

# Long Island Industrial Market

## Asking Rents Reach All-Time High for Second Consecutive Quarter

Asking rents continued to soar in the third quarter, closing September at \$15.55/SF, the highest level recorded. Asking rents have increased 23% since the start of the pandemic, largely due to the increased demand for space. The vacancy rate rose to 4.2%, a quarter-over-quarter increase of 60 basis points. This jump can be attributed to the new supply that came to market. A total of 803,983 square feet delivered this quarter, bring year-to-date deliveries to 1.4 million square feet. Net absorption posted at negative 526,645 square feet, the first time in seven quarters.

In addition to the 746,847 square feet currently under construction, all of which is in Suffolk County, there is currently over 11 million square feet of proposed industrial product in the pipeline, a testament to the strength of Long Island's industrial market. Although local and national developers are hoping to capitalize on surging demand and rental rates, it is unclear if each of these proposed assets will move forward given the uncertain state of the economy. Macroeconomic factors, such as rising interest rates and inflation, could impact demand for large, Class A warehouse space.

Leasing activity totaled 830,707 square feet across 59 transactions. The slight decline in velocity from last quarter can be attributed to the shortage of available space. Food & beverage and logistics firms were the primary drivers of activity this quarter. Notable transactions included Keurig Dr. Pepper's 103,500-square-foot lease at 125 Baylis Road, which is currently under construction, and Expeditors International's lease for 58,347 square feet at 120 Adams Avenue.

Investment and user sale activity remained robust due to growing demand, with 761,861 square feet of transaction volume. The average sale price was \$230/SF, a year-over-year improvement of 40% and the highest on record. One of the largest transactions this quarter was at 135 Spagnoli Road in Melville, a 119,000-square-foot asset that sold for \$35.15M (\$295.38/SF) to an affiliate of Brookfield Properties. The asset was then leased back to Perfume Worldwide for five years.

## Current Conditions

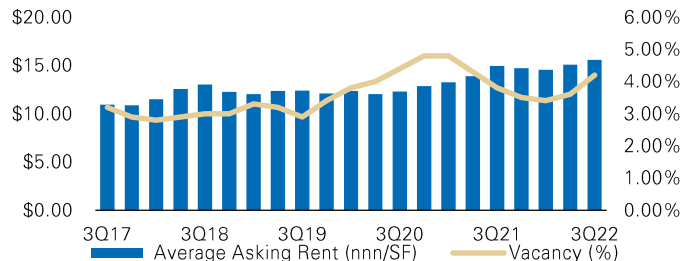
Asking rents increased by 3.1% quarter over quarter, closing at \$15.56/SF.

Both leasing activity and sales volume dropped from last quarter, to 830,707 square feet and 761,861 square feet, respectively.

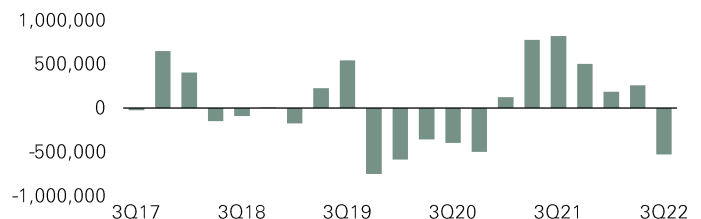
The vacancy rate increased 60 basis points from the second quarter, as 803,983 square feet of new product delivered.

## Market Analysis

### ASKING RENT AND VACANCY



### NET ABSORPTION (SF)



## Market Summary

	Current Quarter	Prior Quarter	Prior Year	12-Month Forecast
Total Inventory	166.6 MSF	165.8 MSF	165.2 MSF	↑
Vacancy Rate	4.2%	3.6%	3.4%	↑
Quarterly Net Absorption	-672,326	256,613	822,617	↓
Avg. Ask Rent	\$15.56	\$15.09	\$14.13	↑
Under Const.	746,847 SF	1.54 MSF	1.54 MSF	↑
Deliveries	803,983 SF	620,504 SF	11,130 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	56,007,658	0	4.3%	(196,166)	410,894	\$17.82	-	\$17.75
Suffolk	110,620,203	746,847	3.4%	(327,114)	(189,361)	\$14.38	-	\$14.28
<b>Long Island</b>	<b>166,627,861</b>	<b>746,847</b>	<b>4.2%</b>	<b>(526,645)</b>	<b>(34,909)</b>	<b>\$15.59</b>	-	<b>\$15.56</b>

## Select Lease/User Transactions

Tenant	Building	Town	County	Square Feet
Perfume Worldwide	135 Spagnoli Road	Melville	Suffolk	119,000
Keurig Dr. Pepper	125 Baylis Road	Melville	Suffolk	103,500
Expeditors International	120 Adams Boulevard	Farmingdale	Suffolk	58,347
Alaska Springs Pharmaceuticals	609-3 Cantiague Rock Road	Westbury	Nassau	43,000

