

# Long Island Office Market

## Available Space Continues to Rise as Tenants Contemplate Future Occupancy Requirements

Demand for office space on Long Island remained soft in the second quarter of 2021. Vacancy increased from 10.7% at the start of the year to 11.0% as disruptions related to COVID-19 continued to impact the market. Net absorption totaled negative 166,073 square feet with several large sublet additions in Suffolk County accounting for the increase in availability. Most notably, Allstate is looking to downsize and has put its 80,000-square-foot property along Veterans Memorial Highway in Hauppauge on the market for sublease. Total sublease availability increased by 226,466 square feet from the previous quarter and is now up to 1.1 million square feet, a 59.7% rise since the beginning of the pandemic. Despite the uncertainty of the past year, average asking rents grew 4.2% quarter over quarter to \$28.21/SF. While the average asking rent remains secure, many landlords have become amenable to increasing concessions and it is expected that downward pressure on net-effective rents will continue to exist in the near-term.

Second quarter leasing activity totaled 335,579 square feet which was 37.6% below the quarterly average of 461,642 square feet for all of 2020. Five deals over 10,000 square feet were signed this quarter. Shared office space provider, Corporate Suites leased the largest of these spaces, taking 20,085 square feet on the 8th floor at 333 Earle Ovington Boulevard in Uniondale. Looking ahead, leasing activity is expected to accelerate in the second half of 2021 as tenants continue to re-board throughout the year and determine their post-COVID occupancy requirements. The early returns on vaccine efficacy have shown to be positive and confidence towards a return to the office has been steadily growing.

## Large Class A Properties Trade

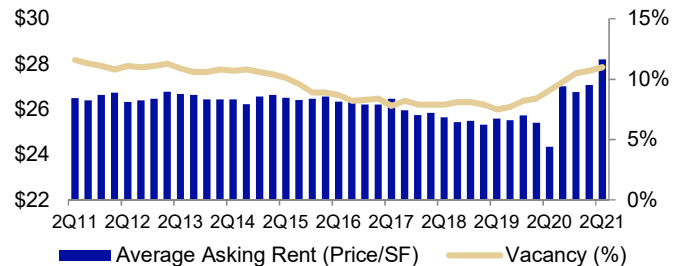
Although leasing activity remained modest during the second quarter, two noteworthy investment sales transpired. The largest sale took place at 1985 Marcus Avenue in Lake Success. New owners, The Birch Group purchased the 346,000 square foot Class A office building for \$168/SF. This marks the second recent large acquisition for the privately-owned investment firm after buying 1979 Marcus Avenue in the fourth quarter of 2020. Additionally, the 291,230-square-foot property at 2 Corporate Center Drive in Melville sold for \$79/SF.

## Current Conditions

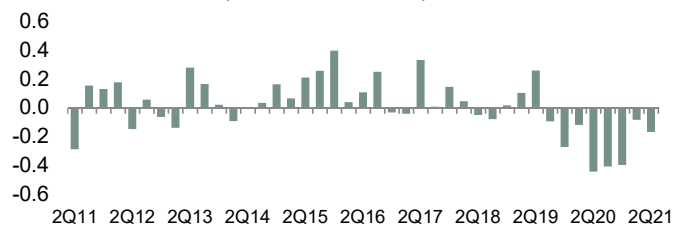
- Vacancy increased from 10.7% at the start of the year to 11.0% as disruptions related to COVID-19 continued to impact the market..
- Total sublease availability increased by 226,466 square feet from the previous quarter and was reported at 1.1 million square feet by quarter's end.
- Overall asking rents grew 4.2% from 1Q21 to finish at \$28.21/SF.

## Market Analysis

### ASKING RENT AND VACANCY



### NET ABSORPTION (SF, THOUSANDS)



## Market Summary

	Current Quarter	Prior Quarter	Prior Year	12-Month Forecast
Total Inventory	57.4 MSF	57.4 MSF	57.4 MSF	↑
Vacancy Rate	11.0%	10.7%	9.1%	↑
Quarterly Net Absorption	-166,073	-82,669	-440,352	↓
Avg. Ask Rent	\$28.21	\$27.07	\$24.34	↔
Under Const.	35,700 SF	0 SF	0 SF	↔
Deliveries	0 SF	0 SF	0 SF	↑

## RESEARCH Q2 2021

### Market Summary

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Under Construction	35,700 SF	0 SF	0 SF	↔
Deliveries	0	0	0	↑

### 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	34,899,762	0	10.3%	-10,971	-179,933	\$30.61	\$31.52	\$30.64
Suffolk	22,492,375	35,700	12.0%	-155,102	-68,809	\$24.26	-	\$24.26
<b>Long Island</b>	<b>57,395,137</b>	<b>35,700</b>	<b>11.0%</b>	<b>-166,073</b>	<b>-248,742</b>	<b>\$28.16</b>	<b>\$31.52</b>	<b>\$28.21</b>

