

3Q23

# Long Island Industrial Market Overview



NEWMARK

1. Economy
2. Leasing Market Fundamentals

# Market Observations

## Economy

- The Long Island labor market has exhibited resiliency, with the unemployment rate consistently tracking below the national average.
- Headwinds linger as unemployment rates increased during this period of continued high inflation and interest rates.
- The government, business and professional, and other services industries emerged as the leaders in regional annual job growth. Conversely, the construction sector witnessed the most notable decline in annual employment growth.
- Although the region experienced modest overall job growth in August 2023, the trade/transportation/utilities sectors continued to exhibit a persistent decline in employment, a trend that has been observed since November 2022.

## Major Transactions

- Leasing recorded 780,738 square feet of activity, a 42.5% decrease from the previous quarter. Third quarter activity marked the lowest quarterly activity since the second quarter of 2022.
- Absolut Hot NY took 158,115 square-feet of partial first floor distribution space at 235 Pinelawn Road in the largest lease of the quarter.

## Leasing Market Fundamentals

- Third quarter vacancy increased 20 basis points to 4.5%, largely driven by a delivery of four properties totaling 291,000 square feet of vacant space in the quarter.
- Industrial leasing activity fell sharply in the third quarter of 2023. Down 42.5% from the second quarter of 2023 as the third quarter leased just 780,738 square feet of industrial space.
- Industrial average asking rents grew by 6.8% over 2022 measures, recording average asking rates of \$17.59/SF in the third quarter.

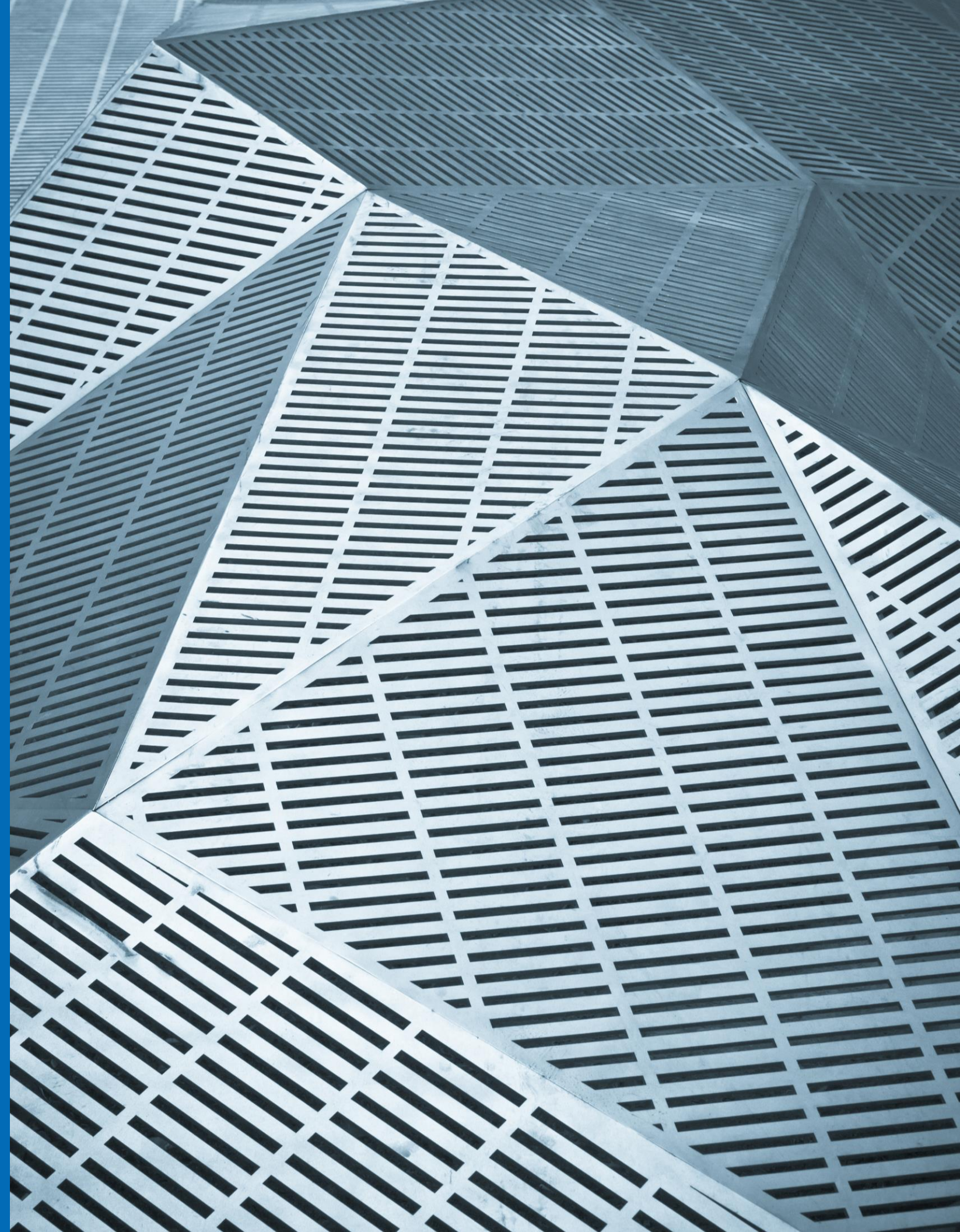
## Outlook

- 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.
- Market vacancy will increase further as record volumes of new construction deliver this year and next, outpacing net absorption.
- With 7.8 million square feet proposed across 36 developments, the pipeline is expected to remain active as demand for Class A space continues to increase.

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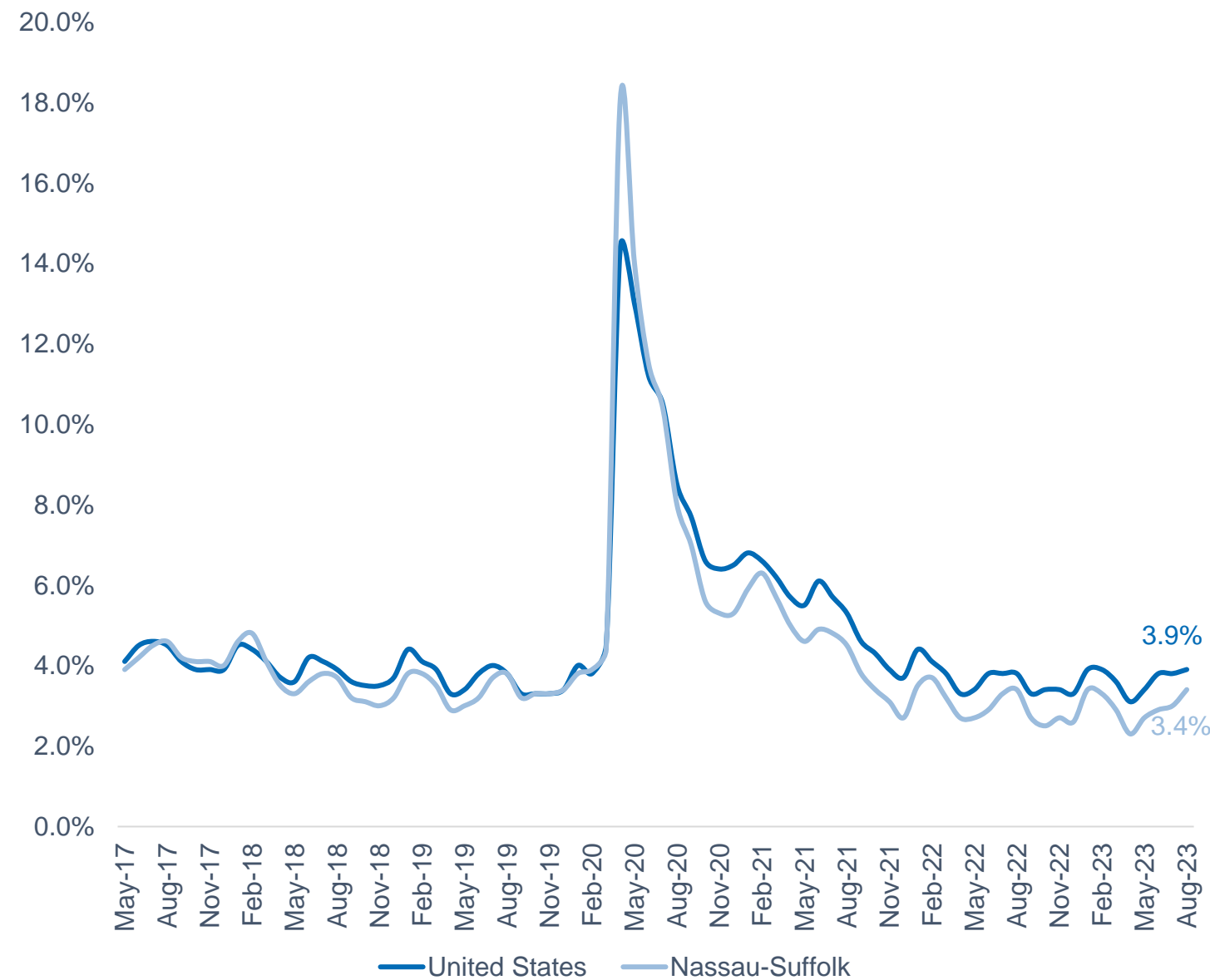
# Economy



