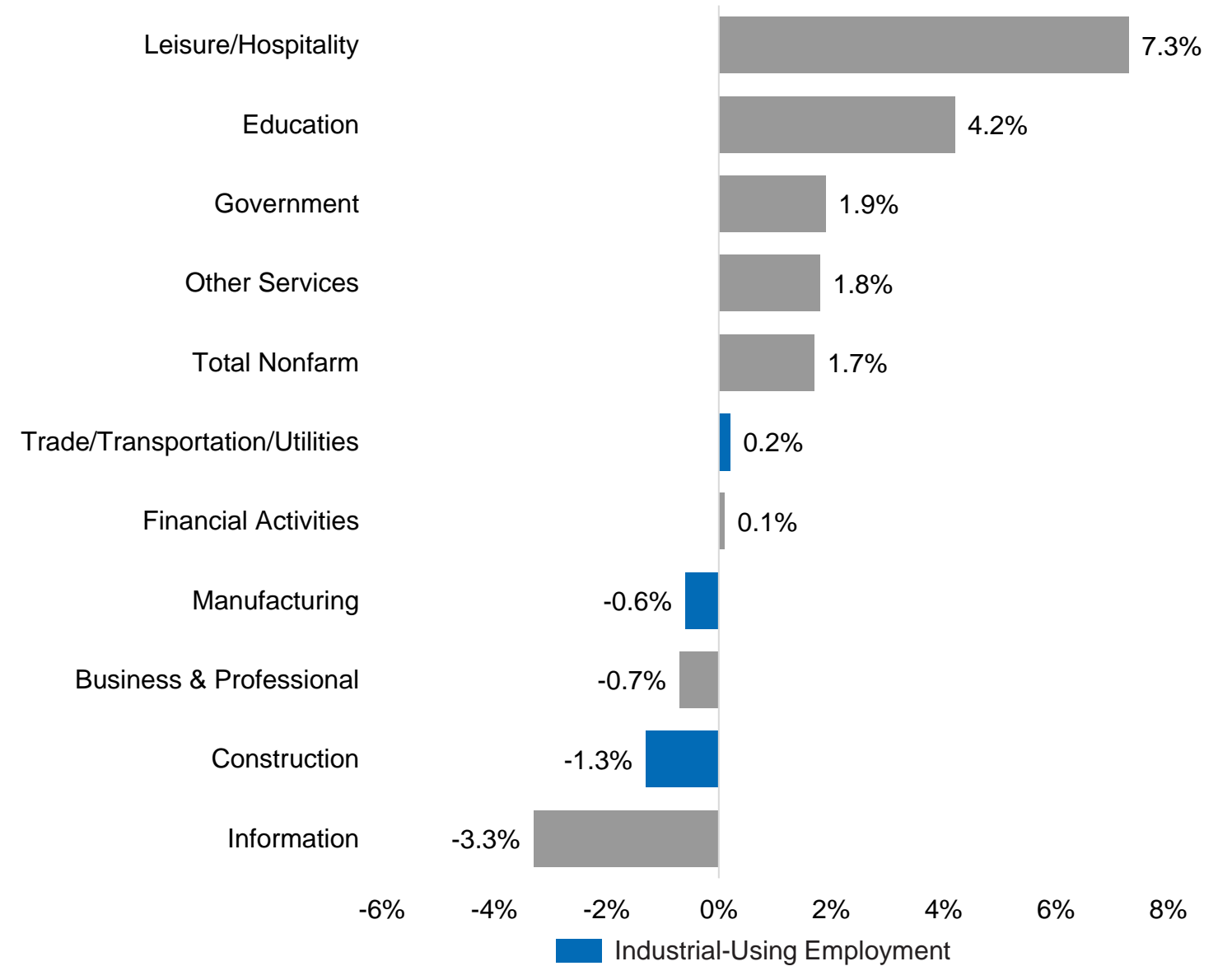
# Job Loss Driven by Industrial Using Sectors

Leisure and hospitality, education, government, and other services industries led the region in employment growth over the past year. Meanwhile, several primary industrial using sectors including manufacturing and construction experienced negative employment growth.

