

# Long Island Office Market

## Asking Rents Rise and Vacancy Remains Stable as Pandemic Recovery Continues

Long Island market fundamentals improved significantly in the third quarter. Ridership on the Long Island Rail Road surpassed 200,000 for the first time since March 2020 in mid-September. However, the vacancy rate increased by 80 basis points quarter over quarter, closing at 10.8%, driven by four large-block additions of more than 75,000 square feet. The Long Island vacancy rate remains 280 basis points above pre-Covid levels. Long Island average asking rents ticked up by \$0.10/SF, or 0.4%, from the second quarter to \$27.99/SF. Overall asking rents remain up \$2.23/SF, or 8.7%, from pre-Covid levels.

Although market velocity has slowed, tenants are still leasing space, most notably in the financial services and healthcare industries. Notable deals include Sunrise Credit Services' lease for 44,133 square feet at 8 Corporate Center Drive in Melville and DAY-OP Center of Long Island's lease for 13,581 square feet at 225 Froehlich Farm Boulevard in Woodbury. Two other large leases were also signed in Melville, where the non-profit CDCLI signed for 23,500 square feet at 1660 Walt Whitman Road and Cona Elder Law PLLC signed for 13,010 square feet at 225 Broadhollow Road. Despite these leases, absorption posted at negative 359,318 square feet, marking the third consecutive quarter of negative absorption.

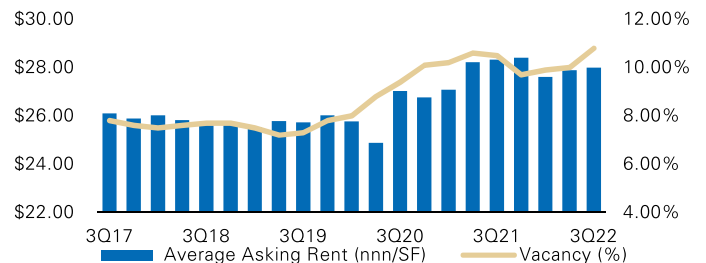
Investment sales volume also remained strong in the third quarter. The most notable office transaction was the purchase of 1 Ames Court in Plainview, which spans 38,924 square feet, for \$5.2 million. The average sales price increased by \$4/SF from the second quarter, to \$196/SF. Two other transactions closed above \$3.0 million this quarter, as 25 Suffolk Court in Hauppauge and 211 Crossways Park Drive in Woodbury traded for \$3.9 and \$3.3 million, respectively.

## Current Conditions

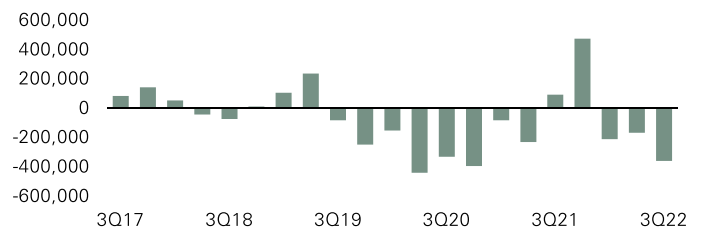
- The vacancy rate increased by 80 basis points from the second quarter to 10.8%, driven by four large-block additions.
- Financial services was again the main driver of leasing velocity this quarter, led by Sunrise Credit Services.
- Absorption posted at negative 359,318 square feet, marking the third consecutive quarter of negative absorption and the lowest level since the fourth quarter of 2020.

## Market Analysis

### ASKING RENT AND VACANCY



### NET ABSORPTION (SF, THOUSANDS)



## Market Summary

	Current Quarter	Prior Quarter	Prior Year	12-Month Forecast
Total Inventory	57.6 MSF	57.6 MSF	57.6 MSF	↑
Vacancy Rate	10.8%	10.1%	10.0%	↓
Quarterly Net Absorption	-359,318	-168,847	74,862	↓
Avg. Ask Rent	\$27.99	\$27.89	\$28.32	↔
Under Const.	35,700 SF	35,700 SF	35,700 SF	↔
Deliveries	0 SF	0 SF	0 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	34,628,015	0	10.9%	-257,157	-696,667	\$31.31	\$30.35	\$31.27
Suffolk	22,996,705	35,700	10.6%	-102,161	-43,870	\$24.44	-	\$24.53
<b>Long Island</b>	<b>57,624,720</b>	<b>35,700</b>	<b>10.8%</b>	<b>-397,998</b>	<b>-799,233</b>	<b>\$27.90</b>	<b>\$31.33</b>	<b>\$27.99</b>