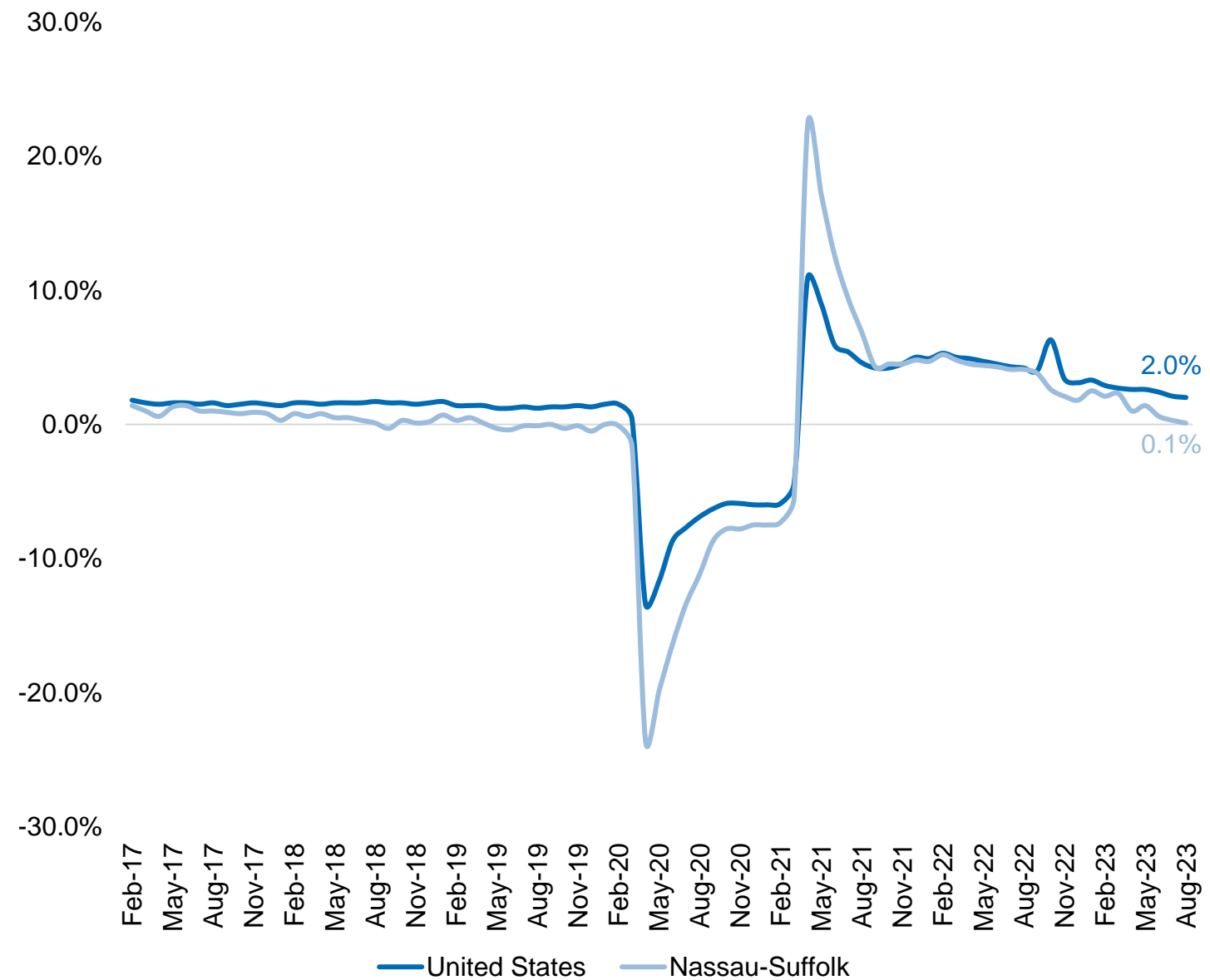
# Metro Employment Trends Signal A Slowing Economy

The Long Island labor market has exhibited resiliency, with the unemployment rate consistently tracking below the national average. However, headwinds linger as unemployment rates increased during this period of continued high inflation and interest rates.

