
1Q24

Long Island Office Market Overview



NEWMARK

Market Observations

Economy

- The Long Island labor market unemployment rate continues to track below the national average despite experiencing a minor uptick during the first quarter of 2024. Meanwhile, employment growth slightly 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 led the region in job growth over the past year. While Long Island experienced 1.7% employment growth overall, office using sectors including information and business and professional industries recorded negative yearly employment growth.
- Office using employment decreased during the first few months of 2024, a trend consistent with previous years. Meanwhile, the Long Island unemployment rate has risen to pre-pandemic levels.

Major Transactions

- OpenLink Financial, Inc. signed the largest deal of the quarter, renewing 95,940 square feet at 1425 RXR Plaza in Nassau County.
- First quarter 2024 leasing recorded 527,755 square feet of activity, an increase of 45.2% from the previous quarter.
- Recording 266,552 square feet of activity, Nassau County accounted for 50.5% of leasing activity in the first quarter.

Leasing Market Fundamentals

- The first quarter of 2024 recorded a net absorption of 262,329 square feet, the highest since the fourth quarter of 2021. This coincides with a decrease in total vacancy rate as strong quarterly leasing drove it down to 12.2%.
- Total available space decreased 296,224 square feet during the first quarter of 2024. This was driven by available direct space falling 304,555 square feet..
- In the first quarter of 2024, the average asking rent decreased 4.9% year-over-year to \$28.83. Despite this decline, asking rents are still 7.1% higher than the long-term average of \$26.92.
- The first quarter saw the largest spread over the last four years between sublet and direct lease rates. This is due to sublease rates climbing 12.3% from the last quarter to a record high of \$40.02.

Outlook

- With high inflation and historic treasury rates, uncertainty persists in the macroeconomic economy. Occupiers and investors alike will approach deals with greater caution as a result, which will impact leasing and investment activity.
- The first quarter of 2024 saw no office properties under construction in the Long Island market. With a decreased demand for suburban office space, Long Island is becoming more attractive for industrial properties, resulting in developers turning their attention away from new office projects.

1. Economy
2. Leasing Market Fundamentals

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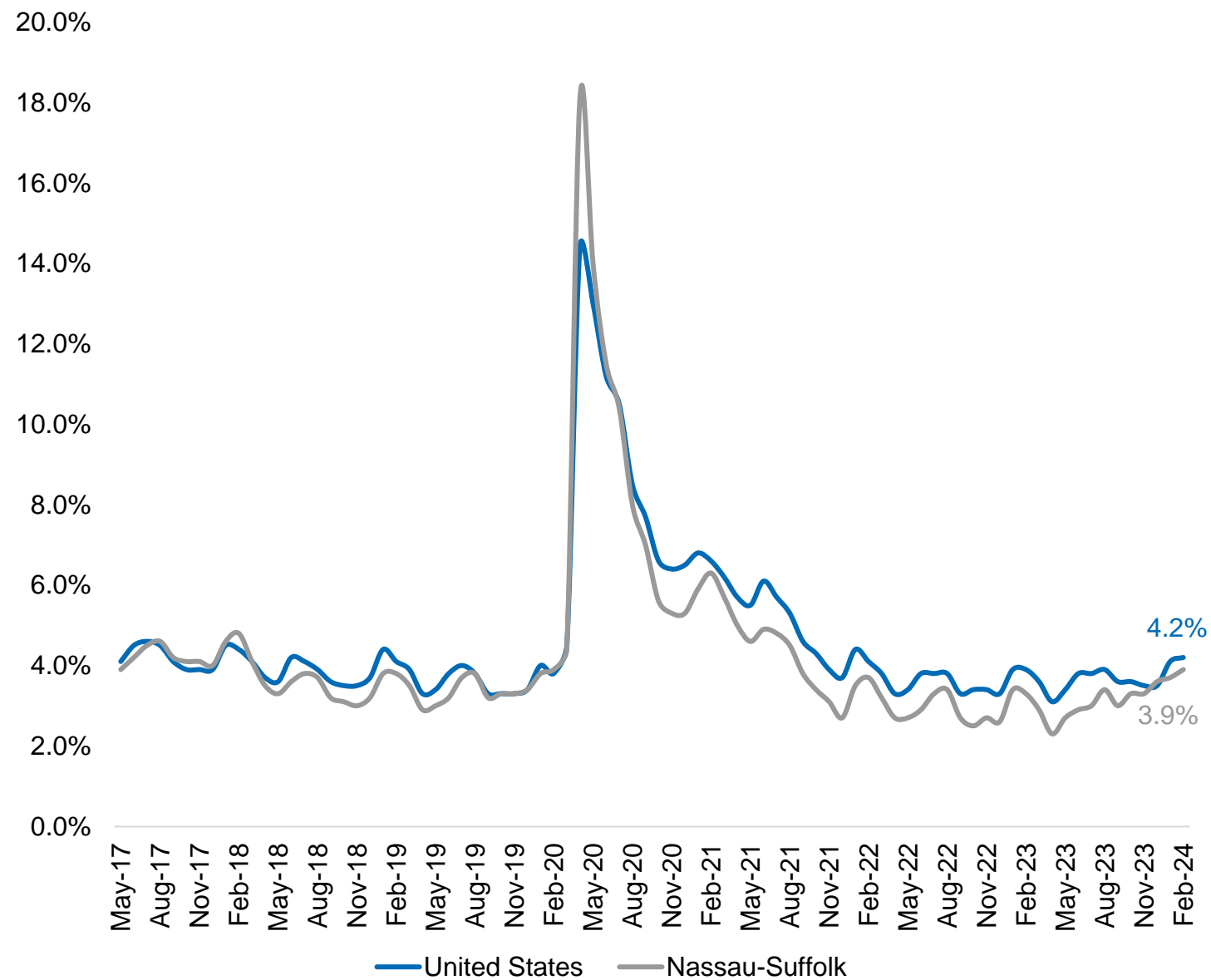
Economy