Employment by Industry, February 2024



Employment Growth by Industry, 12-Month % Change, February 2024

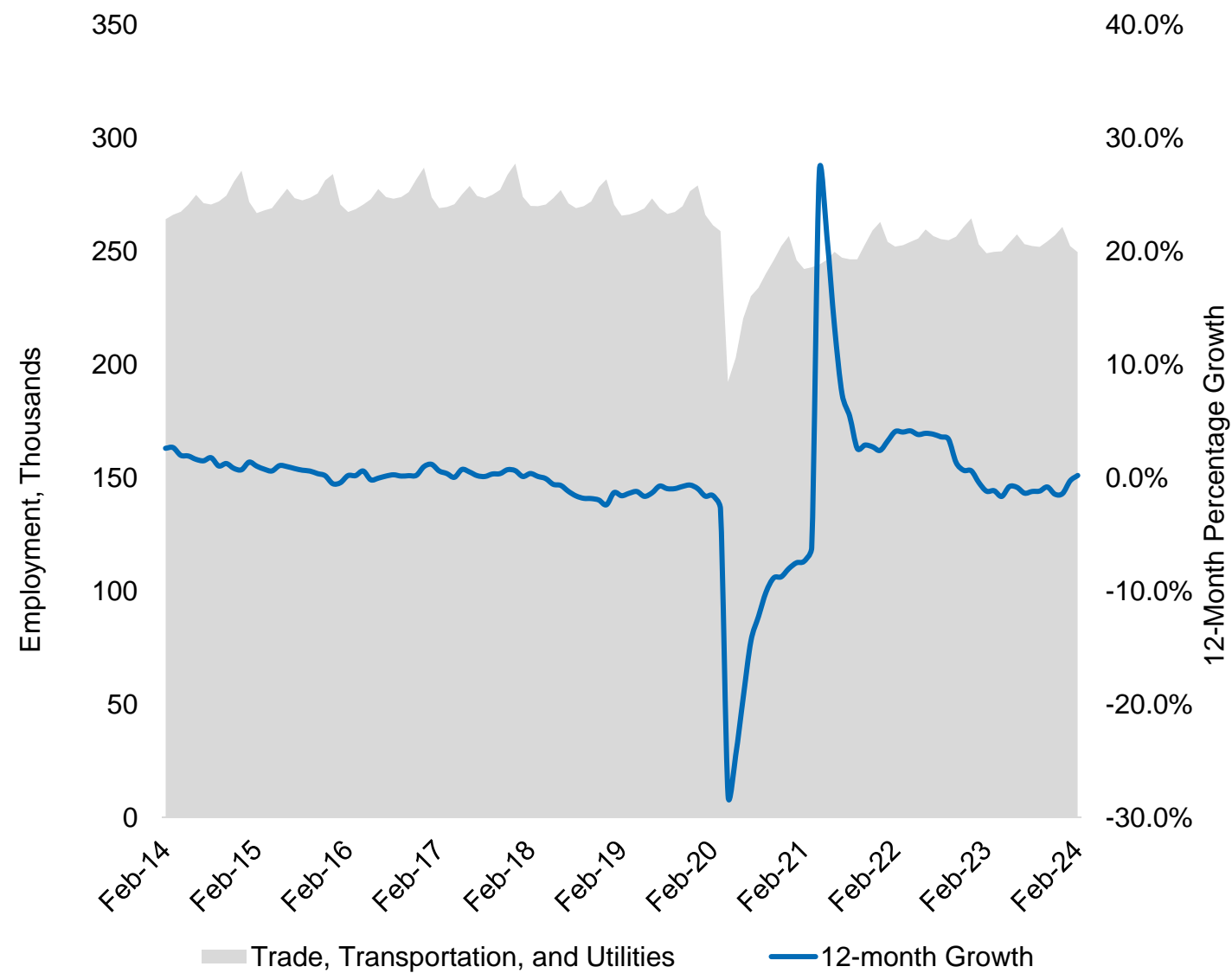


Source: U.S. Bureau of Labor Statistics, Nassau-Suffolk

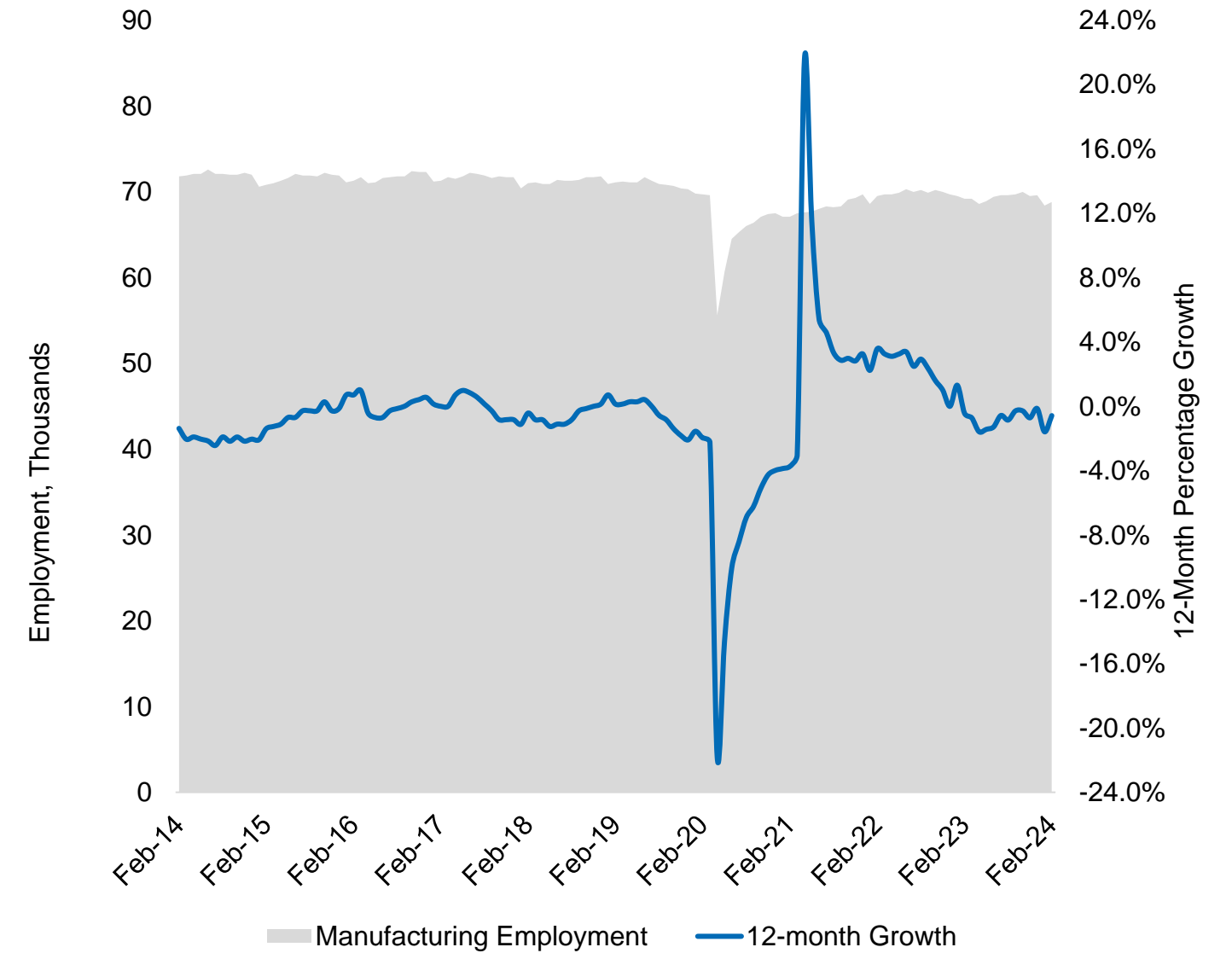
# Industrial Employment Continues to Gradually Decline

In February 2024, the Long Island trade/transportation/utilities sector experienced a positive 12-month growth rate for the first time since February 2023. Meanwhile, the manufacturing industry stayed stagnant as it saw a 12-month growth rate of negative 0.5%.