Unemployment Rate, Non-Seasonally Adjusted



Nonfarm Payroll Employment, Non-Seasonally Adjusted, 12-Month % Change

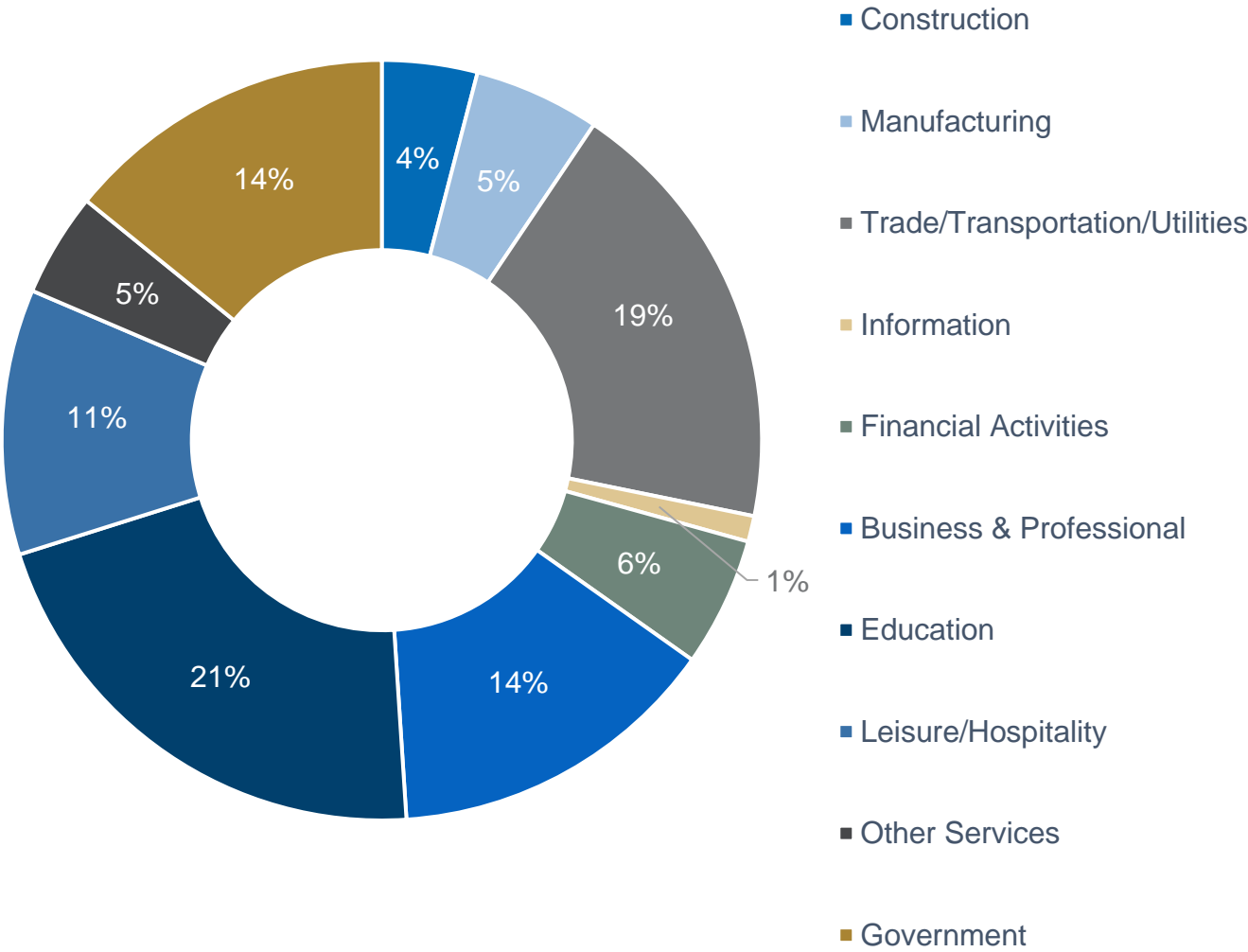


Source: U.S. Bureau of Labor Statistics, Nassau-Suffolk

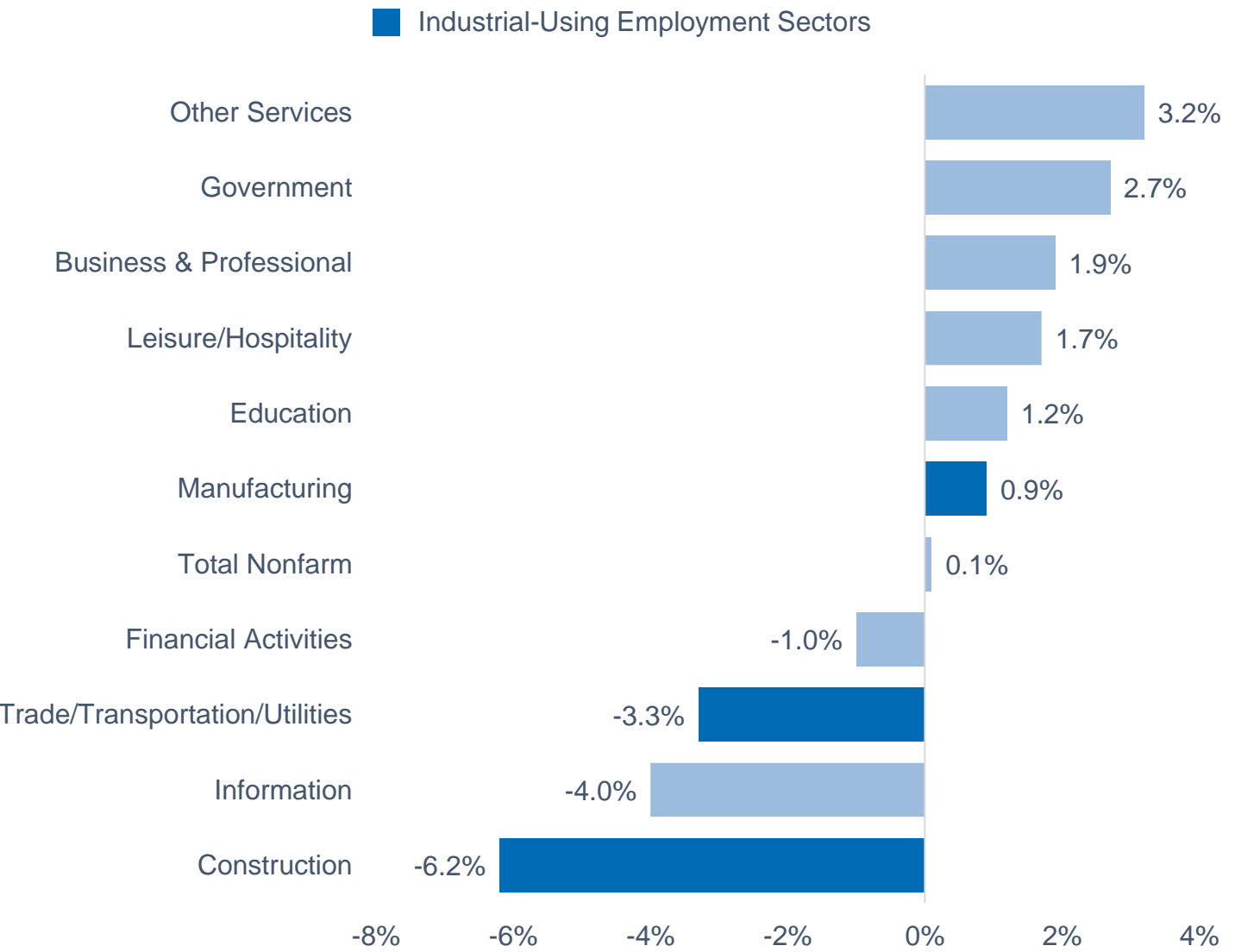
# Job Loss Driven by Industrial Using Sectors

The industries of government, business and professional services and other services emerged as the leaders in regional annual job growth. Conversely, the construction sector witnessed a notable decline in annual employment growth, potentially attributed to the high inflationary and interest rate environment leading to hesitancy in construction activities.