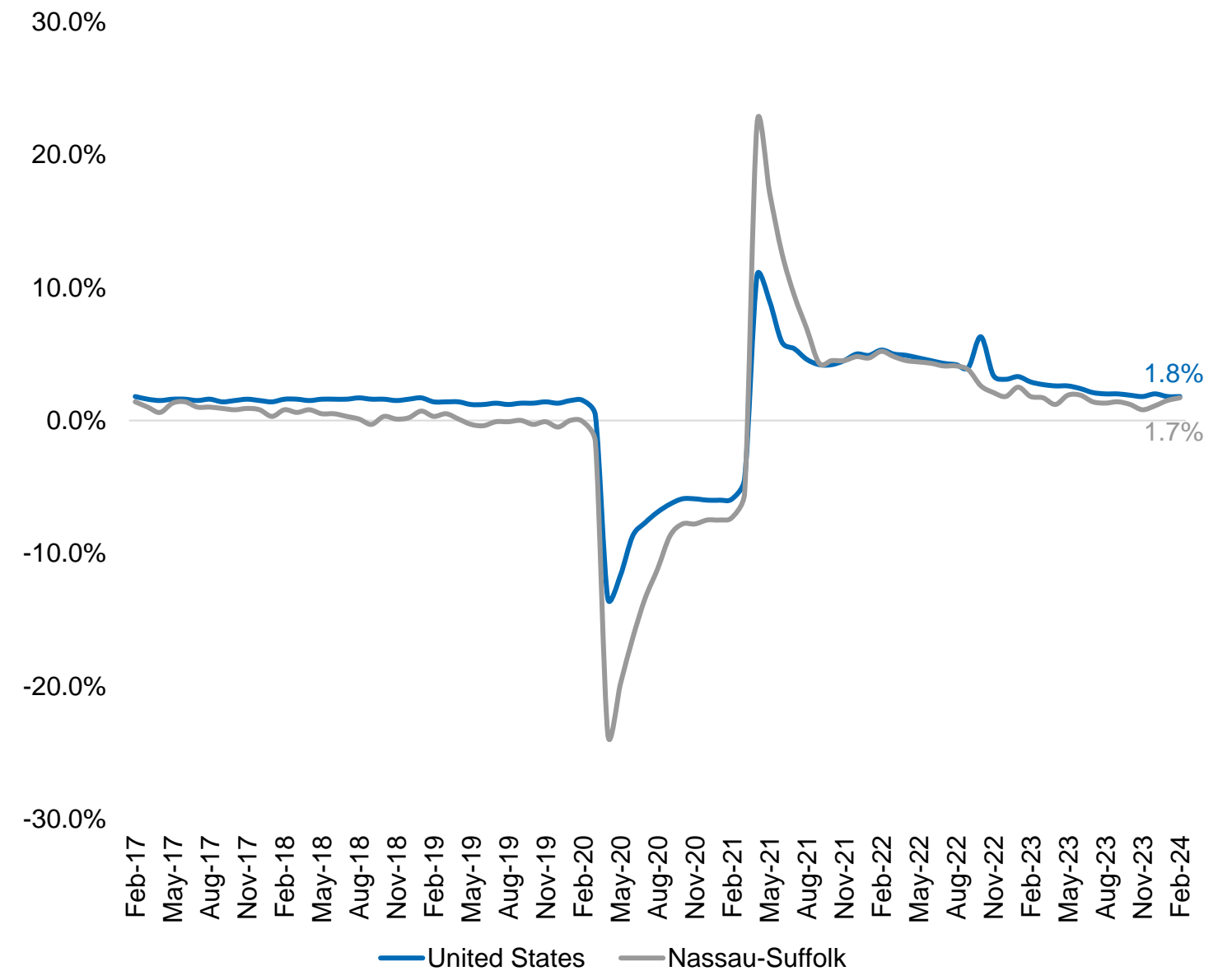
Employment Trends Return to Pre-Pandemic Levels

The Long Island labor market unemployment rate continues to track below the national average despite experiencing a minor uptick during the first quarter of 2024. Meanwhile, employment growth slightly 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



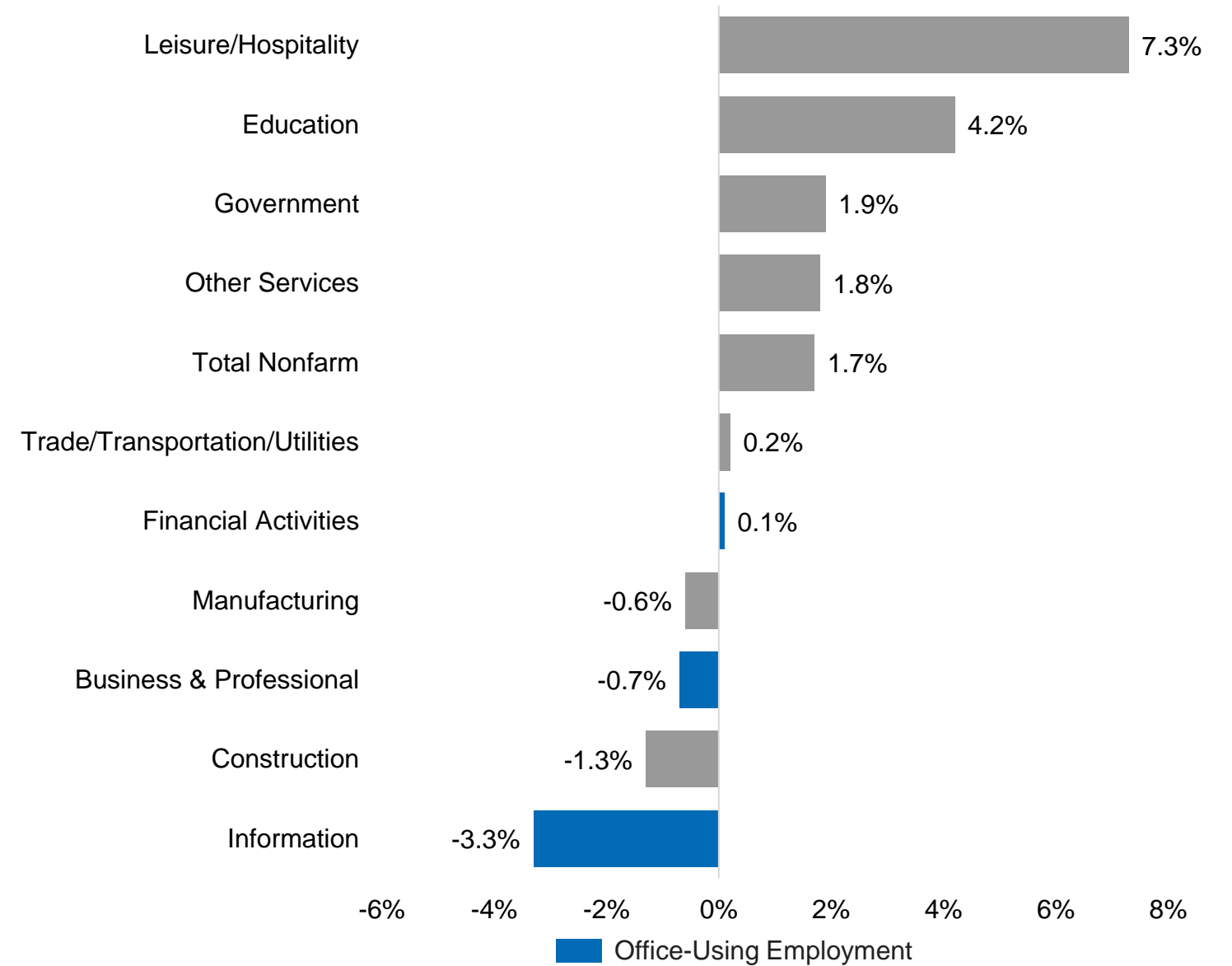
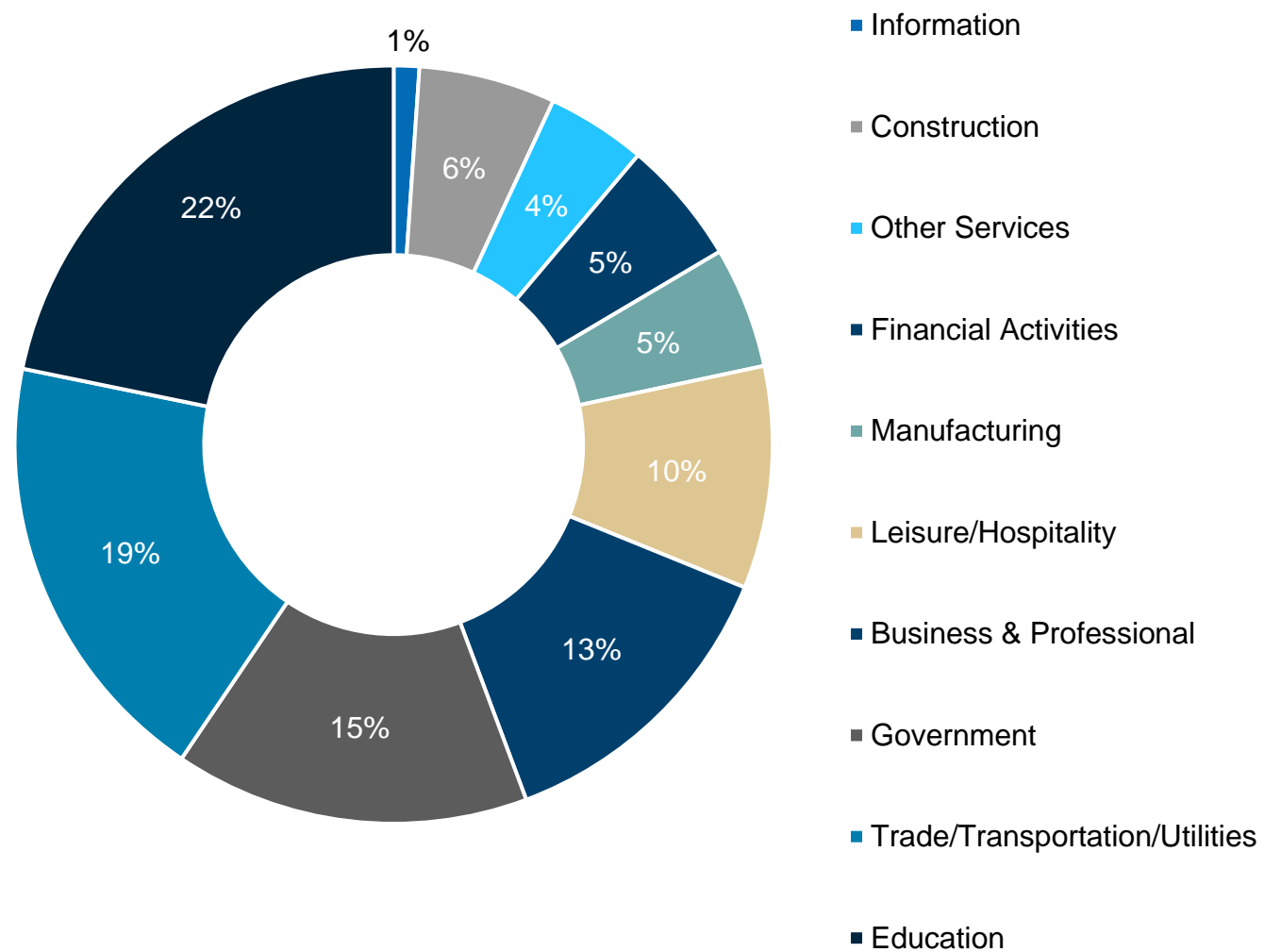
Source: U.S. Bureau of Labor Statistics, Nassau-Suffolk