## Select Lease/User Transactions

Tenant	Building	Town	County	Square Feet
Sunrise Credit Services	8 Corporate Center Drive	Melville	Suffolk	44,133
CDCLI	1660 Walt Whitman Road	Melville	Suffolk	23,500
DAY-OP Center of Long Island	225 Froehlich Farm Boulevard	Woodbury	Nassau	13,582
Cona Elder Law PLLC	225 Broadhollow Road	Melville	Suffolk	13,010

## Select Sale Transactions

Building	Town	Sale Price	Price/SF	Square Feet
1 Ames Court	Plainview	\$5,175,000	\$132.95	38,924
25 Suffolk Court	Hauppauge	\$3,900,000	\$221.41	17,614
515 Route 111	Hauppauge	\$2,200,000	\$146.67	15,000
211 Crossways Park Drive	Woodbury	\$3,250,000	\$325.00	10,000

### Economic Conditions

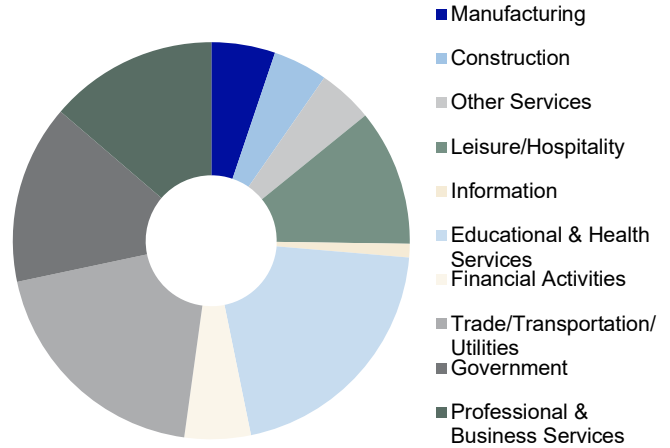
The national unemployment rate was stable, closing August at 3.7%. This marked a quarter-over-quarter increase of 10 basis points. Long Island's unemployment was even lower than the strong national average, closing the month at 3.4%.

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

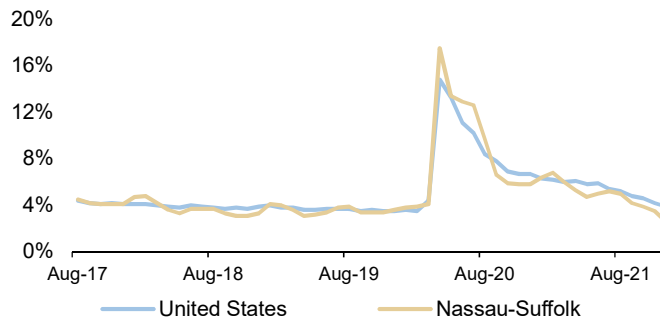
NASSAU-SUFFOLK, JULY 2022



Source: New York State Department of Labor

### Unemployment Rate

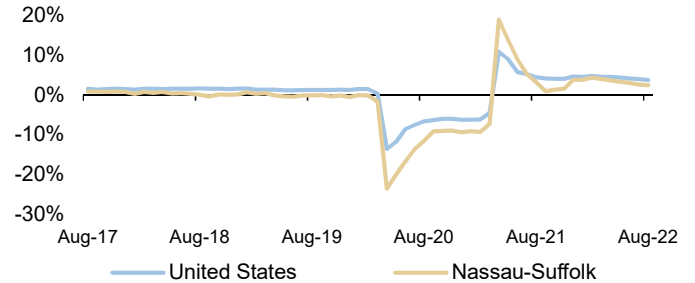
NOT SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics

### Payroll Employment

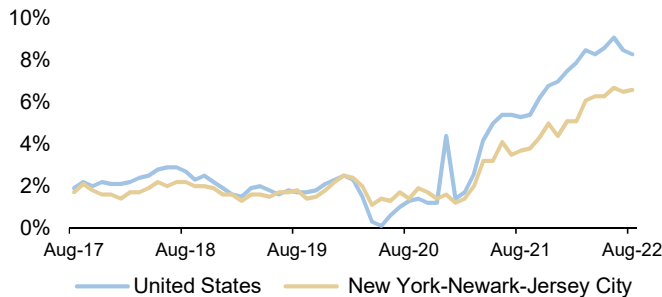
TOTAL NONFARM, NOT SEASONALLY ADJUSTED, 12-MONTH % CHANGE



Source: U.S. Bureau of Labor Statistics

### Consumer Price Index (CPI)

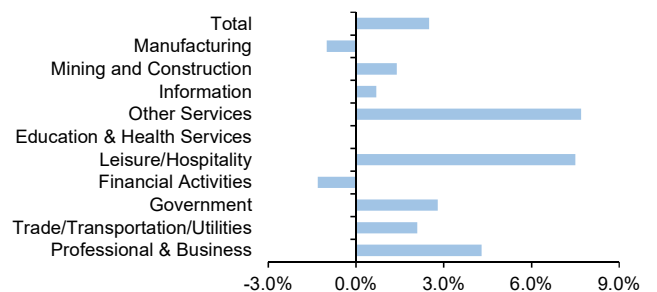
ALL ITEMS, 12-MONTH % CHANGE, NOT SEASONALLY ADJUSTED



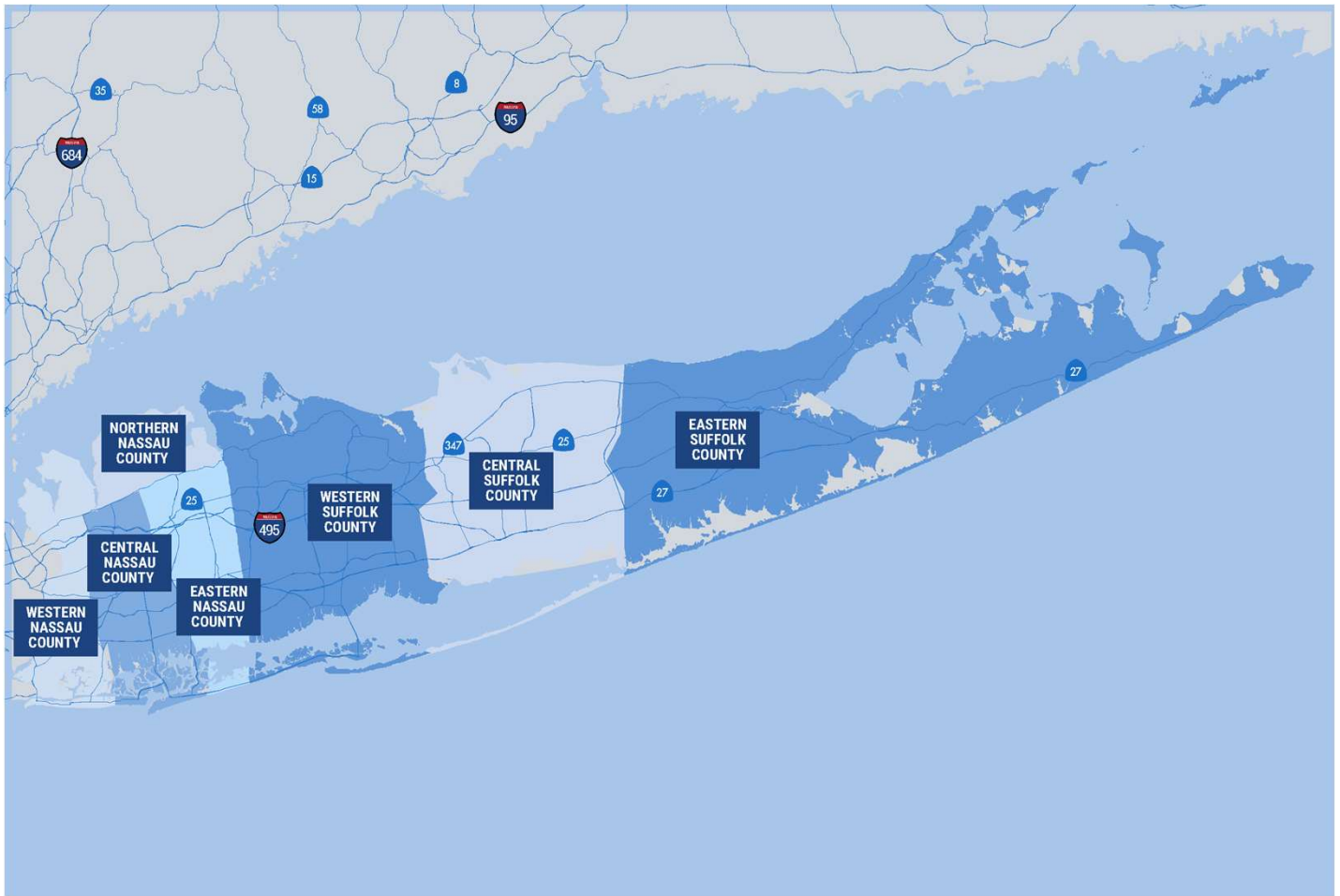
Source: U.S. Bureau of Labor Statistics

### Employment Growth By Industry

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



Source: New York State Department of Labor



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