Employment by Industry, August 2023



Employment Growth by Industry, 12-Month % Change, August 2023

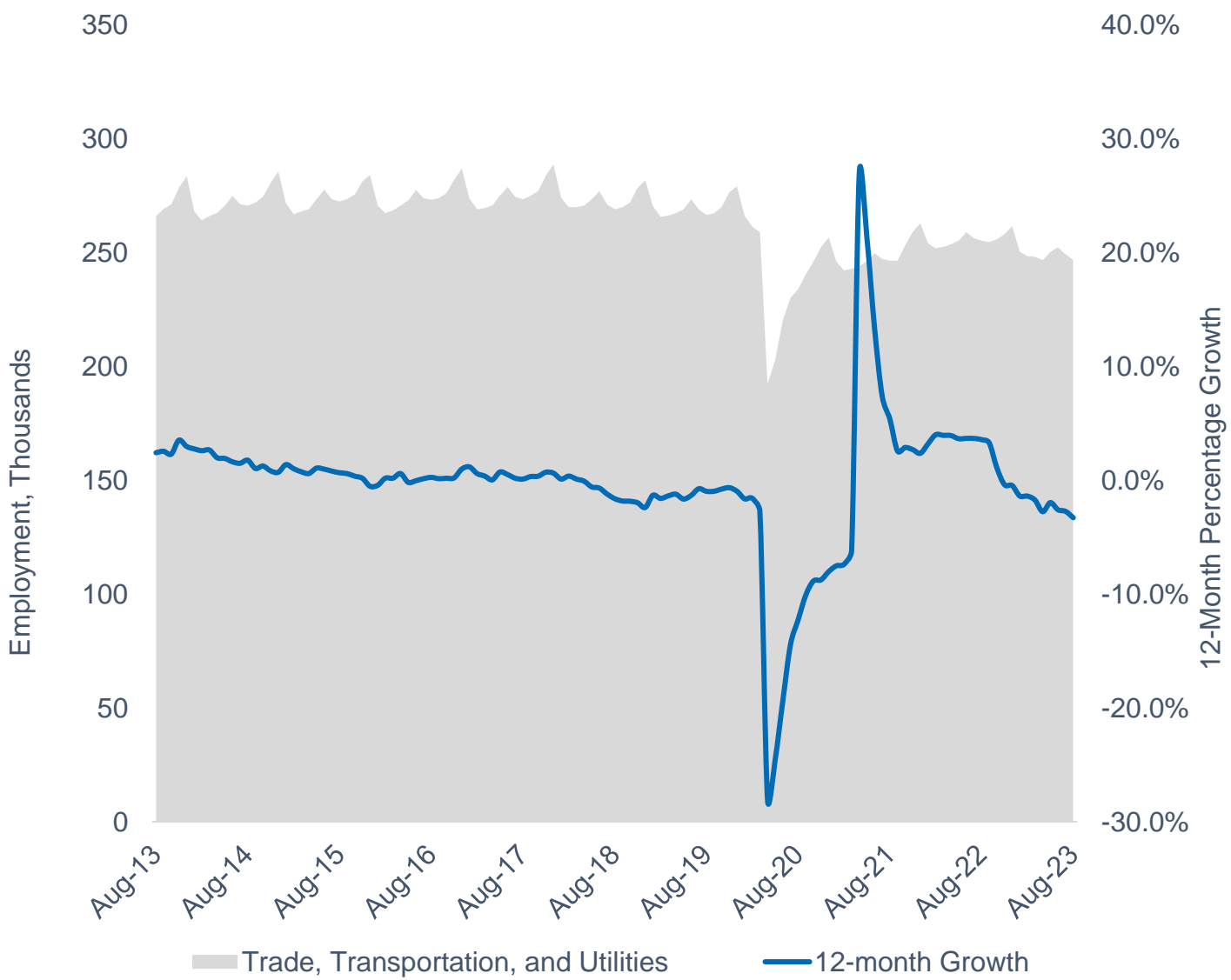


Source: U.S. Bureau of Labor Statistics, Nassau-Suffolk

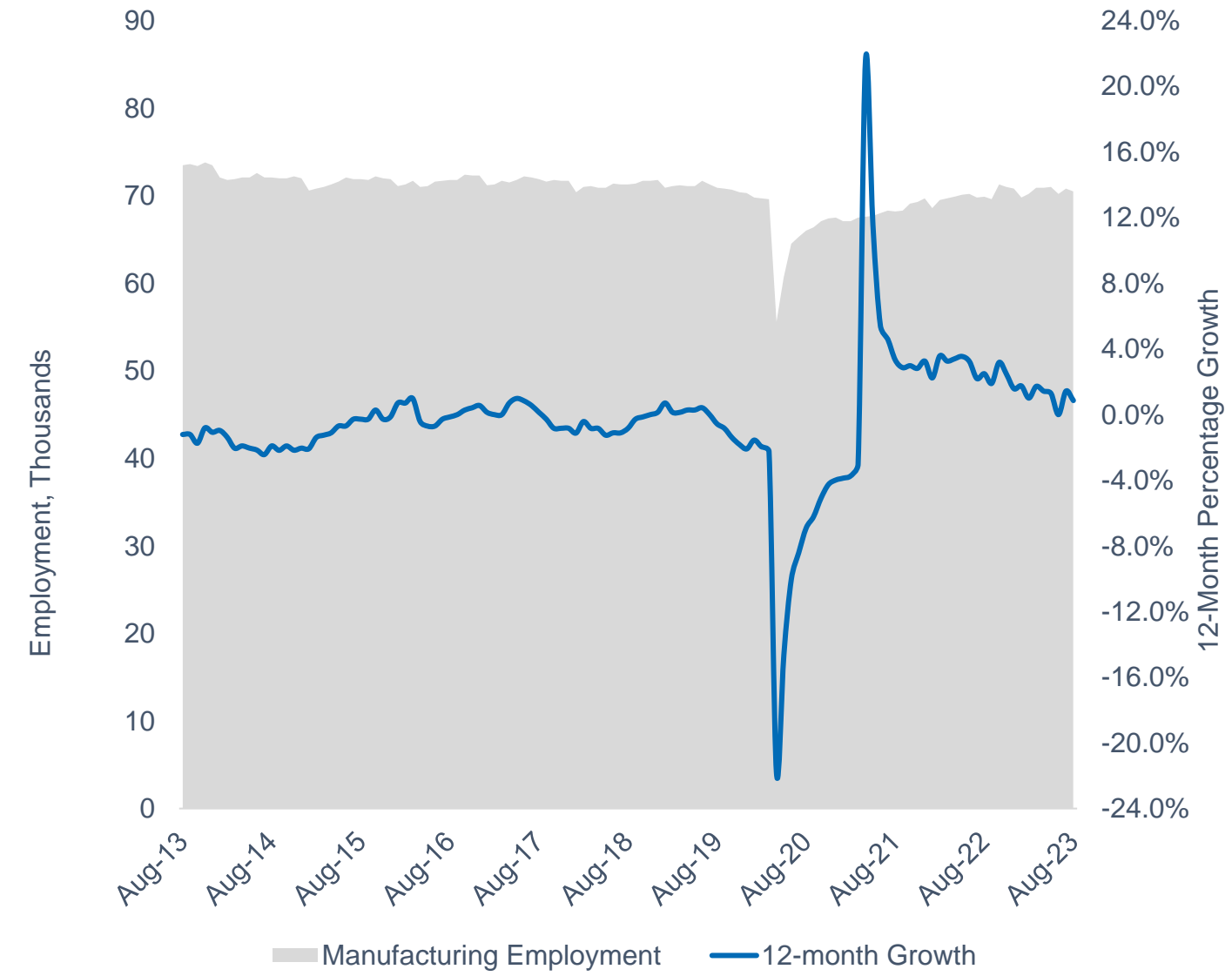
# Industrial Employment Continues to Gradually Decline

Although the region experienced modest overall job growth in August 2023, the trade/transportation/utilities sectors continued to exhibit a persistent decline in employment, a trend that has been observed since November 2022.