Office Using Sector Experiences Job Loss

Leisure and hospitality, education, government, and other services led the region in job growth over the past year. While Long Island experienced 1.7% employment growth overall, office using sectors including information and business and professional industries recorded negative yearly employment growth.

Employment by Industry, February 2024

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

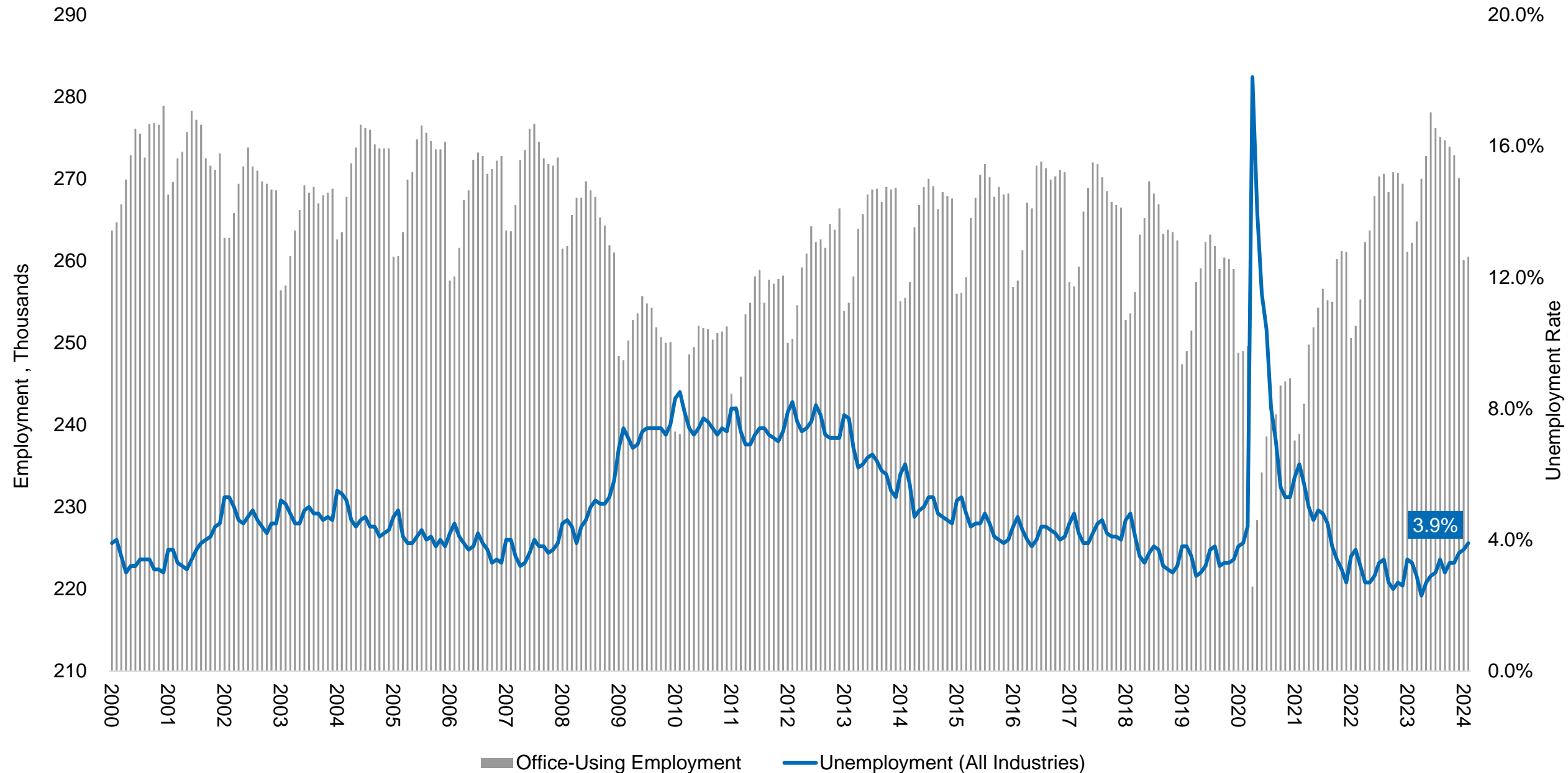


Source: U.S. Bureau of Labor Statistics, Nassau-Suffolk

Overall Office-Using Employment Aligns With Pre-Pandemic Levels

Office using employment decreased during the first few months of 2024, a trend consistent with previous years. Meanwhile, the Long Island unemployment rate has risen to pre-pandemic levels.

