

# Long Island Industrial Market

## Robust Demand Drives Asking Rents to Record High

The Long Island industrial market remained tight during the second quarter of 2021, due to increased competition among tenants seeking logistics and distribution space. Overall vacancy decreased 40 basis points from the previous quarter, to finish at 4.4%. As a result, Long Island's average asking rents grew to an all-time high of \$13.85/SF. Although the pandemic has been responsible for many supply-chain disruptions, industrial market fundamentals have remained solid, with asking rents increasing 14.2% year-over-year. Consumer spending has made a dramatic shift towards online shopping during the pandemic, leading to increased demand from ecommerce companies and spurring developers to address the shortage of modern industrial facilities. At the conclusion of the second quarter, there was over 1.1 million square feet of new supply under construction.

Net absorption was positive for the second straight quarter, with 748,723 square feet recorded. Strong leasing activity in Suffolk County accounted for decrease in available space. In Edgewood, Package All, a wholesale distributor of pharmaceutical supplies, leased 92,000 square feet at 95 Executive Drive. The largest lease signed this quarter was in Port Washington, where Peloton Interactive will be occupying a 115,887-square-foot warehouse at 85 Harbor Road. This will be Peloton's most significant expansion to date after previously leasing locations in Bethpage and Syosset.

## Industrial Product Draws Increased Investment

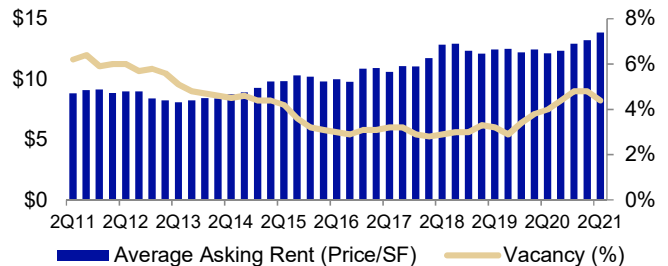
Long Island experienced a very active period for industrial investment and user sales during second-quarter 2021. Approximately 1.1 million square feet of property traded across 32 transactions with an average sale price of \$162/SF. Industrial facilities on Long Island are continuing to attract a growing number of institutional investors, reflecting a new trend since investment in previous market cycles was largely dominated by local entities. Brookfield Properties purchased two buildings this quarter. In separate transactions, the commercial real estate titan acquired both 31 Windsor Place in Central Islip and 303 Smith Street in Farmingdale for a total of \$31.6 million. With most new deliveries not expected until 2022 and beyond, heavy demand for industrial product is projected to remain robust through the remainder of the year.

## Current Conditions

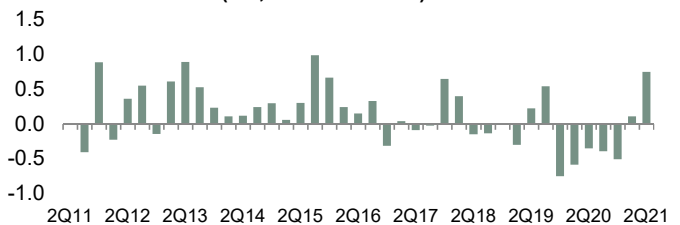
- Average asking rents for Long Island grew to an all-time high of \$13.85/SF
- Net absorption was positive for the second straight quarter with 748,723 square feet recorded.
- Approximately 1.1 million square feet of industrial property traded across 32 transactions with an average sale price of \$162/SF

## Market Analysis

### ASKING RENT AND VACANCY



### NET ABSORPTION (SF, THOUSANDS)



## Market Summary

	Current Quarter	Prior Quarter	Prior Year	12-Month Forecast
Total Inventory	161.2 MSF	161.2 MSF	160.6 MSF	↑
Vacancy Rate	4.4%	4.8%	4.0%	↓
Quarterly Net Absorption	748,723 SF	108,692 SF	-350,846 SF	↑
Avg. Ask Rent	\$13.85	\$13.21	\$12.13	↑
Under Const.	1.1 MSF	1.2 MSF	789,539 SF	↔
Deliveries	90,000 SF	10,000 SF	43,005 SF	↑

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## Submarket Statistics

Market	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Absorption (SF)	YTD Absorption (SF)	Direct Asking Rent (Price/SF)	Sublet Asking Rent (Price/SF)	Total Asking Rent (Price/SF)
Nassau	52,351,883	235,234	6.2%	189,793	-14,638	\$14.17	-	\$14.17
Suffolk	108,808,699	883,178	3.5%	581,522	872,053	\$13.63	-	\$13.63
<b>Long Island</b>	<b>161,160,582</b>	<b>1,118,412</b>	<b>4.4%</b>	<b>748,723</b>	<b>857,415</b>	<b>\$13.85</b>	-	<b>\$13.85</b>

## Select Lease/User Transactions

Tenant	Building	Town	County	Square Feet
Peloton Interactive, Inc.	85 Harbor Road	Port Washington	Nassau	115,887
Package All, LLC	95 Executive Drive	Edgewood	Suffolk	92,000
Sterling Digital Print	70 Corporate Drive	Hauppauge	Suffolk	75,000
RV Pharma LLC	721-725 Broadway Avenue	Holbrook	Suffolk	42,000