Total Employment and 12-Month Growth Rate, Trade/Transportation/Utilities



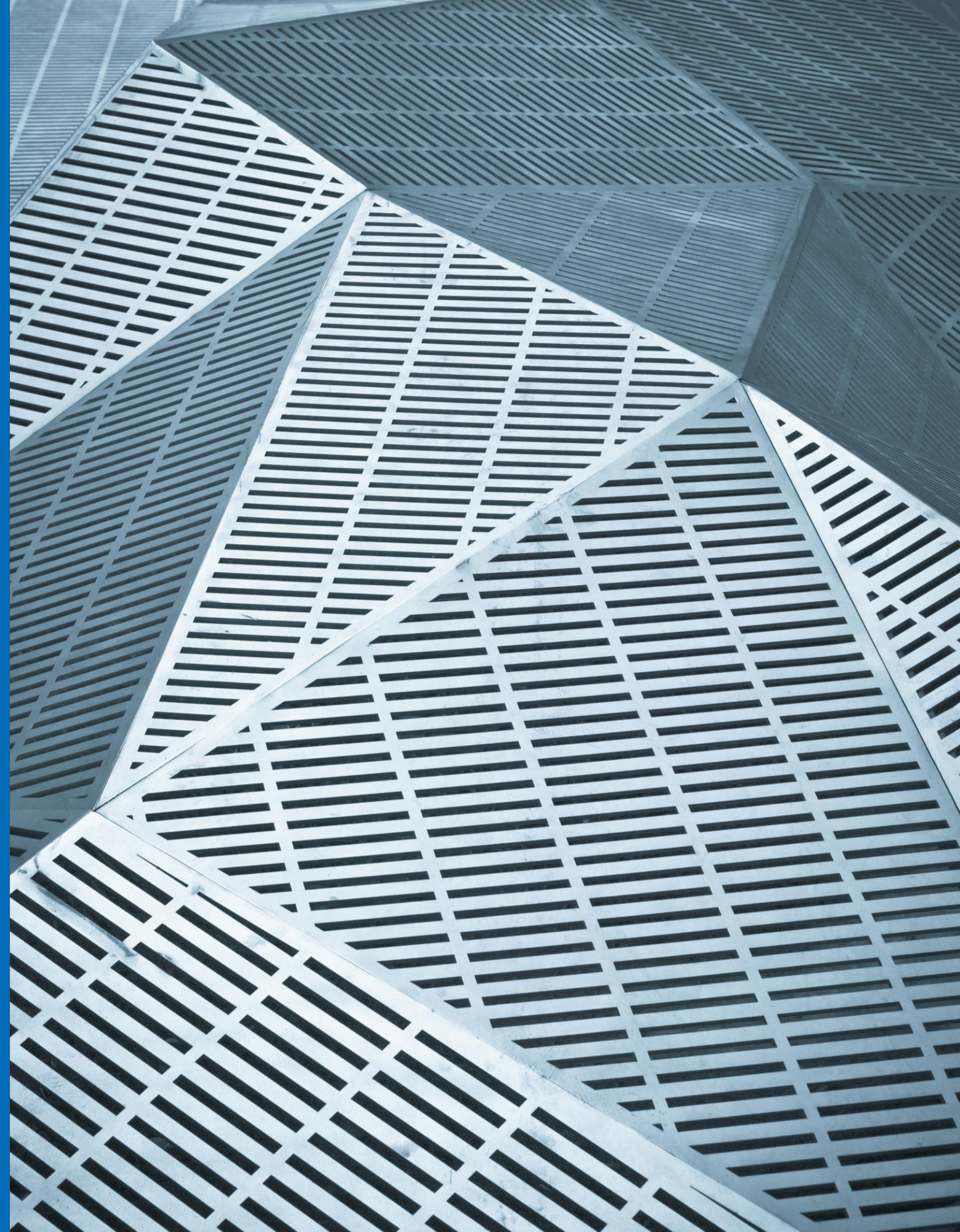
Total Employment and 12-Month Growth Rate, Manufacturing



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

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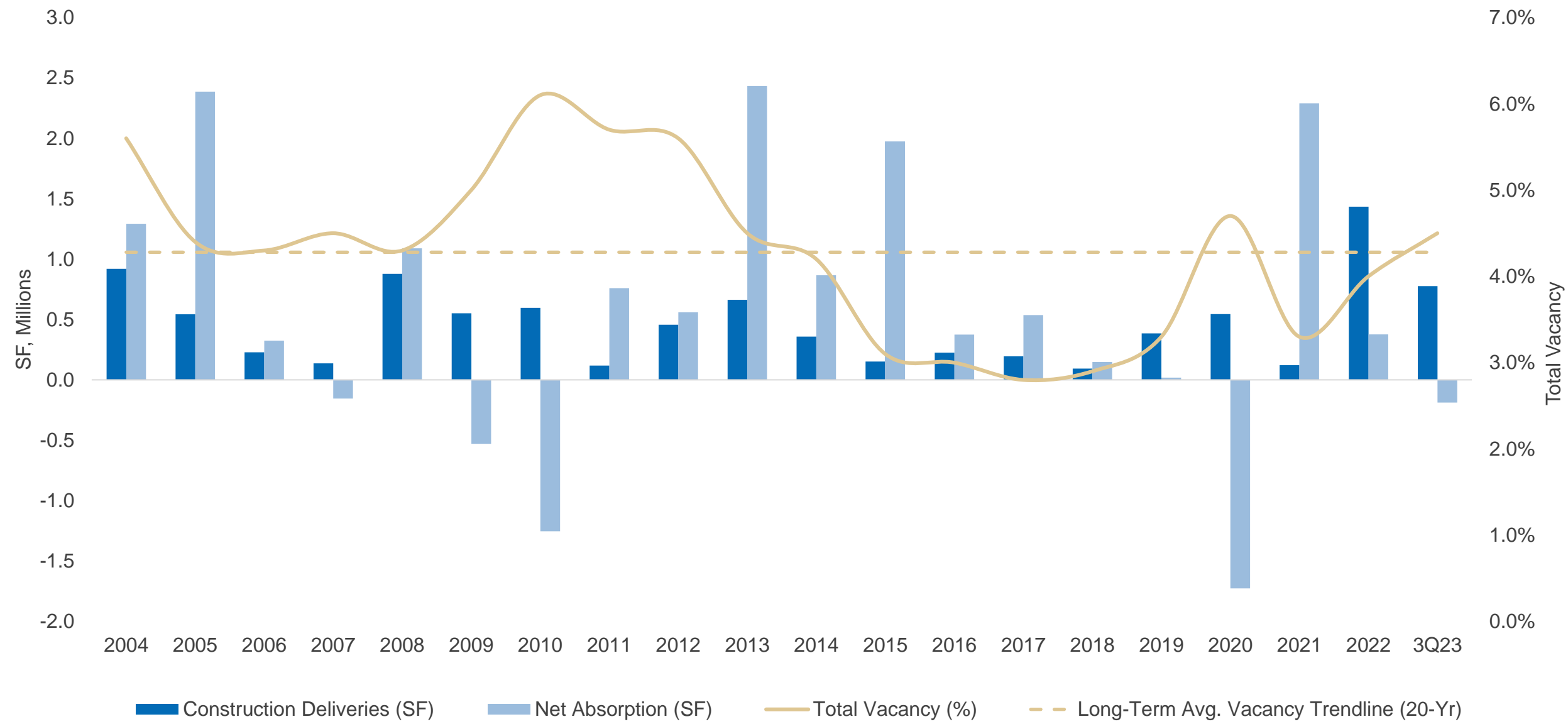
# Leasing Market Fundamentals



# Vacancy Rises as Construction Deliveries Outpace Net Absorption

Third quarter vacancy increased 20 basis points to 4.5%, largely driven by a delivery of four properties totaling 291,000 square feet of vacant space in the quarter. As construction deliveries continue to outpace net absorption, vacancy is expected to rise over the next few quarters.

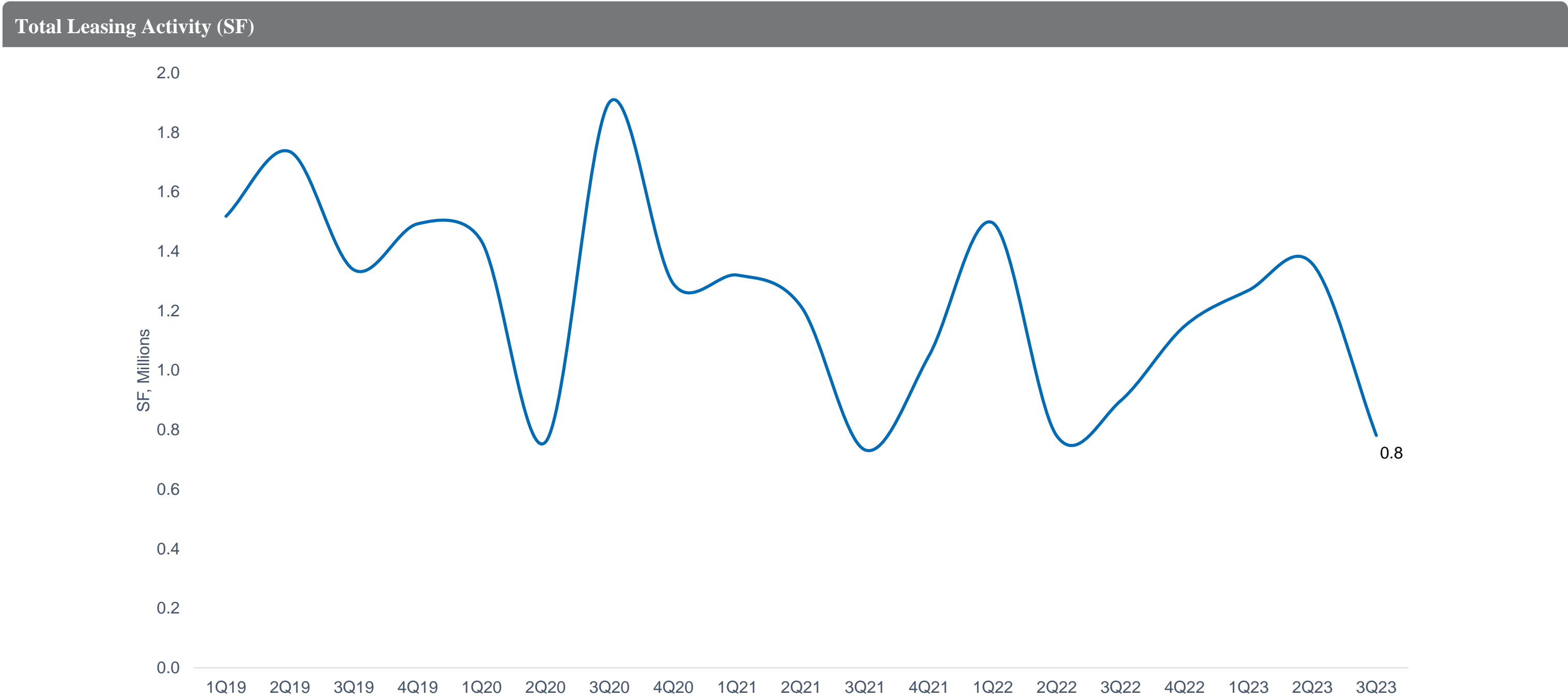
Historical Construction Deliveries, Net Absorption, and Vacancy