Total Employment and 12-Month Growth Rate, Trade/Transportation/Utilities



Total Employment and 12-Month Growth Rate, Manufacturing

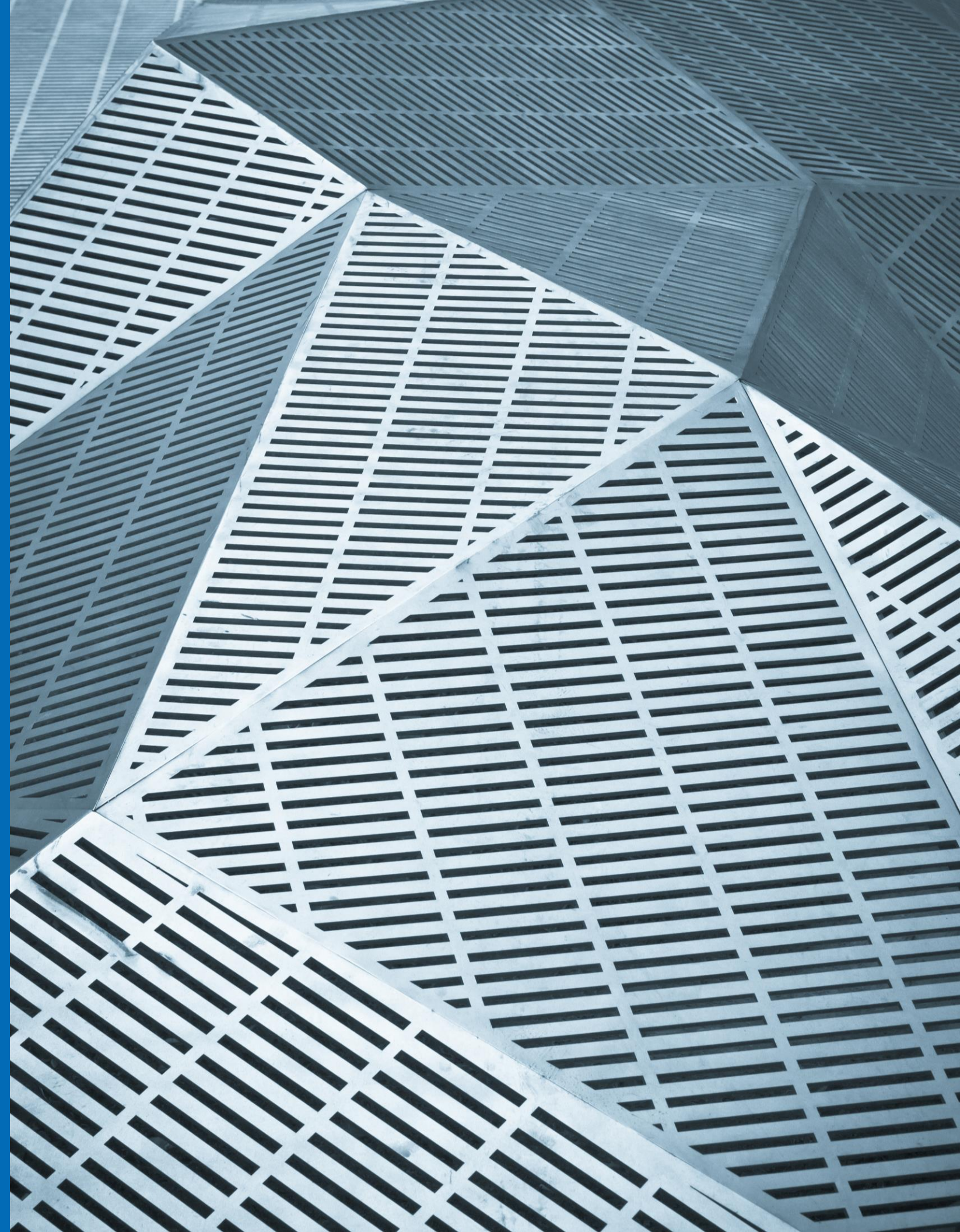


Source: U.S. Bureau of Labor Statistics, Nassau-Suffolk

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# Leasing Market Fundamentals