Office-Using Employment* and Unemployment Across All Industries



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

Note: February 2024 data is preliminary.

*Office-using employment includes employment in the following industry sectors: Professional & Business Services, Financial Activities and Information.

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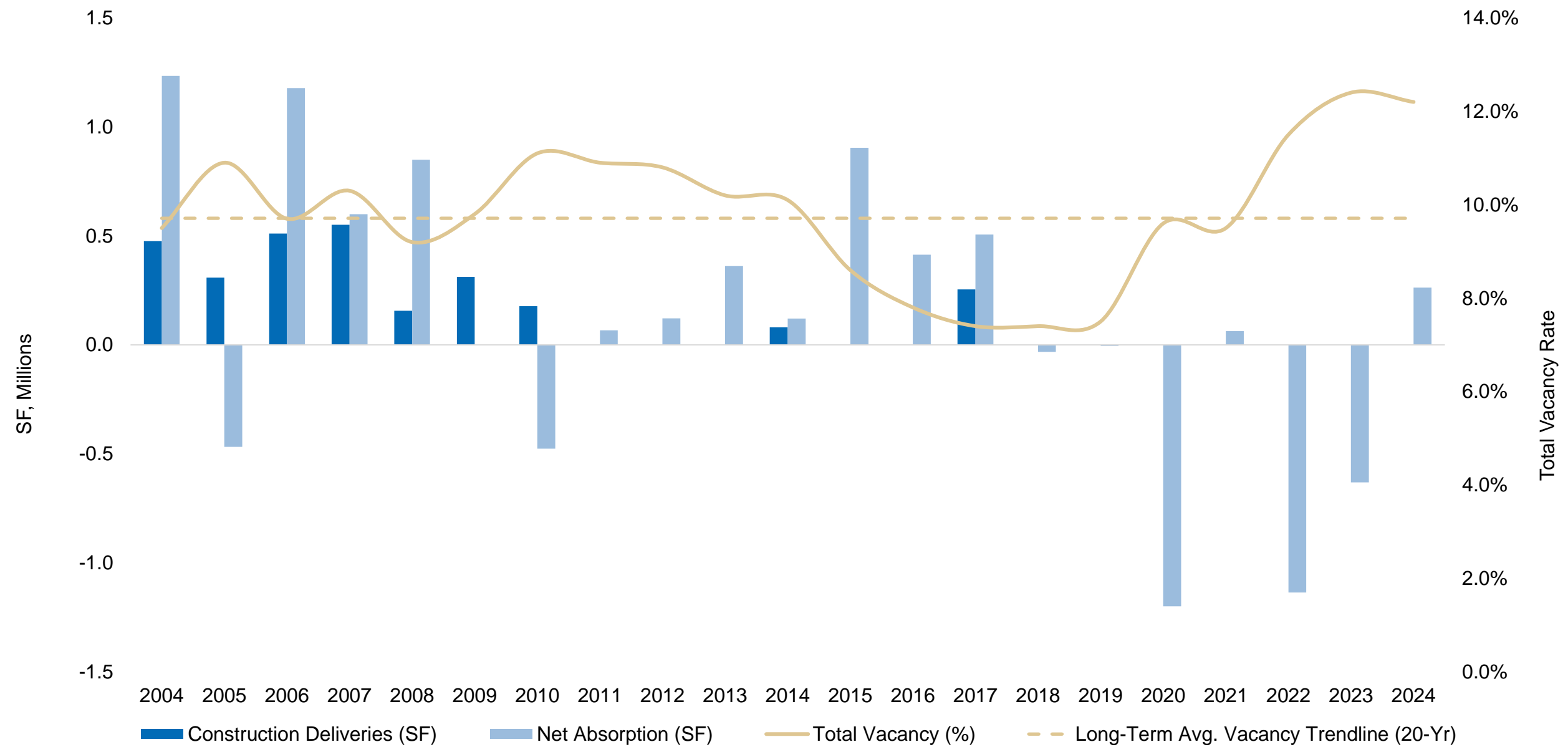
Leasing Market Fundamentals



Net Absorption Becomes Positive as Vacancy Falls

The first quarter of 2024 recorded a net absorption of 262,329 square feet, the highest since the fourth quarter of 2021. Absorption coincides with a decrease in the total vacancy rate as strong quarterly leasing drove first quarter vacancy down to 12.2%.