Source: Newmark Research, CoStar

# Industrial Leasing Sharply Declines

Industrial leasing activity fell sharply in the third quarter of 2023, down 42.5% from the second quarter of 2023 as the third quarter leased just 780,738 square feet of industrial space.

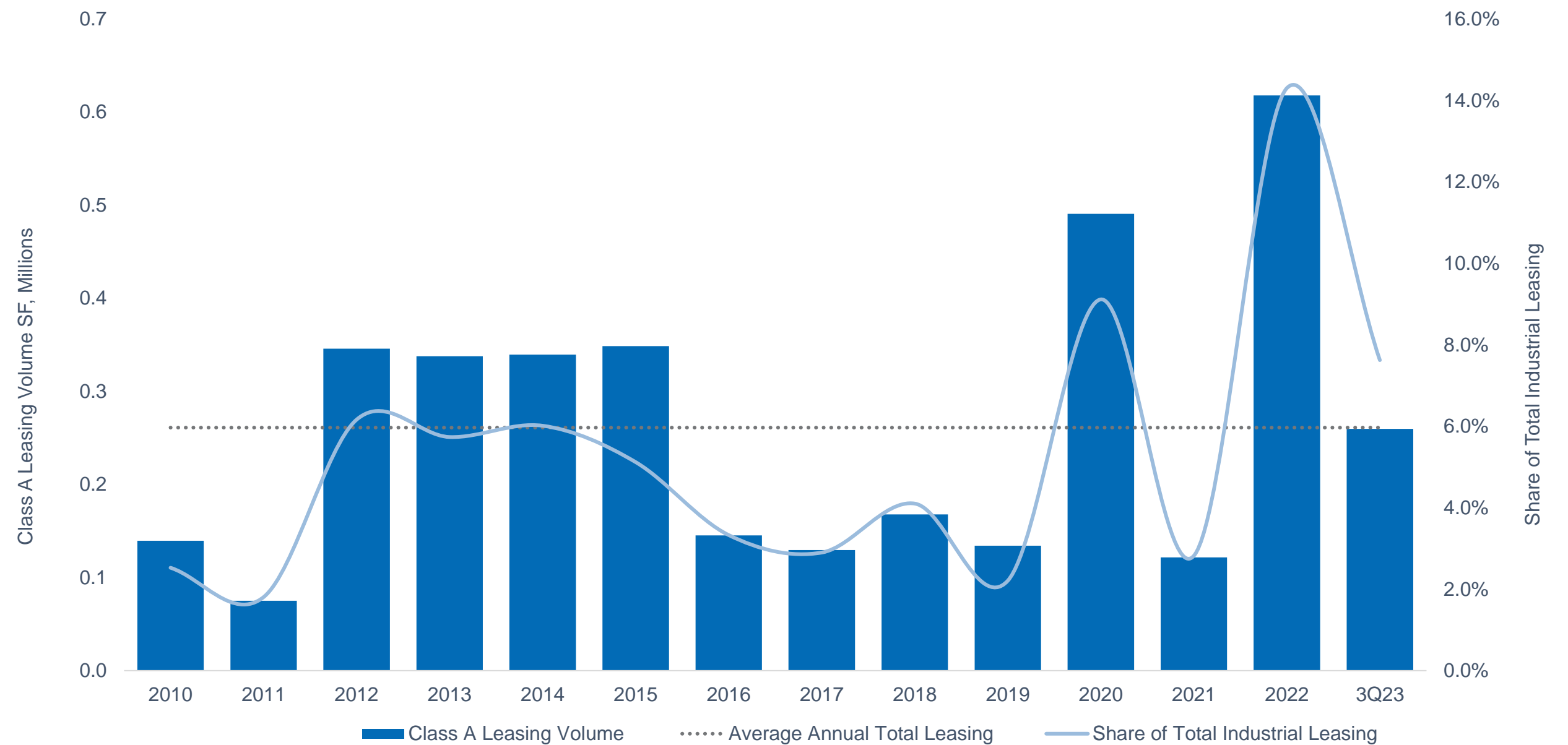


Source: Newmark Research, CoStar

# Class A Warehouse Leasing Above Long-Term Average

Third quarter 2023 Class A leasing activity matched the average annual total from 2010 to 2022. Reflecting the heightened demand, developers responded by delivering 553,330 square feet of Class A industrial space year-to-date in 2023. Despite the rise in construction and deliveries, Class A warehouse properties make up only 7.6% of total industrial Long Island inventory.

Industrial Class A Leasing Volume and Percentage of Total Industrial Leasing Volume