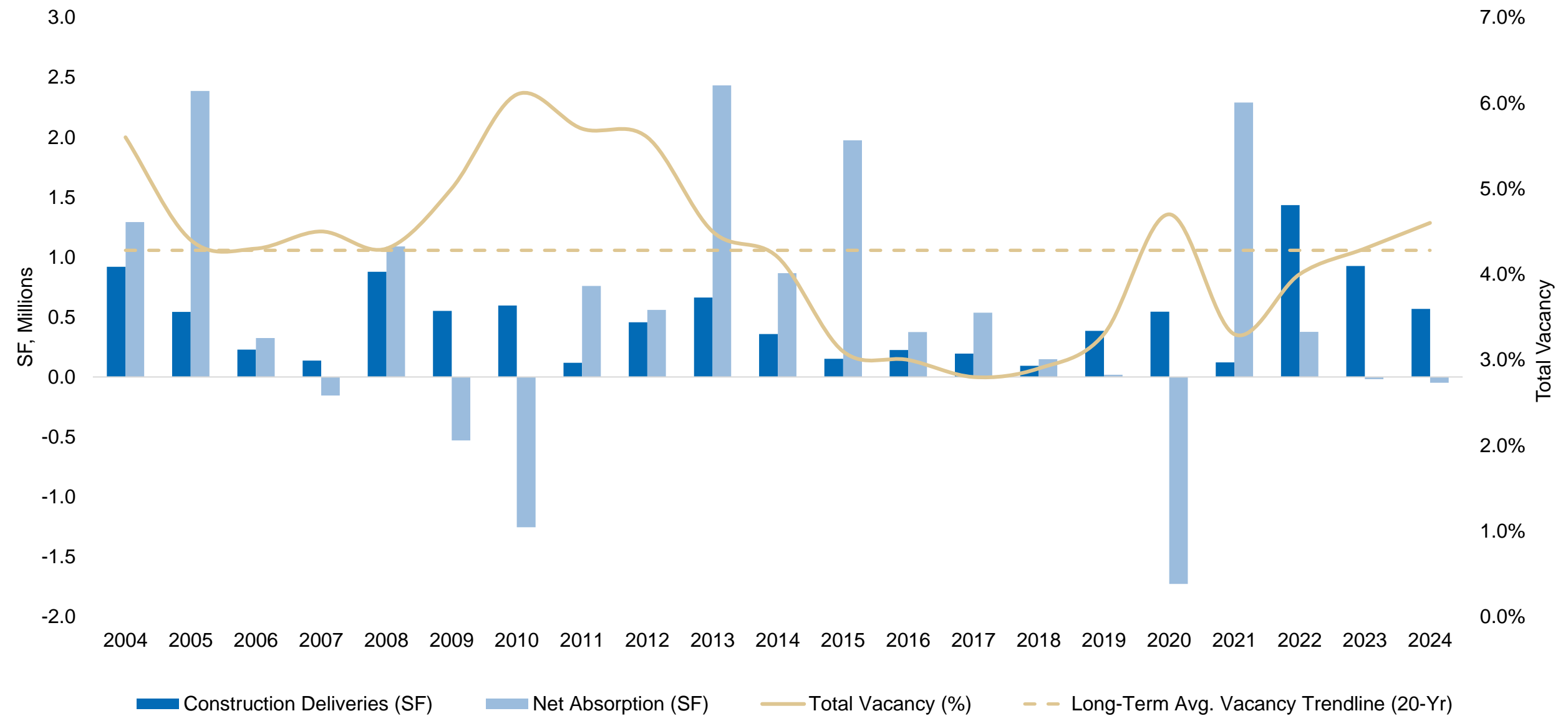




# Vacancy Rises as Construction Deliveries Outpace Net Absorption

Long Island total vacancy increased to 4.6% in the first quarter of 2024, largely driven by a delivery of four properties totaling 568,679 square feet. As construction deliveries continue to outpace net absorption, vacancy is expected to rise over the next few quarters.