Historical Construction Deliveries, Net Absorption, and Vacancy

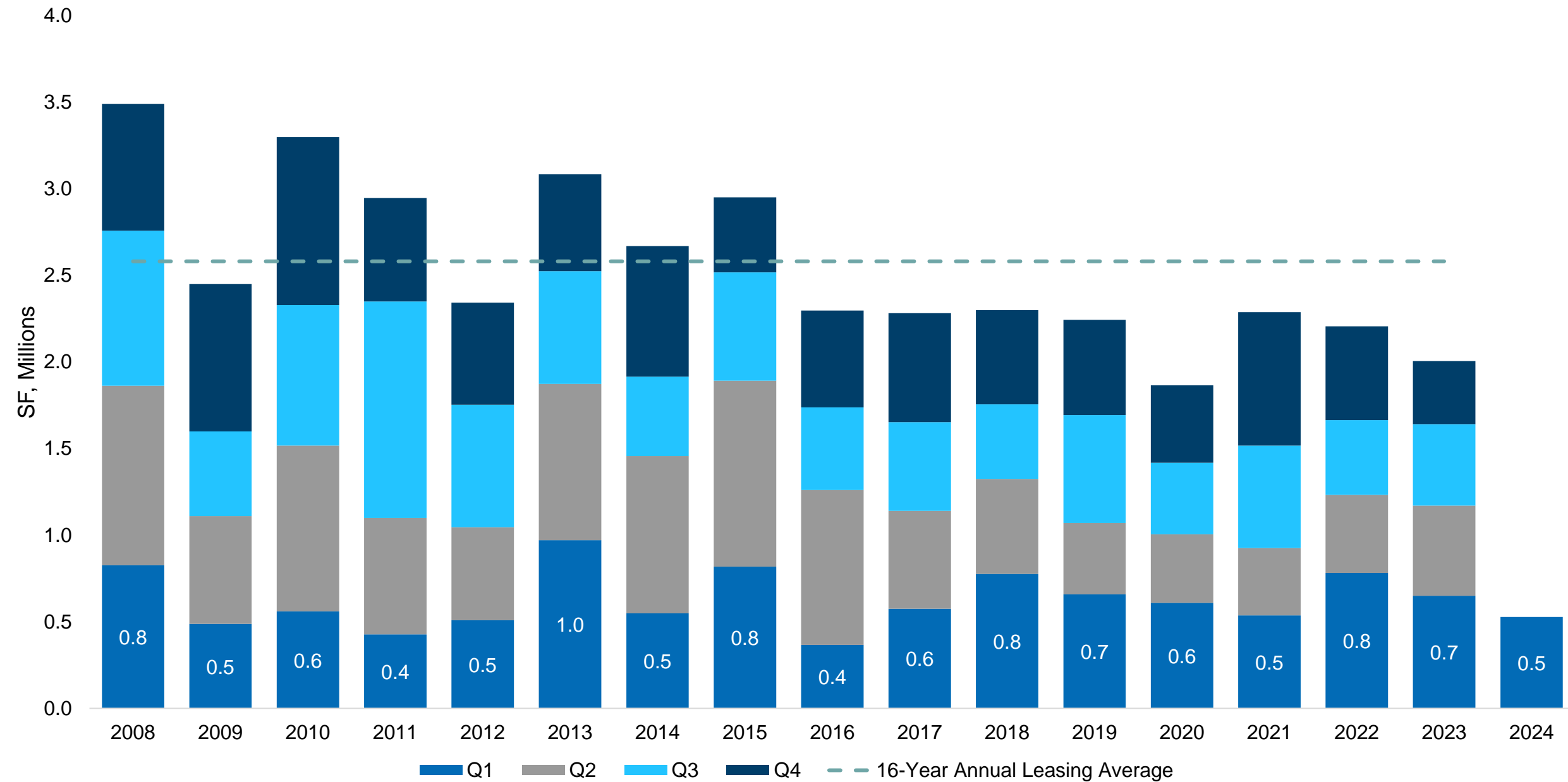


Source: Newmark Research, CoStar

Leasing Activity Remains Consistent

Long Island recorded 525,755 square feet of leasing activity in the first quarter of 2024, a 45.2% increase from the previous quarter. The largest deal of the quarter exceeded 95,000 square feet with OpenLink Financial, Inc. renewing their lease at 1425 RXR Plaza in Nassau County.

Total Leasing Activity

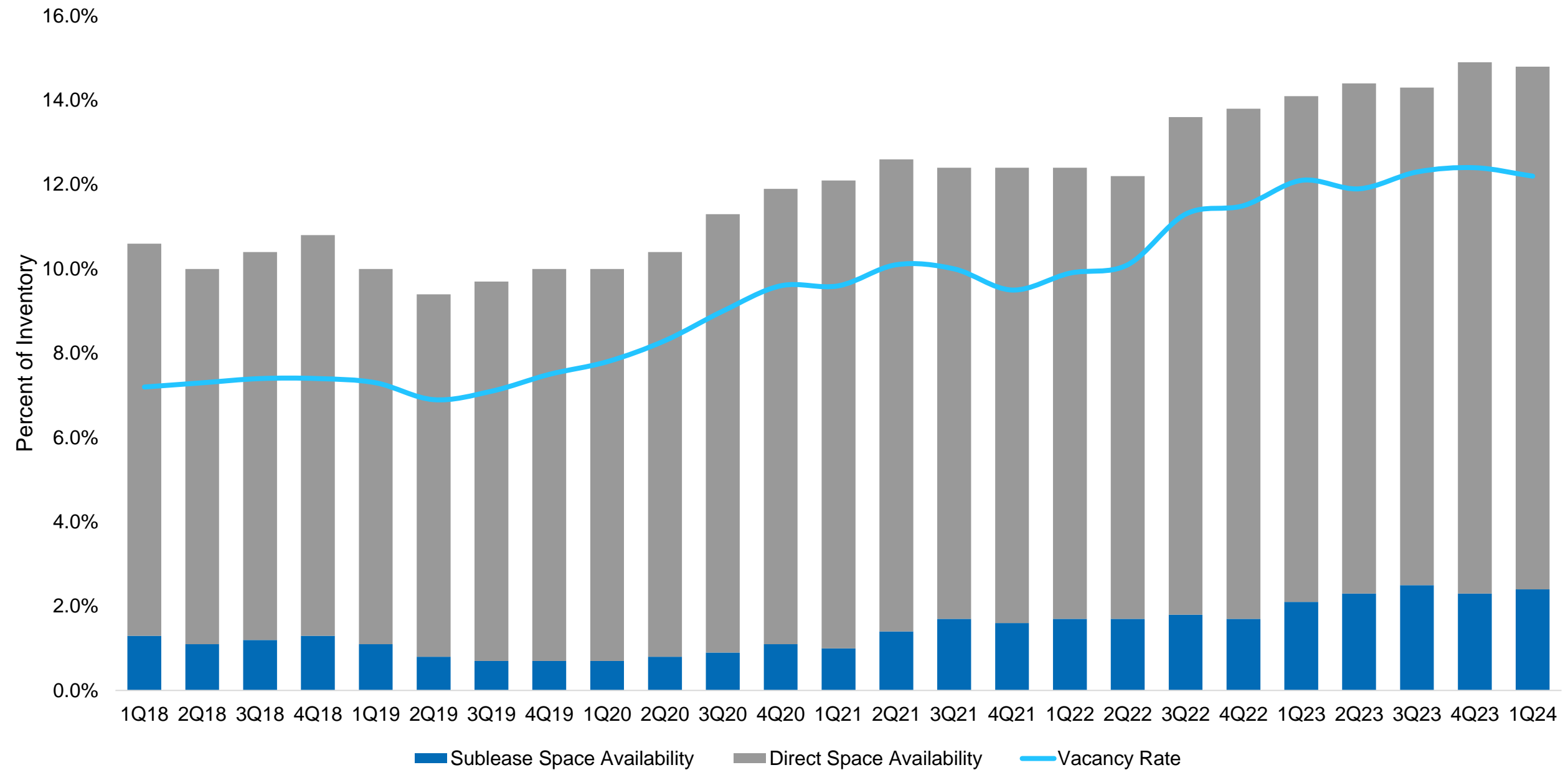


Source: Newmark Research, CoStar

Vacancy Rate and Availability Decrease

Total available space decreased 296,224 square feet during the first quarter of 2024. The decrease was driven by available direct space falling 304,555 square feet while available sublease space marginally increased. The region's vacancy rate mirrored the slight decrease in availability as it fell to 12.2%.