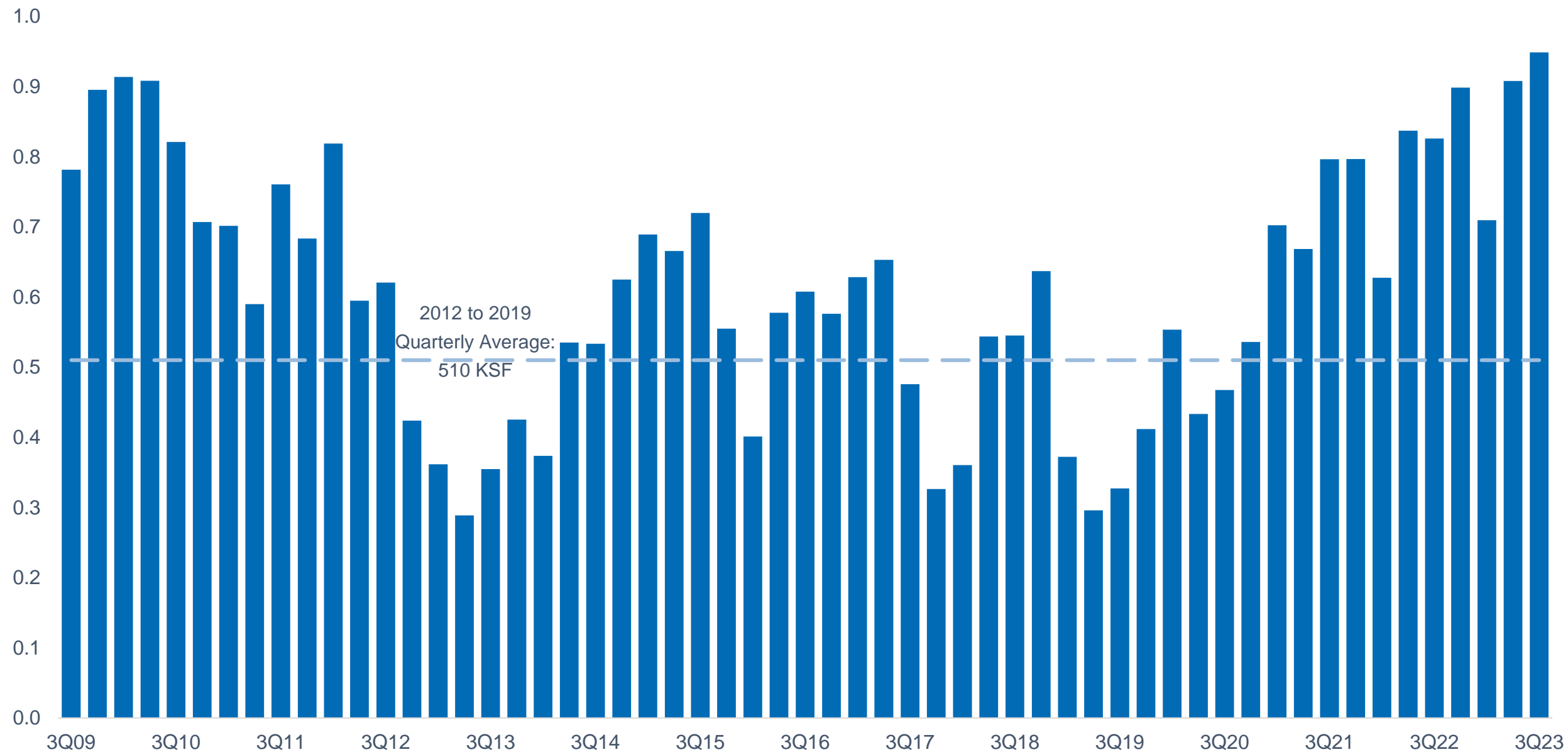


Source: Newmark Research, CoStar

# Industrial Sublease Availability Spikes Above Pre-Pandemic Levels

The rate at which subleases are added to the market has accelerated since the onset of the pandemic. Rising interest rates, an inflationary environment and declining consumer demand are driving some firms to control costs via supply chain optimization and consolidation, which includes putting excess or underutilized space up for sublease.

Available Industrial Sublease Volume (msf)

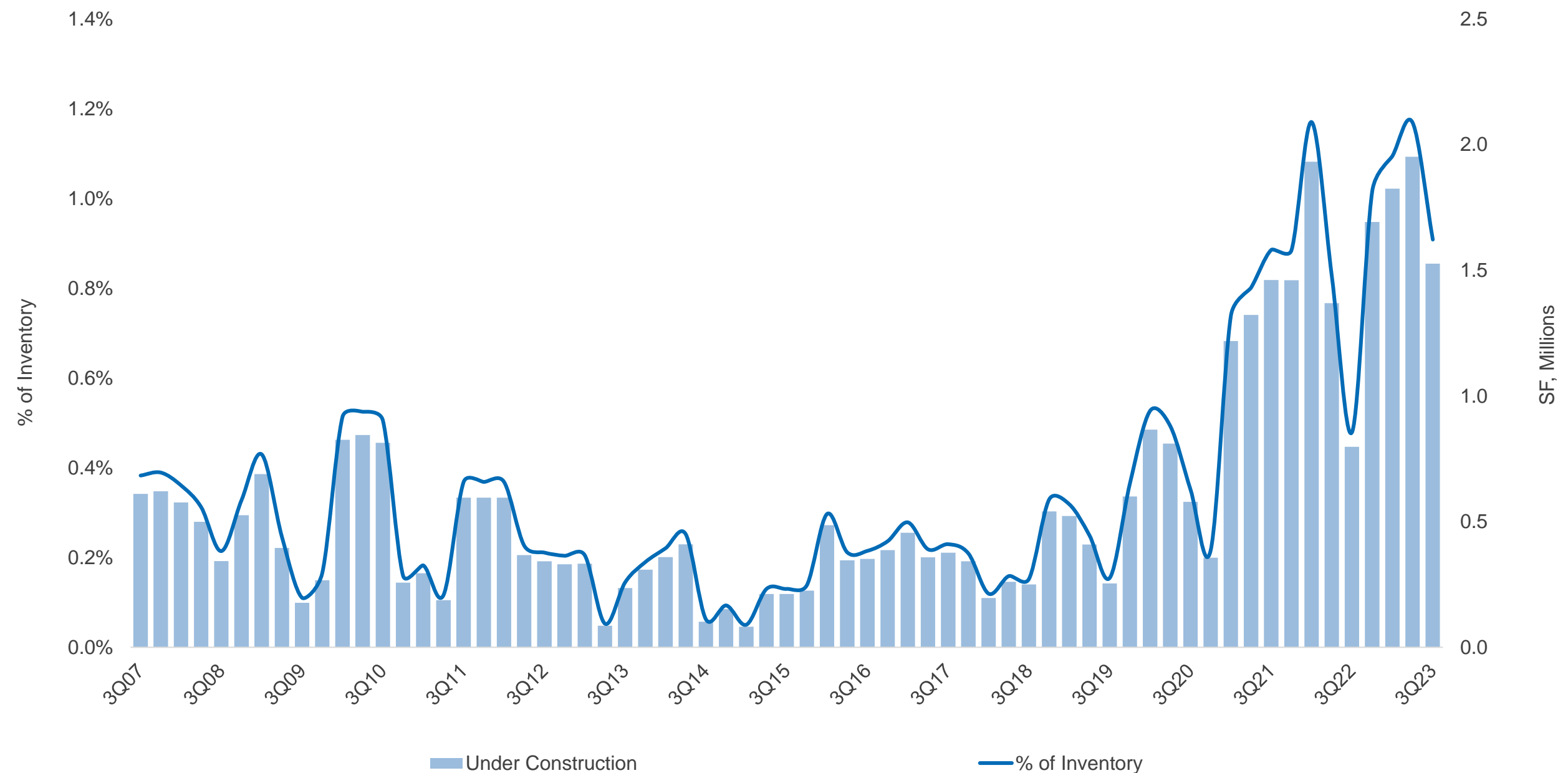


Source: Newmark Research, CoStar

# Industrial Supply Grows as Pipeline Remains Robust

Despite decreasing from the second quarter, the construction pipeline remains strong in the third quarter of 2023. With 7.9 million square feet proposed across 36 developments, the pipeline is expected to remain active as demand for Class A space continues to increase.