## Historical Construction Deliveries, Net Absorption, and Vacancy

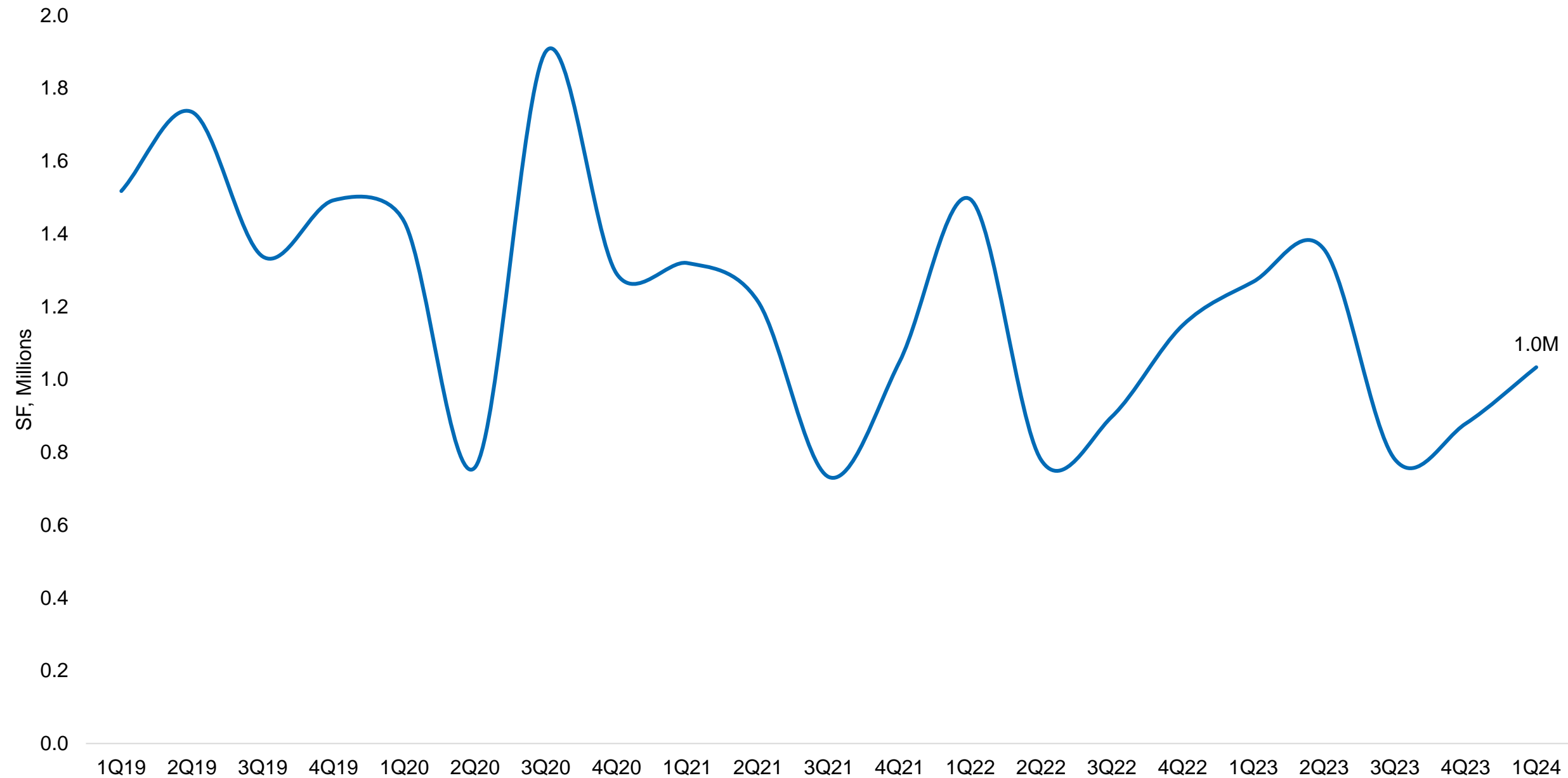


Source: Newmark Research, CoStar

# Industrial Leasing Slight Rebound

In the first quarter of 2024, demand for industrial space rose 17.7% from the previous quarter, recording 1.0 million square feet of activity. Bakery Process Solutions signed the largest deal of the quarter, signing a lease for 75,000 square feet.

Total Leasing Activity (SF)

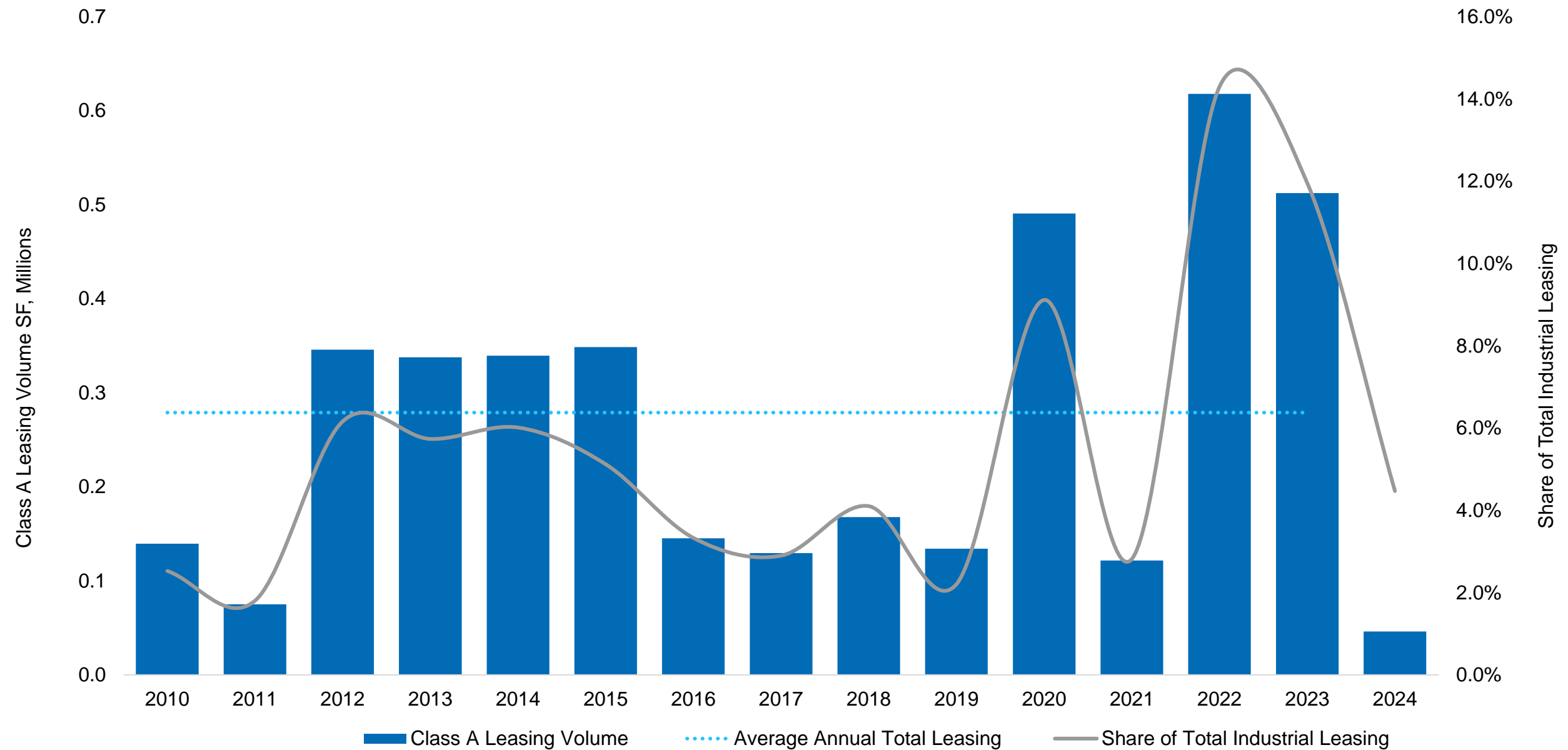


Source: Newmark Research, CoStar

# Class A Warehouse Leasing Dips

In response to the heightened demand for Class A warehouse properties, developers delivered 568,679 square feet of Class A space in the first quarter of 2024. Class A warehouses make up only 4.6% of total Long Island industrial inventory. Despite the recent demand for Class A space, the first quarter recorded 46,200 square feet of leasing activity.