Available Space and Tenant Demand as Percent of Overall Market

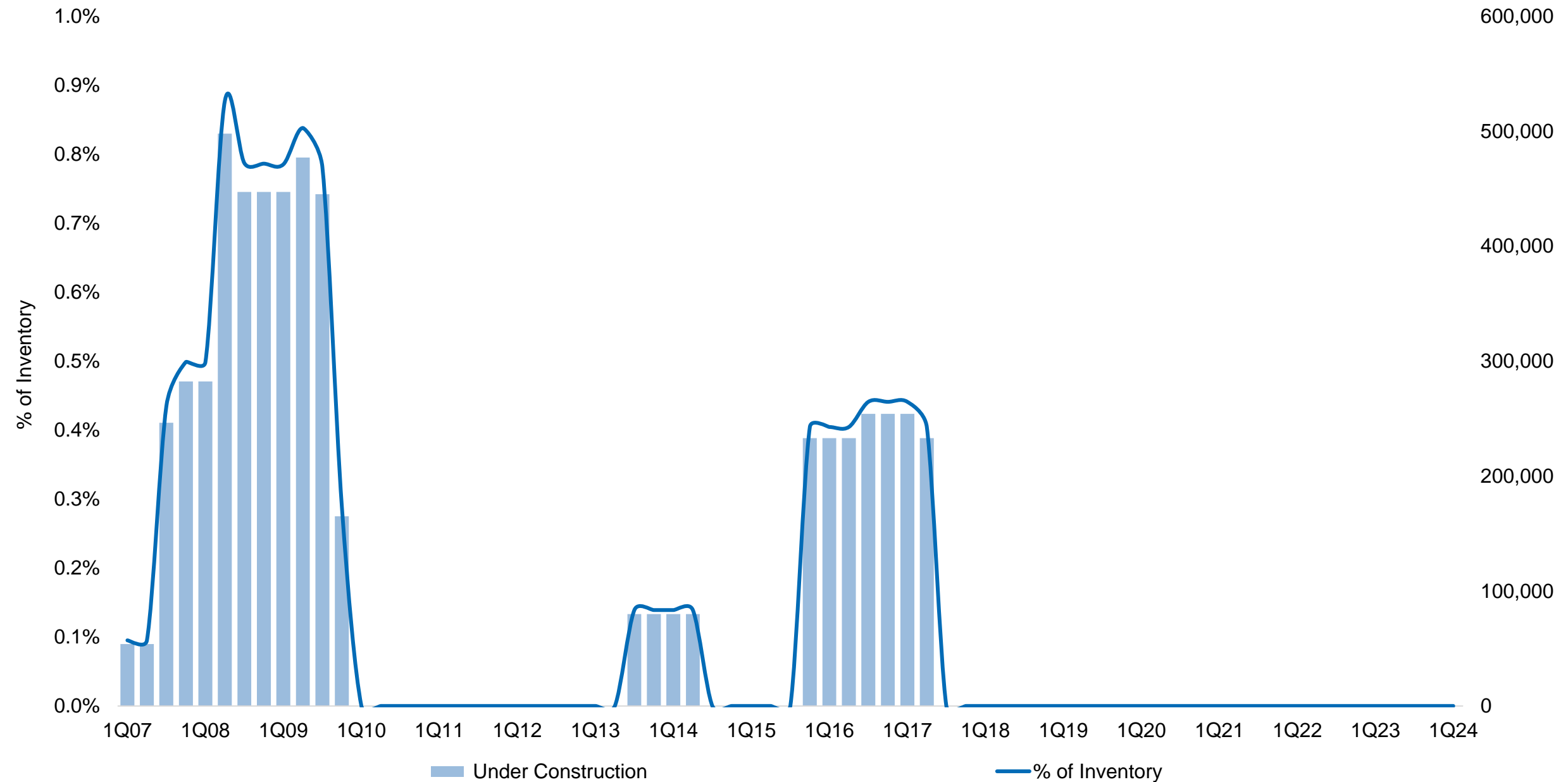


Source: Newmark Research, CoStar

Construction Standstill Continues

The first quarter of 2024 saw no office properties under construction in the Long Island market. With a decreased demand for suburban office space, Long Island is becoming more attractive for industrial properties, resulting in developers turning their attention away from new office projects.