## Select Sale Transactions

Building	Town	Sale Price	Price/SF	Square Feet
31 Windsor Place	Central Islip	\$17,800,000	\$124.70	142,741
400 Rabro Drive	Hauppauge	\$18,500,000	\$150.65	122,805
135 Spagnoli Road	Melville	\$18,650,000	\$156.72	119,000
303 Smith Street	Farmingdale	\$13,750,000	\$142.34	96,600

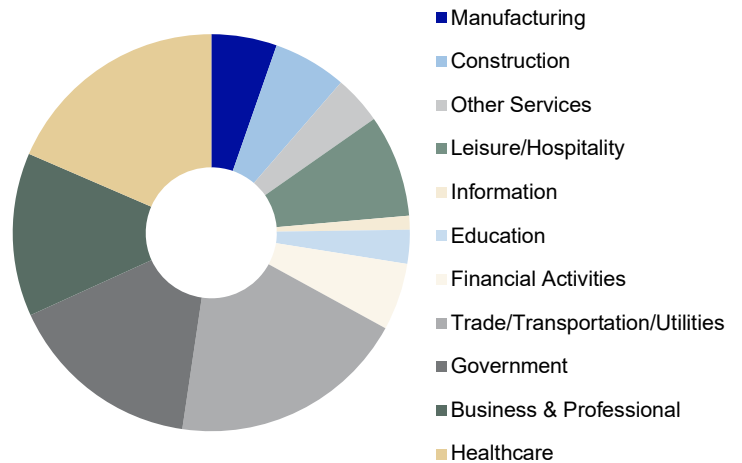
### Economic Conditions

Resulting from a steady rate of improvement in COVID-19 positivity figures, New York State announced the expiration of most indoor capacity restrictions on May 19<sup>th</sup>, 2021. The reopening announcement marked a major milestone toward economic recovery from the pandemic recession. As economic activity resumed, the weekly number of unemployment applications has continued to fall, and the regions jobless rate dropped from 5.3% in April 2021 to 4.6% in May 2021.

Employment growth in industries most effected by the shutdown saw the biggest improvements annually, with Long Islanders employed in the Leisure/Hospitality sector growing 53.3% from May 2020. While the job market has experienced a strong rebound, the overall number of employed residents in Nassau and Suffolk counties is still 71,900 lower compared to May 2019, prior to the pandemic. Many locals are still contending with health and child care issues related to COVID-19 and some businesses are struggling to fill open positions due to ongoing fear of the virus.

### Employment By Industry

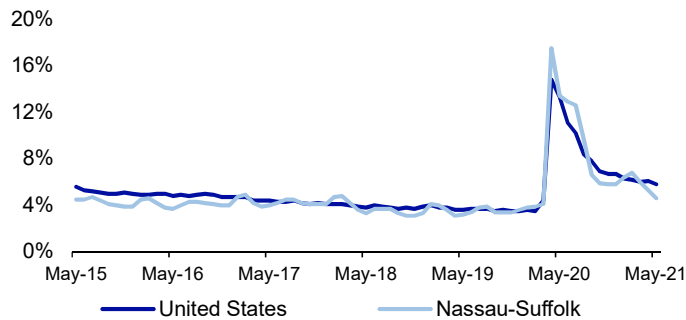
NASSAU-SUFFOLK, MAY 2021



Source: New York State Department of Labor

### Unemployment Rate

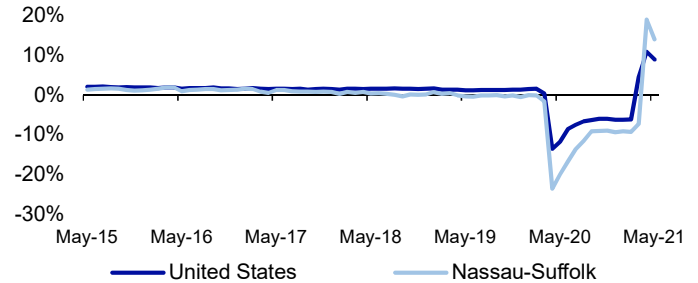
NOT SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics

### Payroll Employment

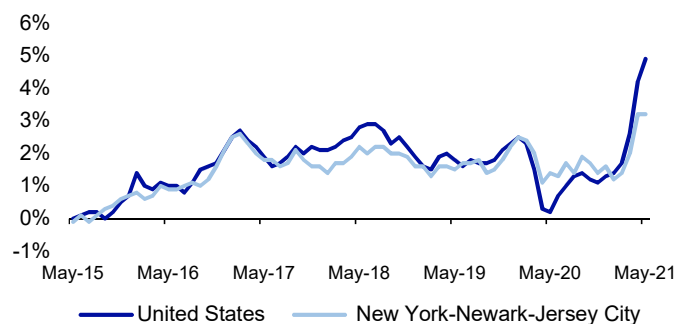
TOTAL NONFARM, NOT SEASONALLY ADJUSTED, 12-MONTH % CHANGE



Source: U.S. Bureau of Labor Statistics

### Consumer Price Index (CPI)

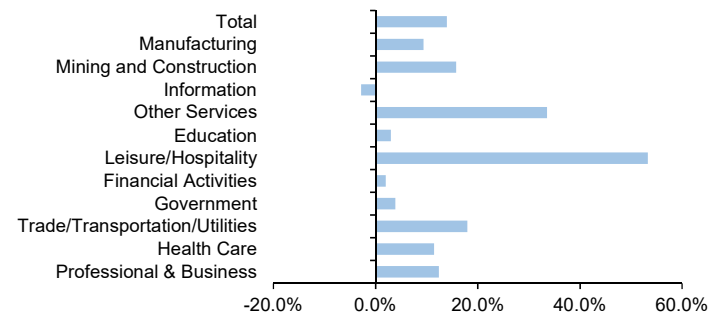
ALL ITEMS, 12-MONTH % CHANGE, NOT SEASONALLY ADJUSTED



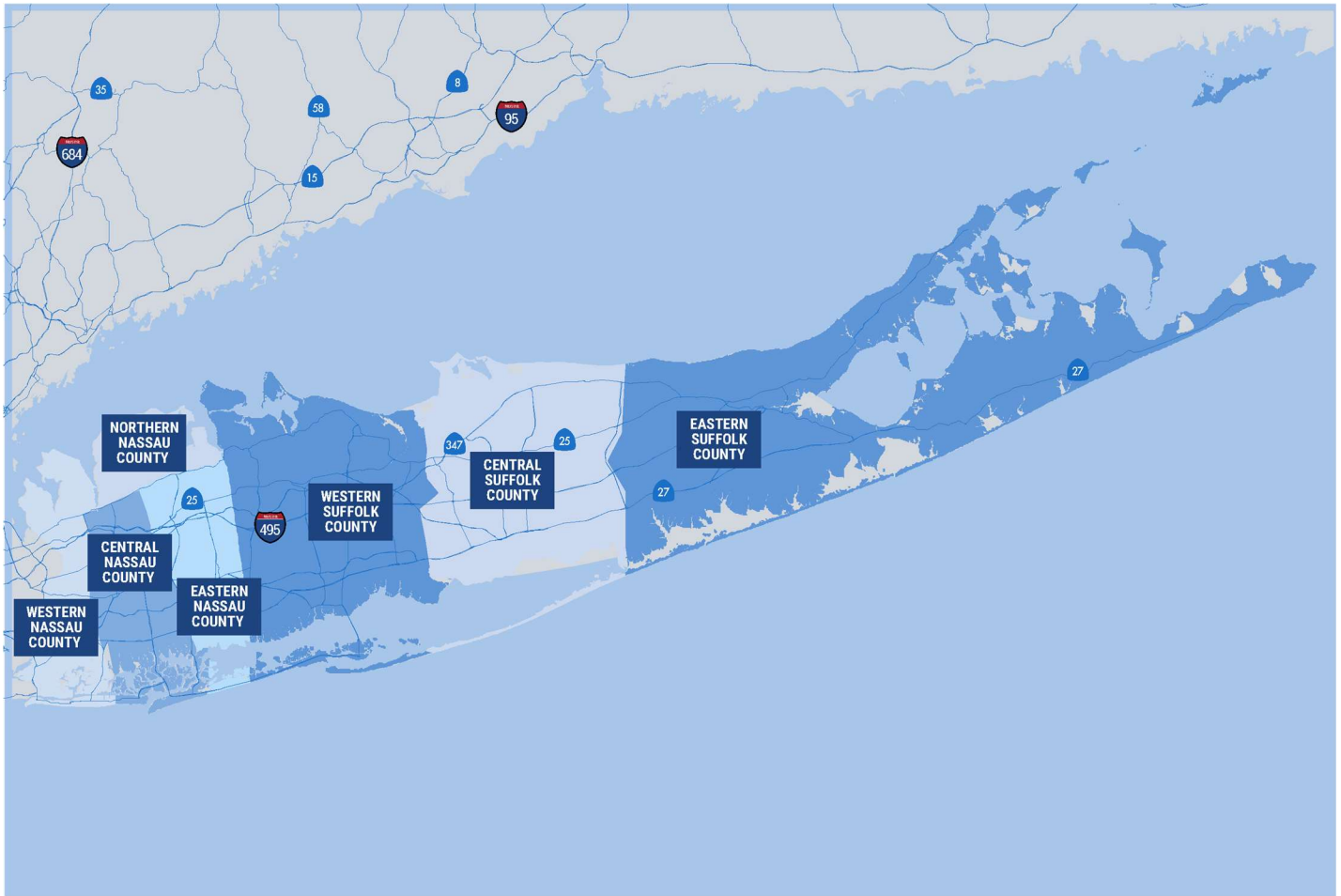
Source: U.S. Bureau of Labor Statistics

### Employment Growth By Industry

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



Source: New York State Department of Labor



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