Industrial Class A Leasing Volume and Percentage of Total Industrial Leasing Volume

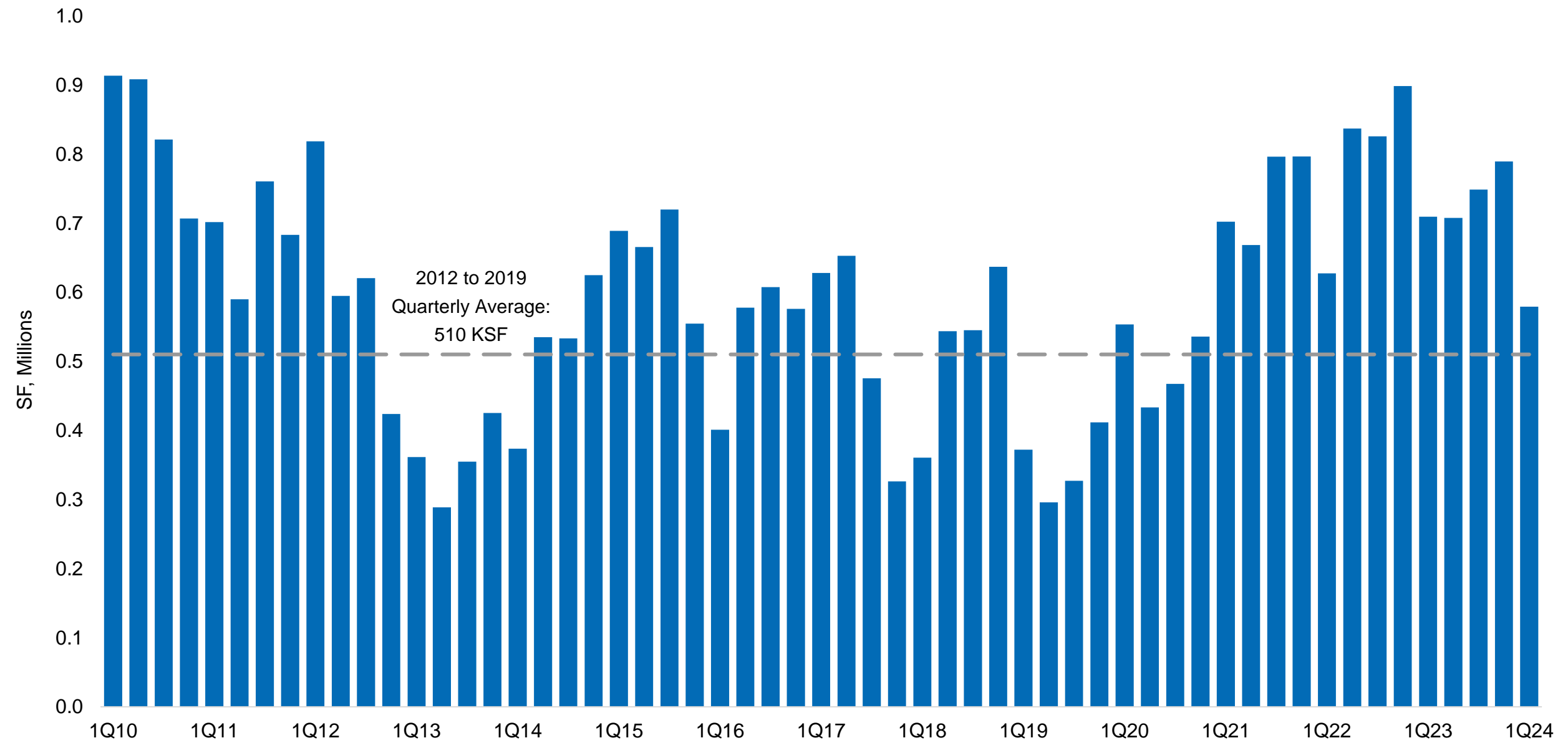


Source: Newmark Research, CoStar

# Industrial Sublease Availability Nears Pre-Pandemic Levels

With 579,124 square feet of sublease space available, the first quarter of 2024 experienced a 26.6% decrease in available sublease space to its lowest level since the pandemic. Meanwhile, sublease leasing activity increased 79.3% from the previous quarter.