Office Under Construction and % of Inventory

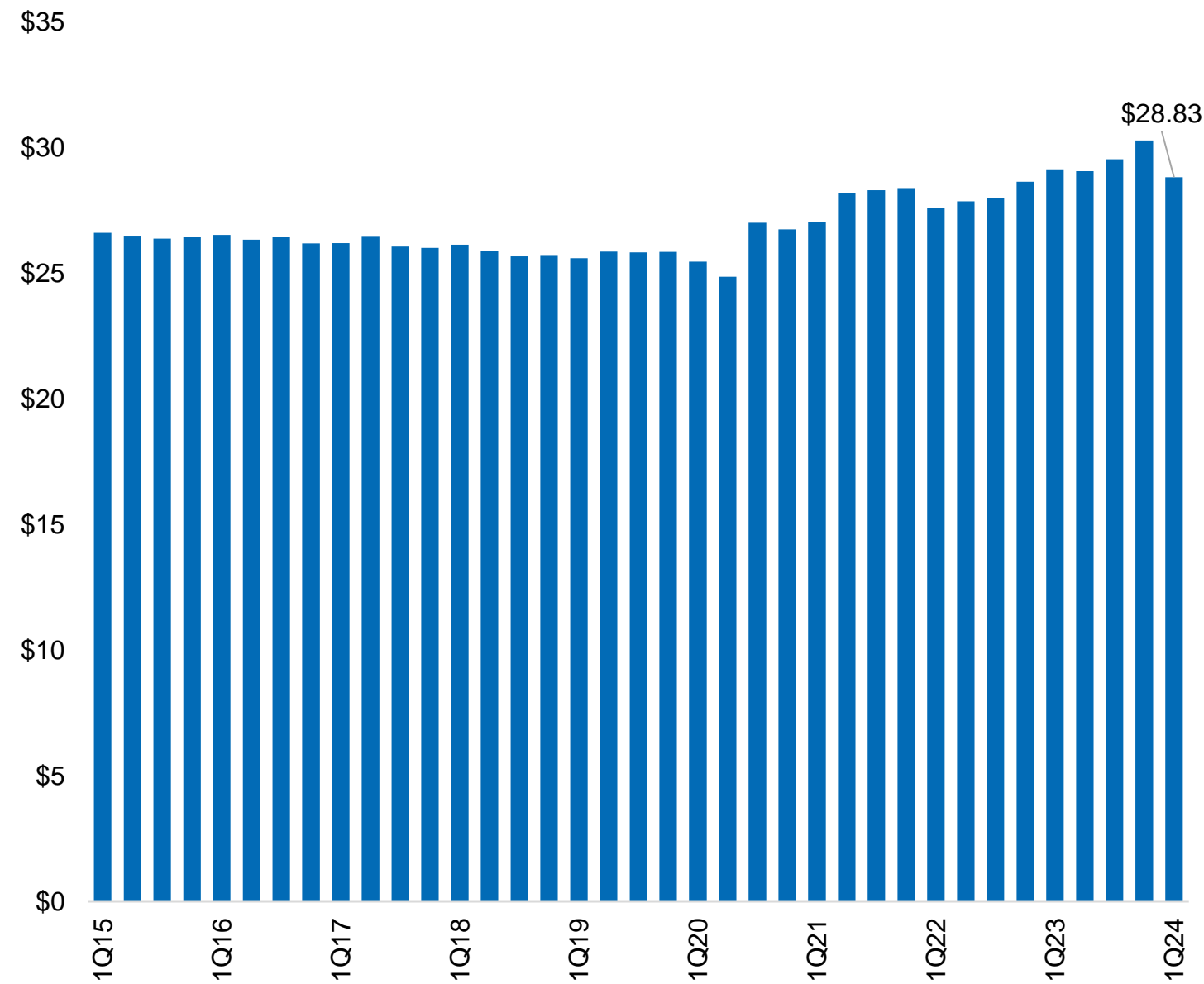


Source: Newmark Research, CoStar

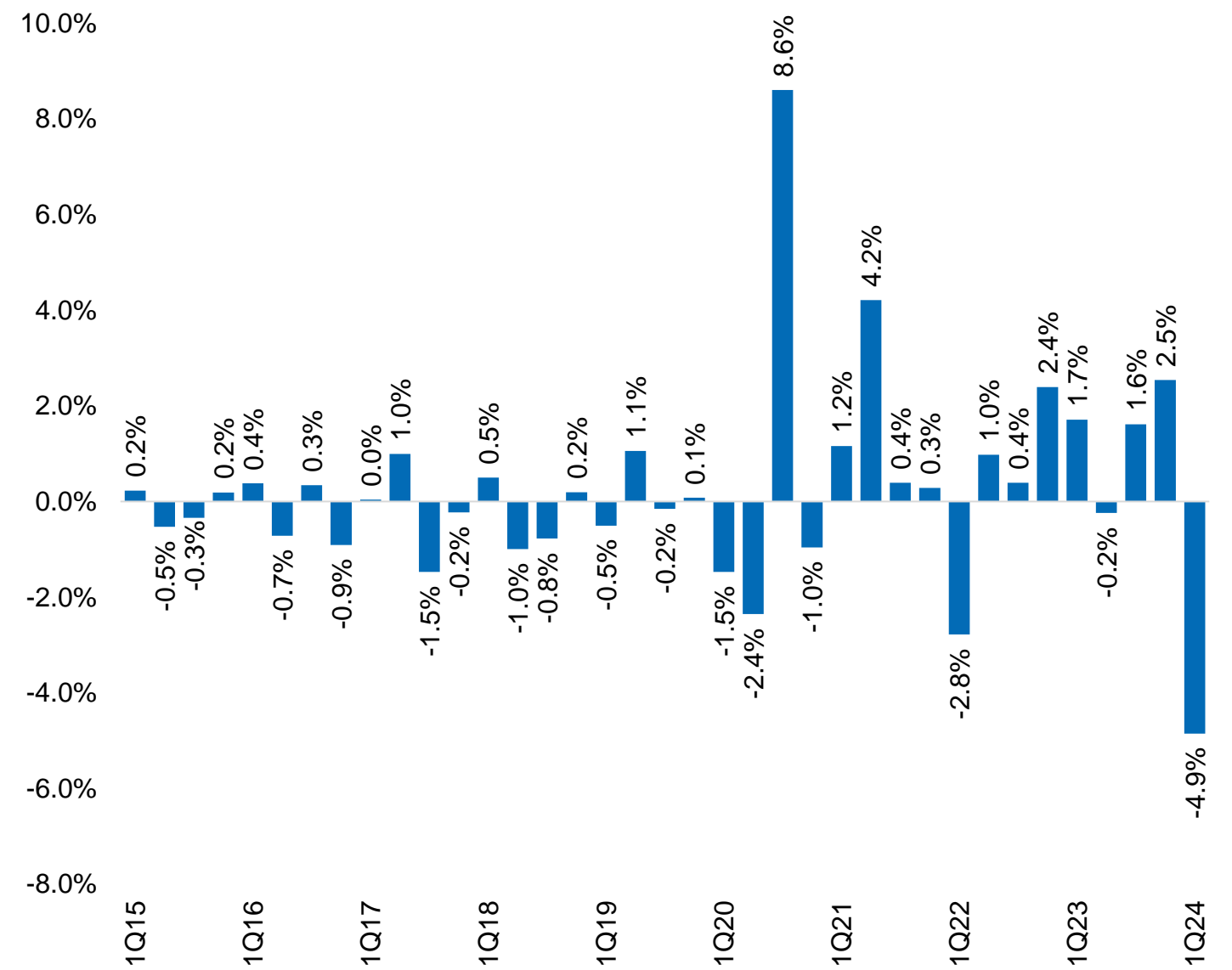
Rents Remain Elevated

In the first quarter of 2024 average asking rent in Long Island decreased 4.9% year over year to \$28.83, largely driven by high-priced space taken off market. Despite this decline, asking rents are still 7.1% higher than the long-term average of \$26.92.