### Select Lease/User Transactions

Tenant	Building	Town	County	Square Feet
Corporate Suites, LLC	333 Earle Ovington Boulevard	Uniondale	Nassau	20,085
Lewis Johs Avallone Aviles LLP	1377 Motor Parkway	Islandia	Suffolk	19,251
CohnReznick LLP	1305 Walt Whitman Road	Melville	Suffolk	12,918
Sumisho Global Logistics USA	1979 Marcus Avenue	Lake Success	Nassau	11,996

### Select Sale Transactions

Building	Town	Sale Price	Price/SF	Square Feet
1985 Marcus Avenue	Lake Success	\$58,200,000	\$168.21	346,000
2 Corporate Center Drive	Melville	\$23,000,000	\$78.98	291,230
125 Kennedy Drive	Hauppauge	\$13,650,000	\$227.50	60,000
3880 Veterans Memorial Highway	Bohemia	\$3,500,000	\$116.67	30,000

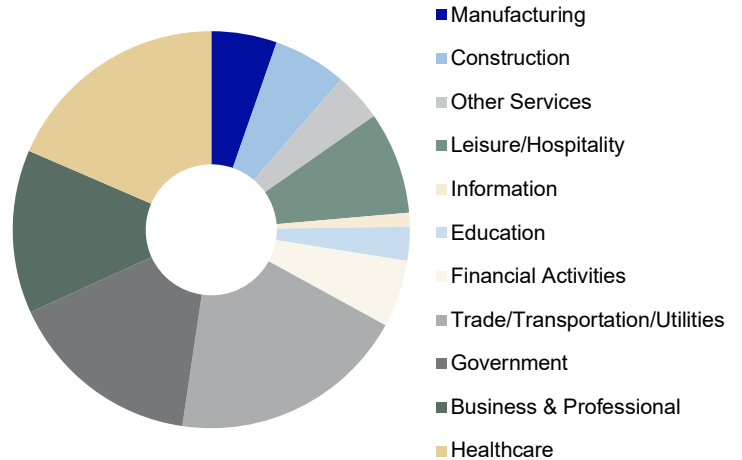
### Economic Conditions

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

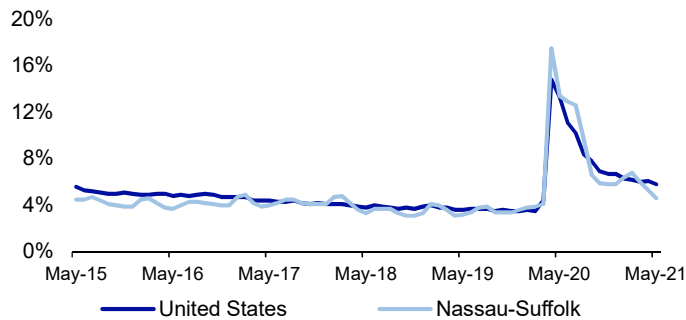
NASSAU-SUFFOLK, MAY 2021



Source: New York State Department of Labor

### Unemployment Rate

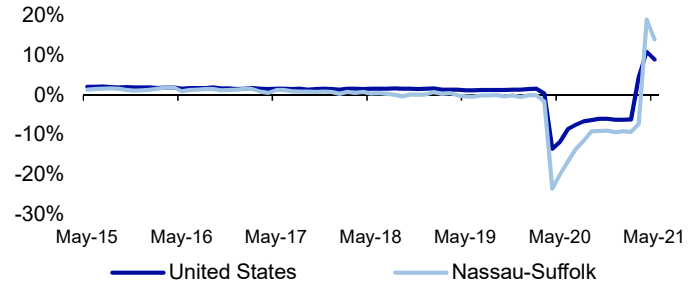
NOT SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics

### Payroll Employment

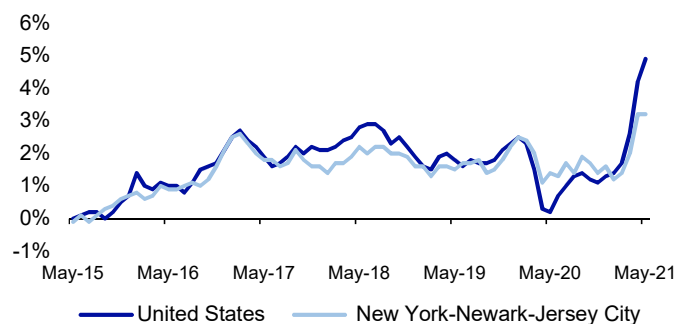
TOTAL NONFARM, NOT SEASONALLY ADJUSTED, 12-MONTH % CHANGE



Source: U.S. Bureau of Labor Statistics

### Consumer Price Index (CPI)

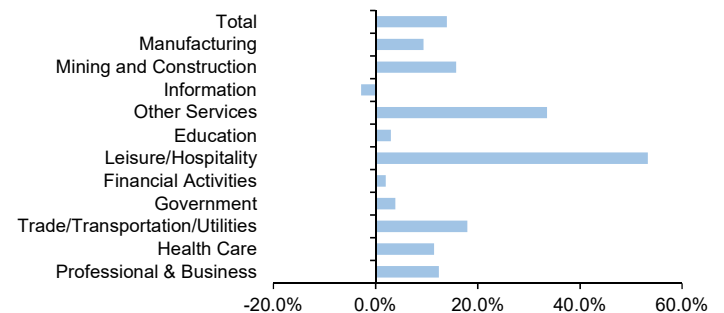
ALL ITEMS, 12-MONTH % CHANGE, NOT SEASONALLY ADJUSTED



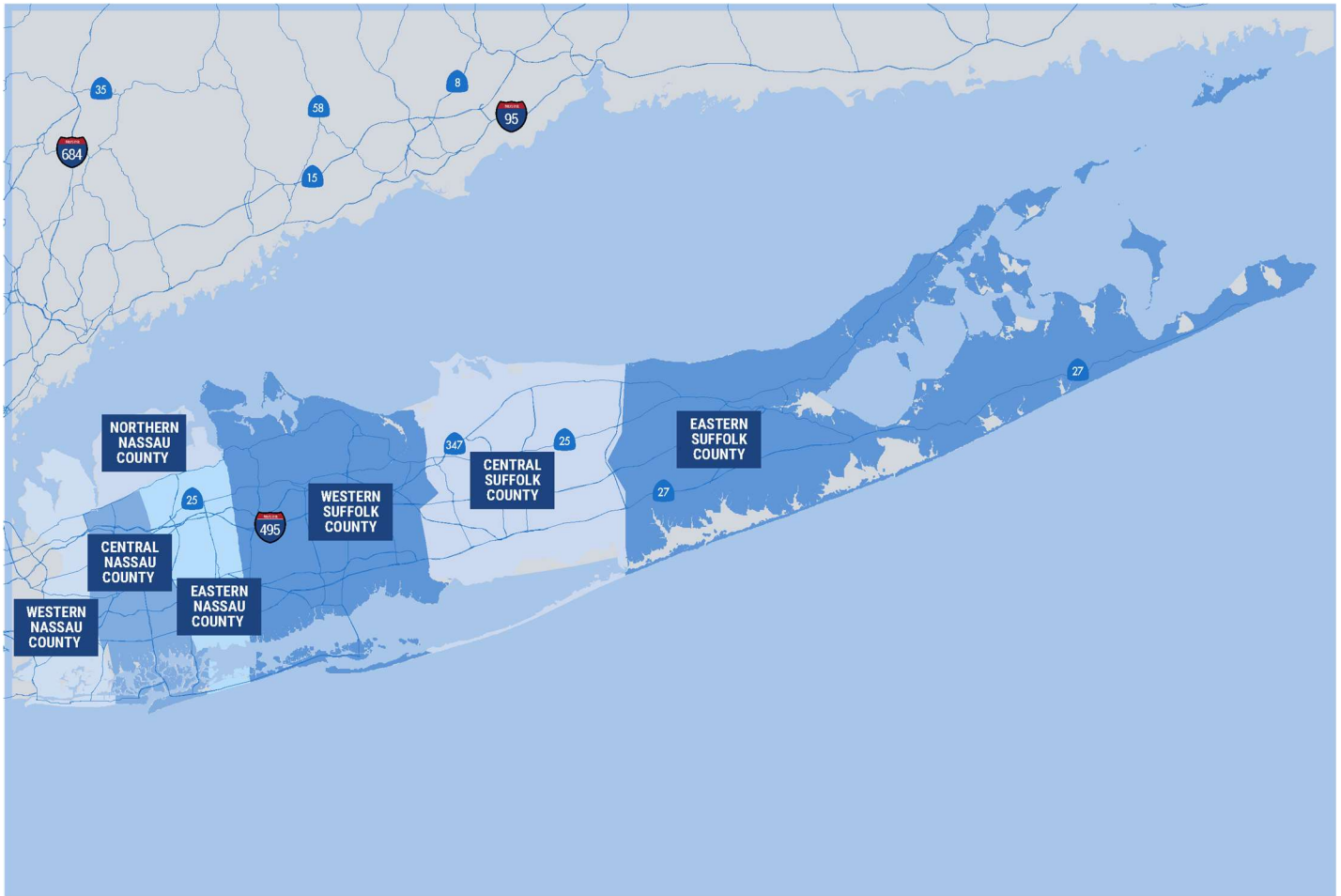
Source: U.S. Bureau of Labor Statistics

### 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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