## Available Industrial Sublease Volume (msf)

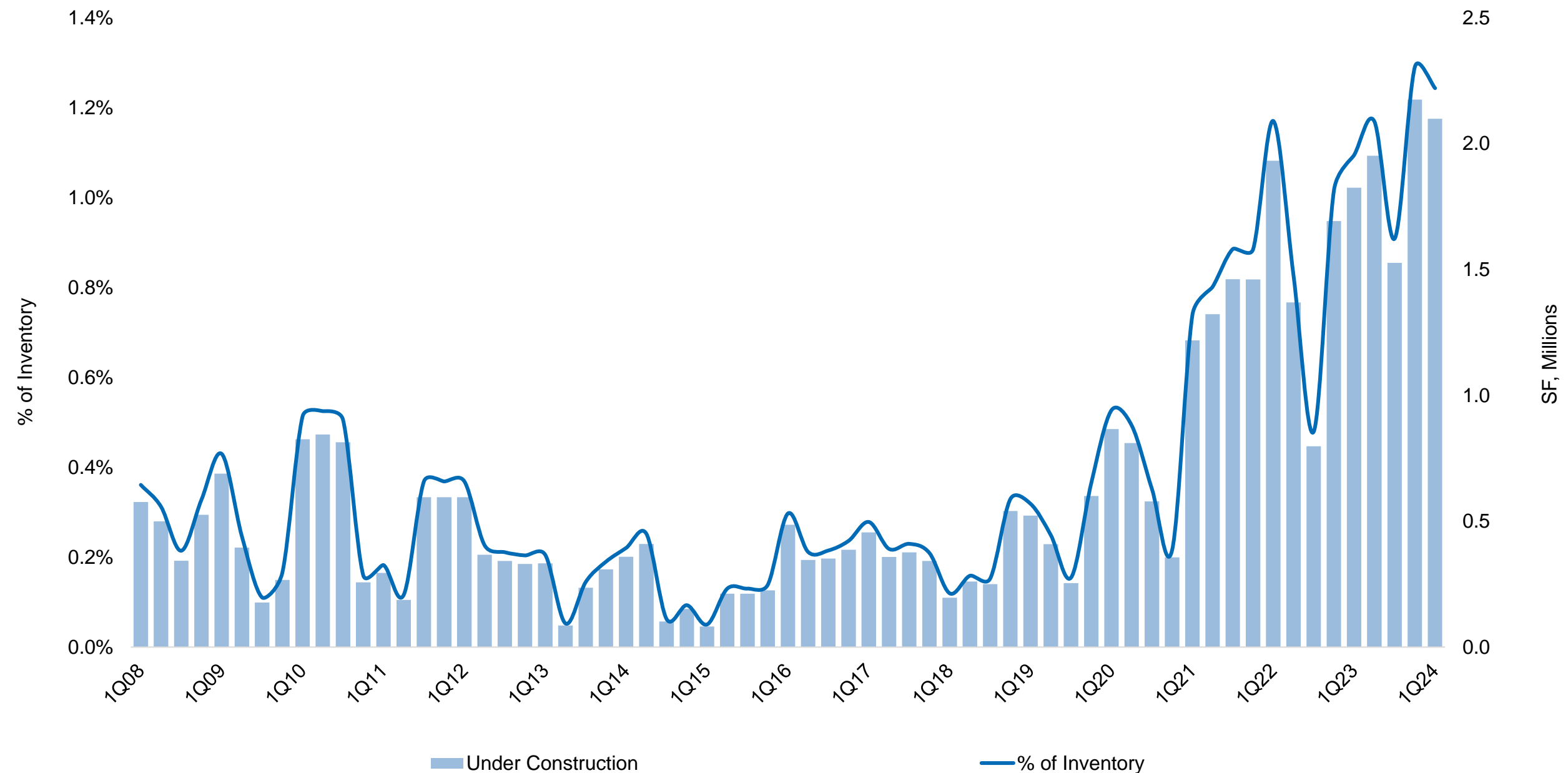


Source: Newmark Research, CoStar

# Industrial Supply Grows as Pipeline Remains Robust

The Long Island industrial pipeline remains active with 2.1 million square feet under construction and over 6.5 million square feet proposed. As the Long Island office market continues to struggle, developers are turning towards industrial properties as demand for the property type increases.