## Select Sale Transactions

Building	Town	Sale Price	Price/SF	Square Feet
135 Spagnoli Road	Melville	\$35,150,000	\$295.38	119,000
3400 Lawson Boulevard	Oceanside	\$7,700,000	\$179.07	43,000
34 Lumber Road	Roslyn	\$7,650,000	\$196.67	38,898
210 Hanse Ave	Freeport	\$4,150,000	\$138.33	30,000

### Economic Conditions

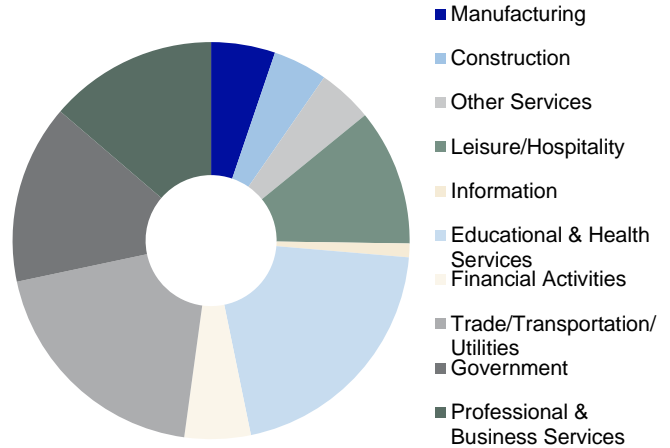
The national unemployment rate was stable, closing August at 3.7%. This marked a quarter-over-quarter increase of 10 basis points. Long Island's unemployment was even lower than the strong national average, closing the month at 3.4%.

While national job growth increased by 3.8% year over year, Long Island job growth lagged, increasing by just 2.5% year over year. Leisure and hospitality and professional and business services were the industry drivers of job growth over the past year, with those sectors growing by 7.5% and 4.3%, respectively.

Inflation continued to be a paramount concern, with the Fed seeking to tame the rising inflation with interest rate hikes. The national Consumer Price Index increased by 8.3% year over year, with New York's CPI closing at a more modest, but still elevated, 6.6%.

### Employment By Industry

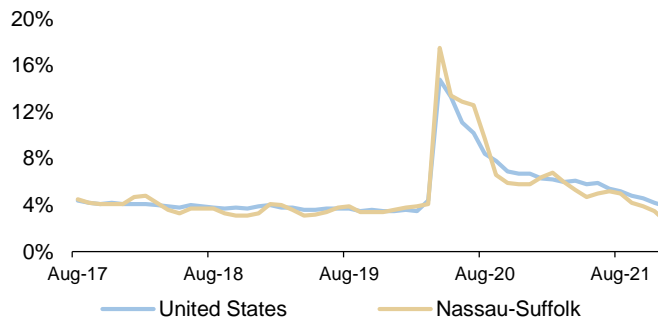
NASSAU-SUFFOLK, JULY 2022



Source: New York State Department of Labor

### Unemployment Rate

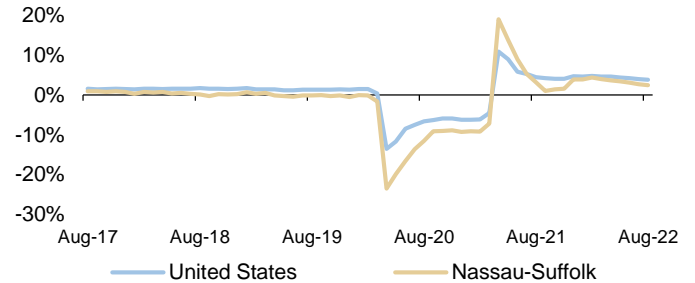
NOT SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics

### Payroll Employment

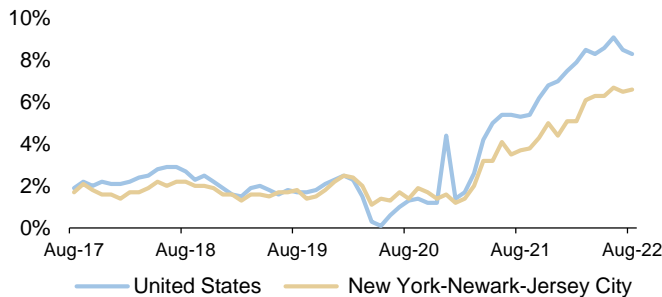
TOTAL NONFARM, NOT SEASONALLY ADJUSTED, 12-MONTH % CHANGE



Source: U.S. Bureau of Labor Statistics

### Consumer Price Index (CPI)

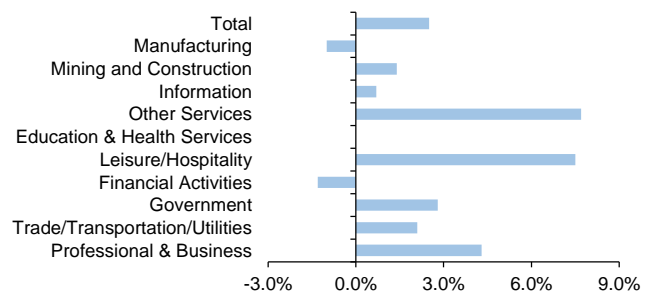
ALL ITEMS, 12-MONTH % CHANGE, NOT SEASONALLY ADJUSTED



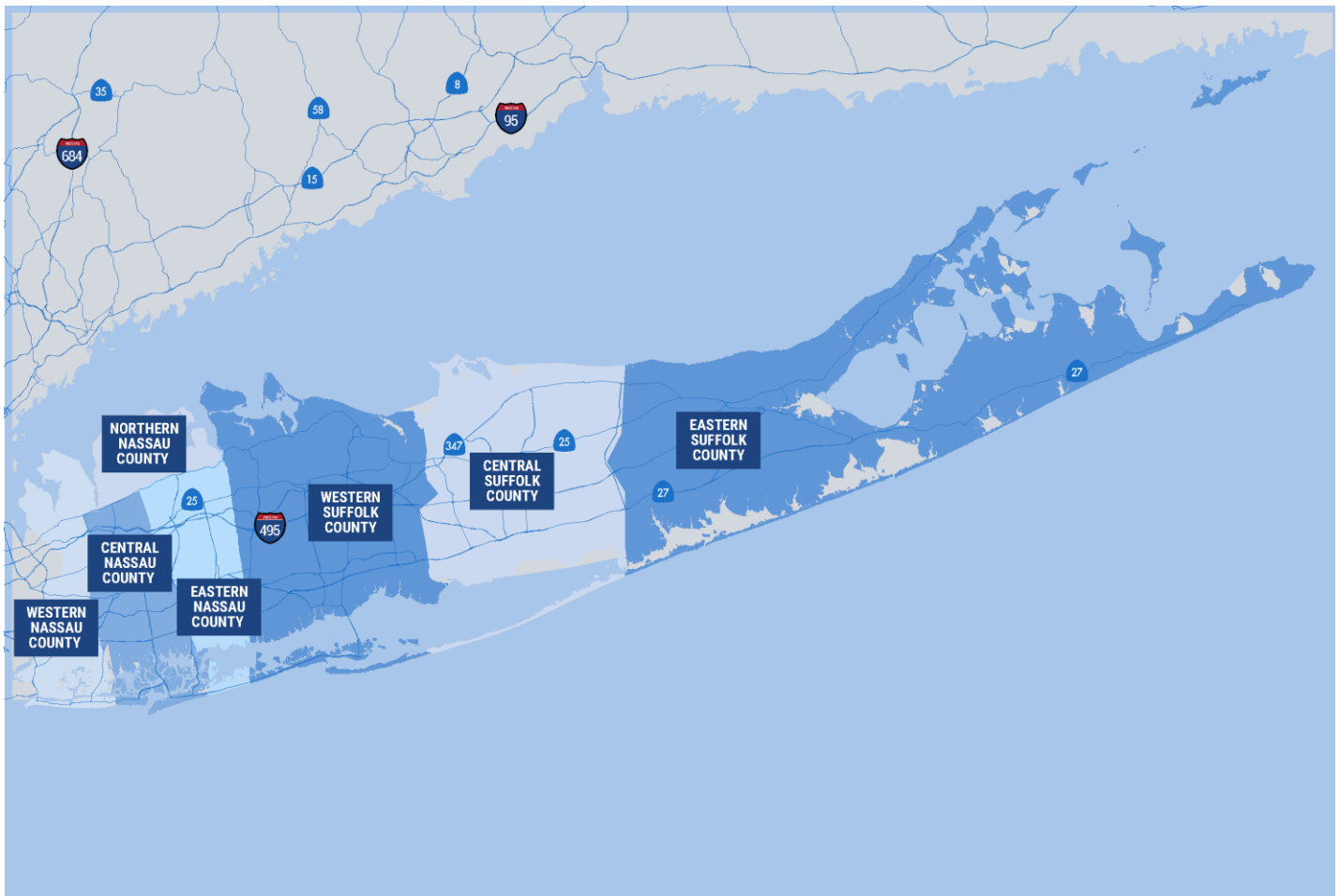
Source: U.S. Bureau of Labor Statistics

### Employment Growth By Industry

NASSAU-SUFFOLK, AUGUST '22, 12-MONTH % CHANGE, NOT SEASONALLY ADJUSTED



Source: New York State Department of Labor



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

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

**Alexandra Fleischman**  
*Senior Research Analyst*  
t 631-673-0813

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