Office Average Asking Rent, \$/SF, FS



Year-over-Year Asking Rent Growth Rate

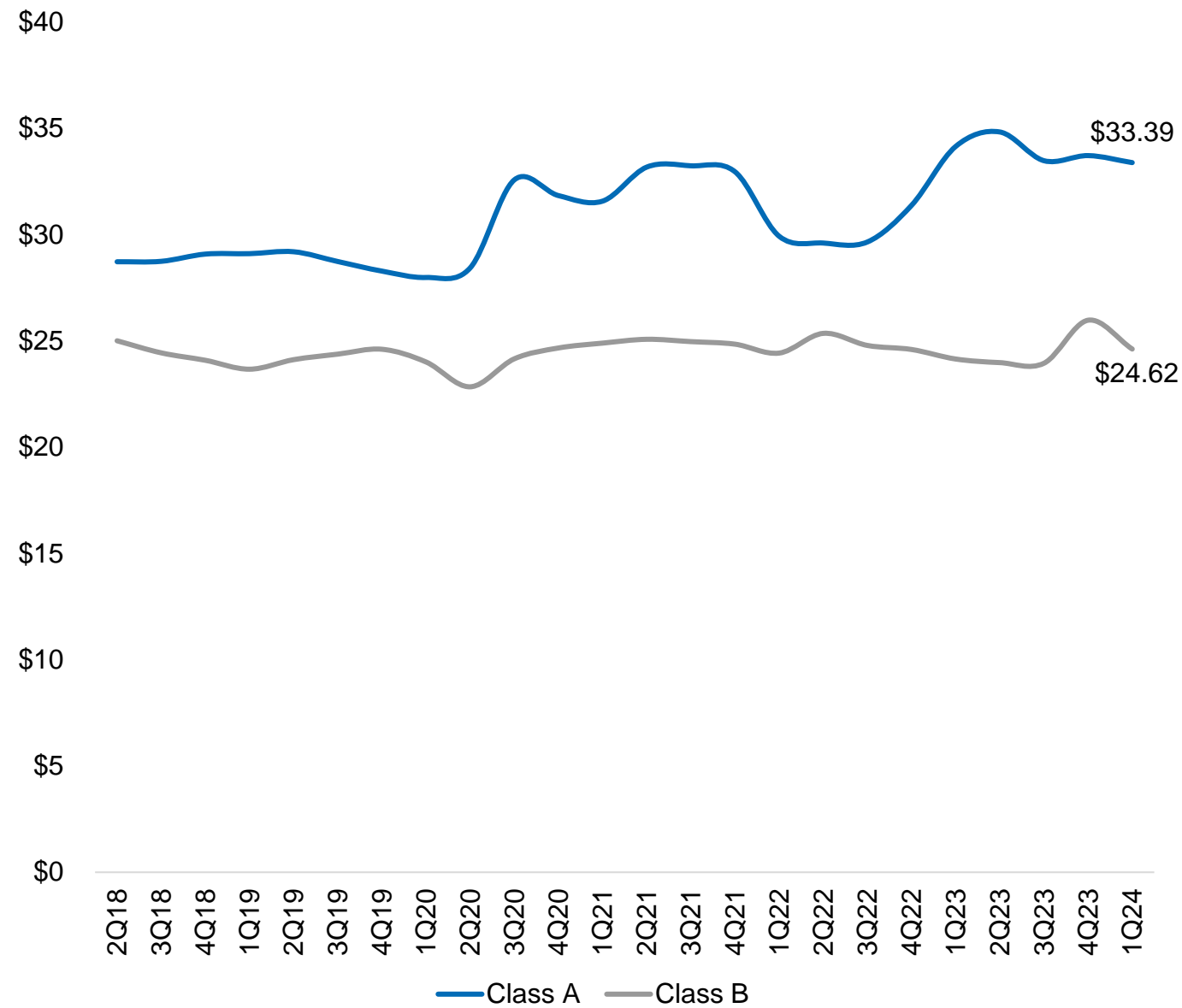


Source: Newmark Research, CoStar

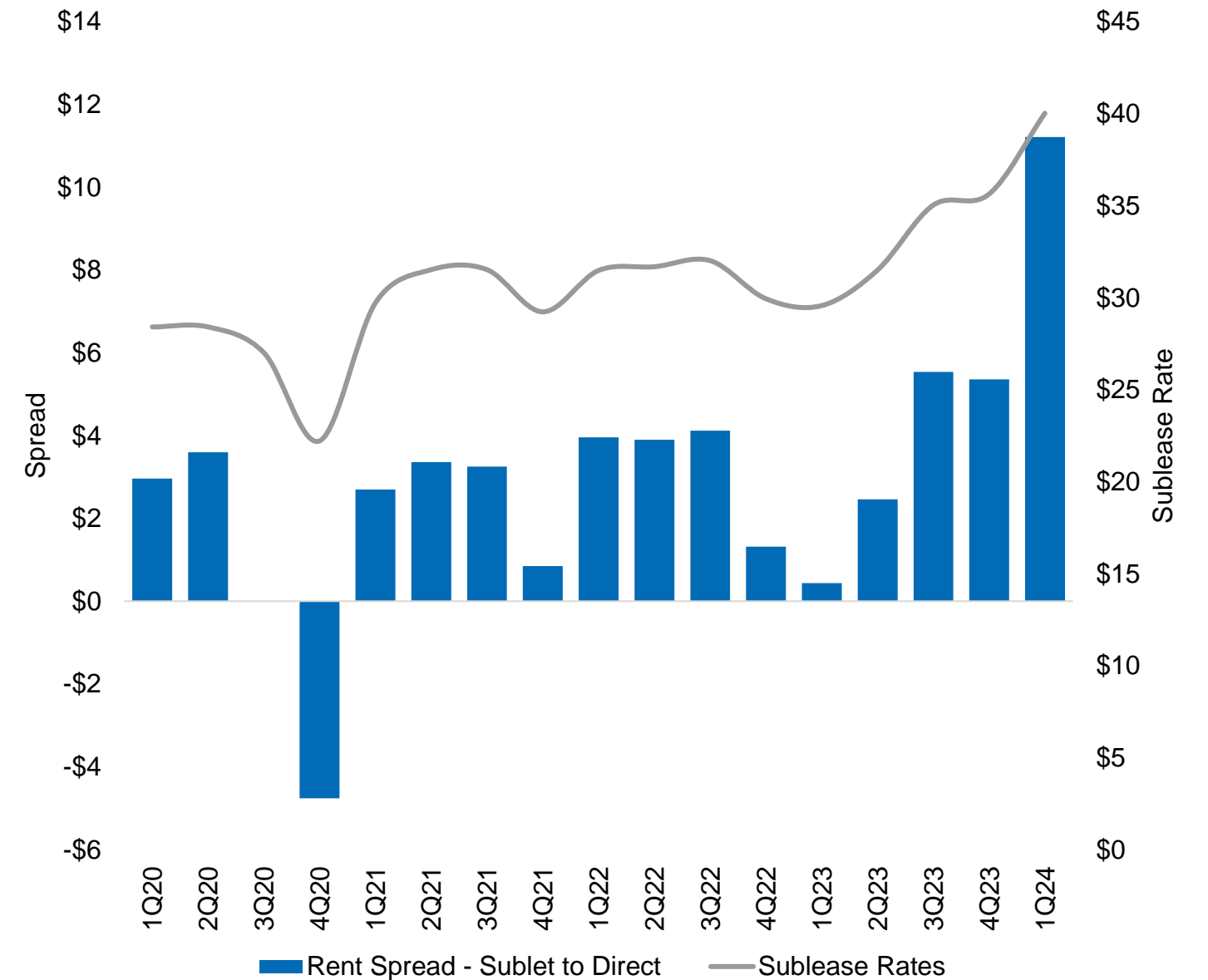
Sublease Rates Surge

The first quarter saw the largest spread over the last four years between sublet and direct lease rates. This is due to sublease rates climbing 12.3% from the last quarter to a record high of \$40.02. While the average asking rent for Class B properties experienced a quarterly decline of 5.2%, it has still increased 2.0% year over year.

Class A and Class B Direct Asking Rents



Sublease Rates



Source: Newmark Research, CoStar

Notable Lease Transactions

First quarter 2024 leasing recorded 527,755 square feet of activity, an increase of 45.2% from the previous quarter.

Notable 1Q24 Lease Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
OpenLink Financial, Inc.	1425 RXR Plaza	Nassau County	Direct Renewal	96,000
<i>OpenLink Financial, Inc. renewed 95,940 square feet on the seventh and eighth floor of 1425 RXR Plaza.</i>				
1199SEIU Family of Funds	100 Duffy Avenue	Nassau County	Direct Renewal	30,534
<i>Non-profit pension and retirement organization 1199SEIU Family of Funds renewed 30,534 square feet on the partial third floor space at 100 Duffy Avenue.</i>				
KWI	201 Old Country Road	Suffolk County	Direct Lease	24,000
<i>Software company KWI signed a 24,000 square foot lease on the third floor of 201 Old Country Road.</i>				
East Coast Capital	2 Corporate Center Drive	Suffolk County	Direct Lease	20,541
<i>Mortgage lender East Coast Capital signed a lease at 2 Corporate Center Drive, taking 20,541 square feet on the partial first floor.</i>				
HBK	48 South Service Road	Suffolk County	Direct Lease	14,000
<i>Accounting company HBK signed a ten-year lease for 14,195 square feet on the third floor at 48 South Service Road.</i>				

For more information:

Long Island
290 Broadhollow Road
Suite 103E
Melville, NY 11747
t 631-424-4800

New York Headquarters
125 Park Ave.
New York, NY 10017
t 212-372-2000

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