## Industrial Under Construction and % of Inventory

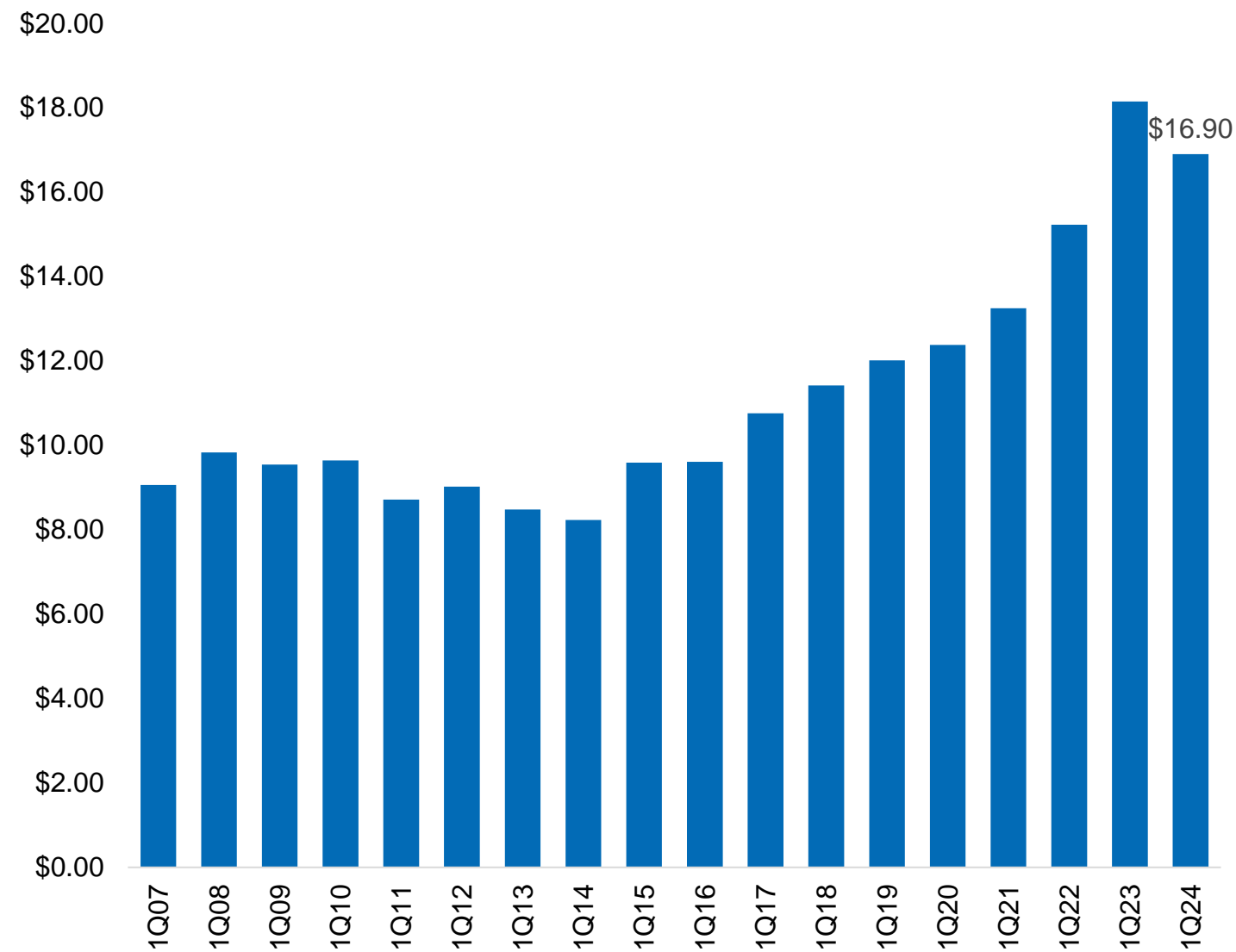


Source: Newmark Research, CoStar

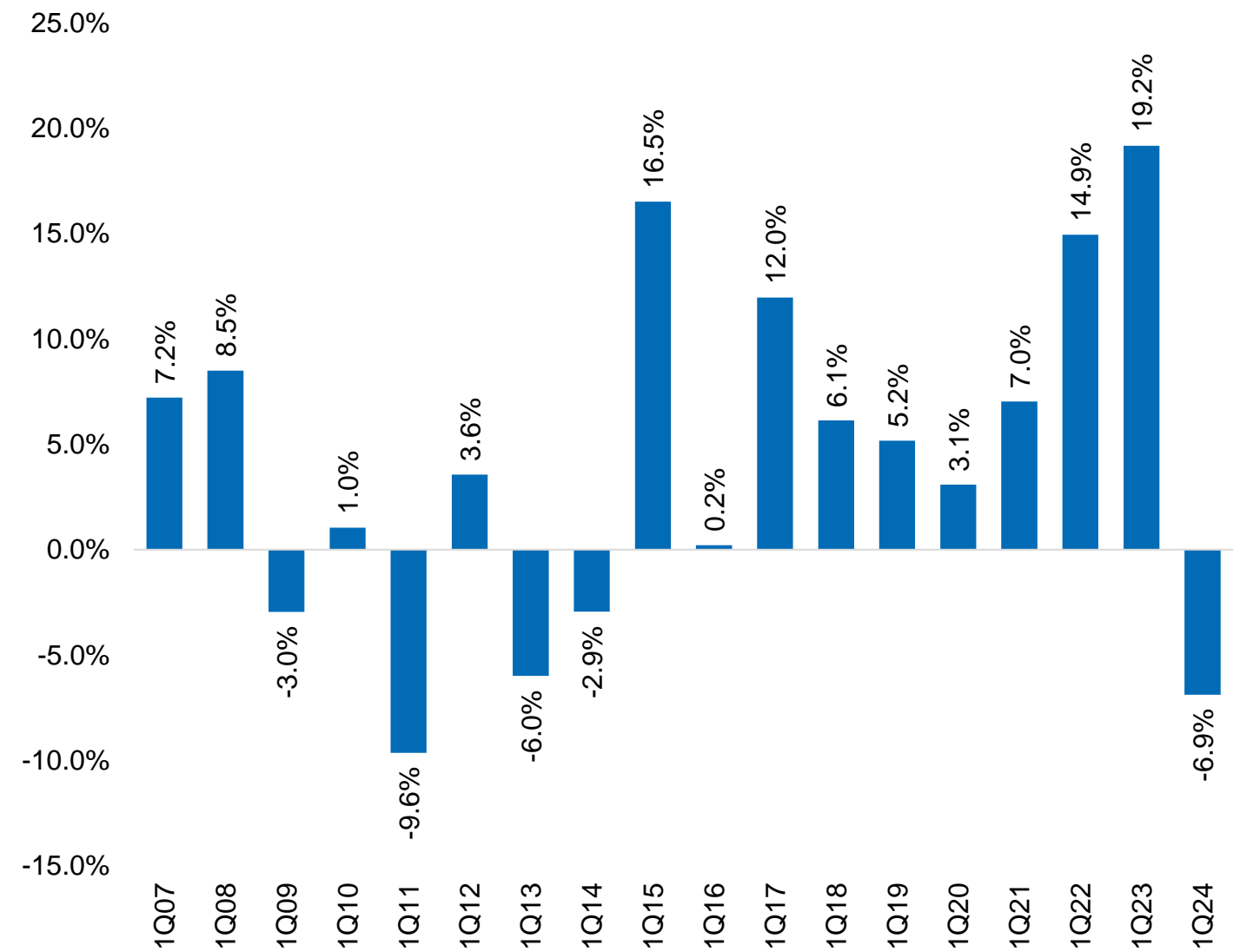
# Heightened Industrial Asking Rent Continues into the First Quarter of 2024

Despite a year-over-year decrease, average asking rents remain elevated at \$16.90/SF in the first quarter up 36.5% since the onset of the pandemic. Rent growth is expected to continue as strong demand and leasing activity persists.

Industrial Average Asking Rent, \$/SF, NNN



Year-over-Year Asking Rent Growth Rate % Change



Source: Newmark Research, CoStar

# Notable Lease Transactions

Leasing recorded 1,033,526 square feet of activity in the first quarter of 2024, a 17.7% increase from the previous quarter. Suffolk County accounted for 82.9% of the leasing activity during the quarter, signing 856,559 square feet of space.

## Notable 1Q24 Lease Transactions

Tenant1	Building(s)	Submarket	Type	Square Feet
Bakery Process Solutions	33 Rajon Road	Suffolk County	Direct Lease	75,000
<i>Contract Bakery Company Bakery Process Solutions signed the largest lease of the quarter with 75,000 square feet at 33 Rajon Road.</i>				
L&K Distributors Inc.	100 Adams Boulevard	Suffolk County	Direct Lease	65,000
<i>L&amp;K Distributors Inc. leased 65,000 square feet property at 100 Adams Boulevard.</i>				
Parkell Inc.	300 Executive Drive	Suffolk County	Direct Renewal	52,700
<i>Medical equipment manufacturer Parkell Inc. renewed a ten-year lease for 52,699 square feet at 300 Executive Drive.</i>				
Northwell Health	5 Park Drive	Suffolk County	Direct Lease	50,200
<i>Health care company Northwell Health leased the entire 50,226 square foot property at 5 Park Drive.</i>				
IDI Distributors	91 Rodeo Drive	Suffolk County	Direct Renewal	40,000
<i>IDI Distributors renewed 40,000 square feet for a five-year lease at 91 Rodeo Drive.</i>				

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