Industrial Under Construction and % of Inventory

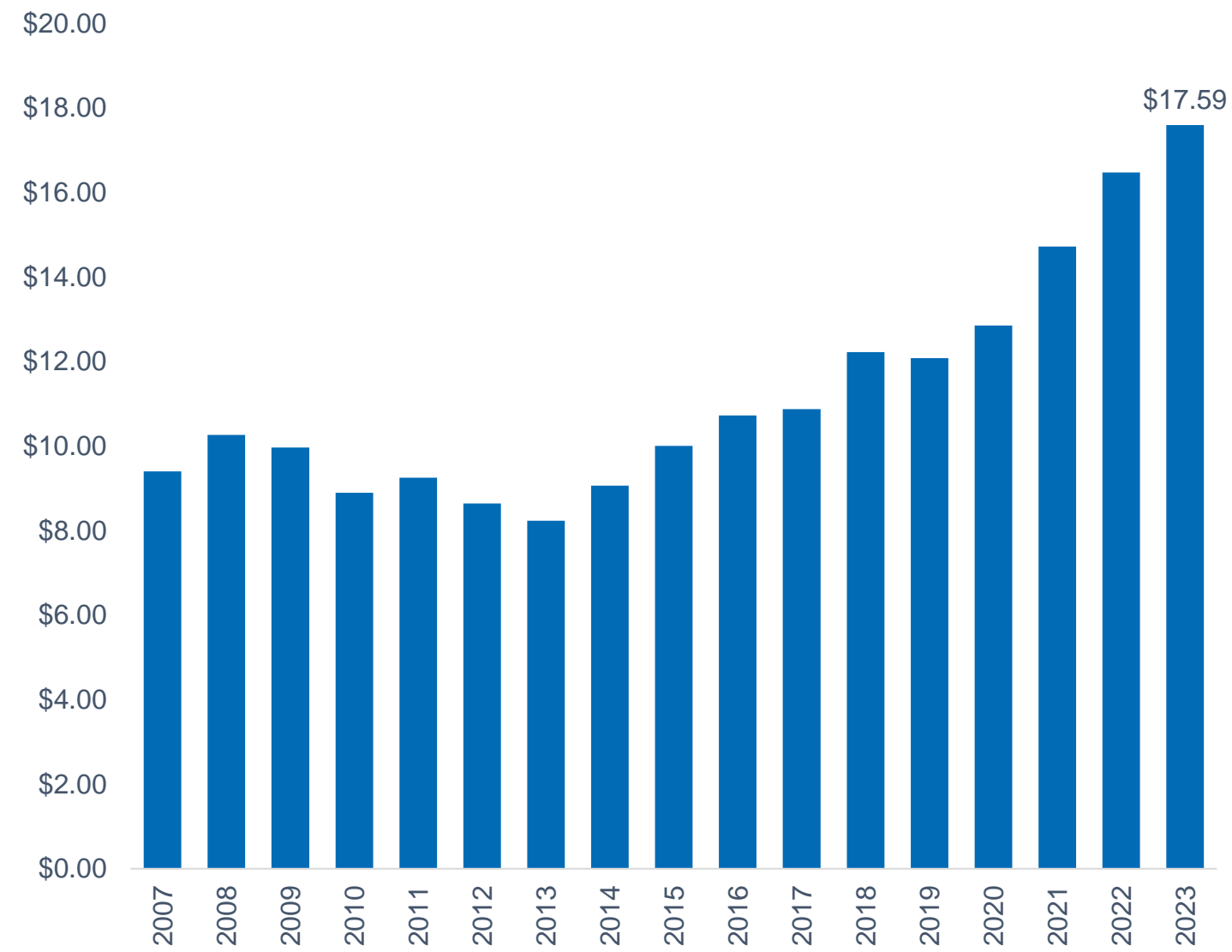


Source: Newmark Research, CoStar

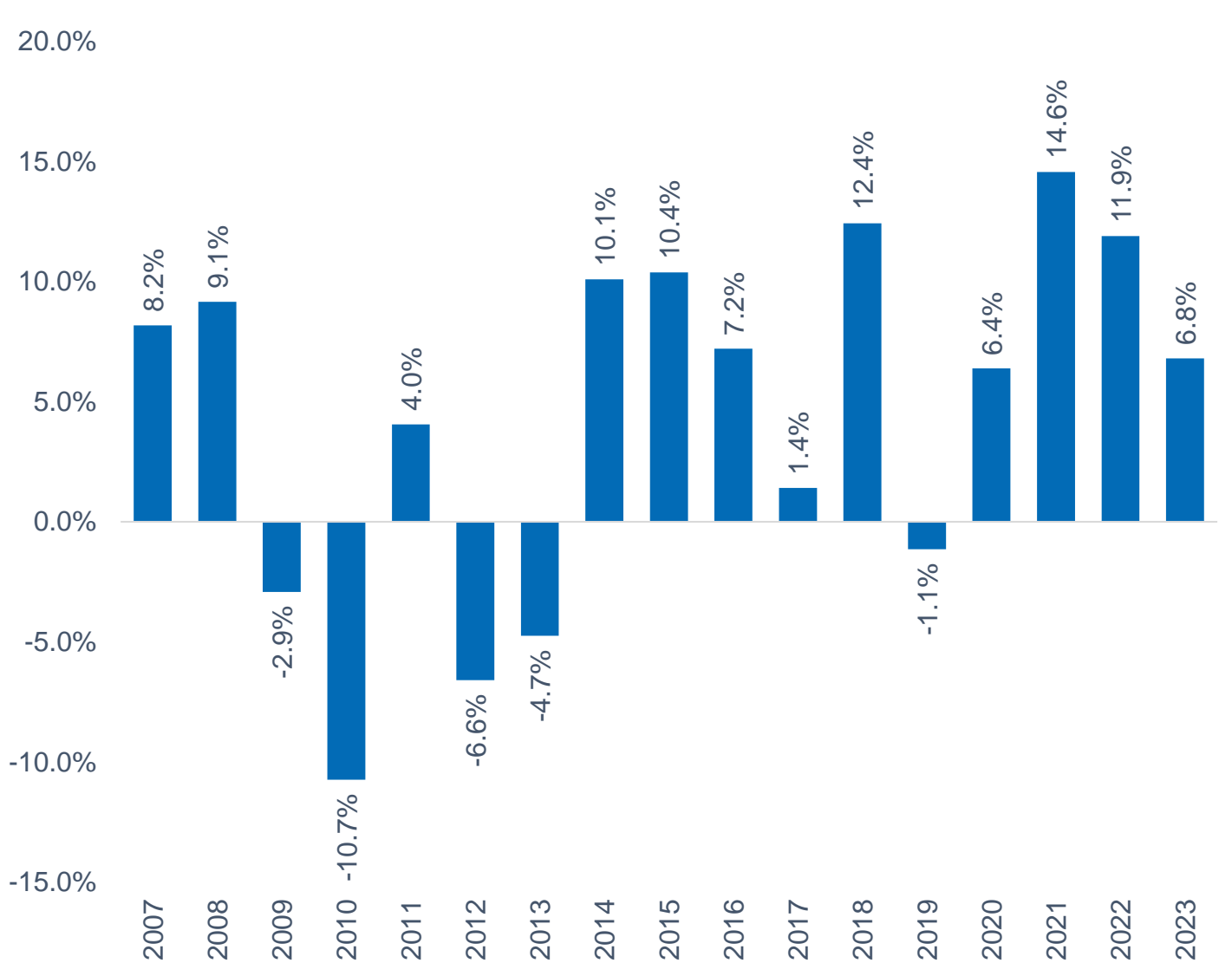
# Record-Pace Industrial Asking Rent Growth Continues into the Third Quarter of 2023

Industrial average asking rents grew by 6.8% over 2022 measures, recording average asking rates of \$17.59/SF in the third quarter. Rent growth is expected to continue as demand remains and activity continues to increase.

Industrial Average Asking Rent, \$/SF, NNN



Year-over-Year Asking Rent Growth Rate % Change



Source: Newmark Research, CoStar

# Quarter Leasing Activity Remains Limited

Leasing recorded 780,738 square feet of activity, a 42.5% decrease from the previous quarter. Third quarter activity marked the lowest quarterly activity since the second quarter of 2022.

## Notable 3Q23 Lease Transactions

| Tenant   | Building(s)         | Submarket      | Type                       | Square Feet |
|--|---------------------|----------------|----------------------------|-------------|
| Absolut Hot NY   | 235 Pinelawn Road   | Suffolk County | Direct Lease               | 158,115     |
| Absolut Hot NY took 158,115 square-feet of partial first floor distribution space at 235 Pinelawn Road.                                      |                     |                |                            |             |
| The Thrift Box   | 30 Hub Drive        | Suffolk County | Sublease                   | 30,000      |
| Retailer The Thrift Box subleased 30,000 square feet of first floor space from Lindenmeyr Munroe LLC at 30 Hub Drive.                        |                     |                |                            |             |
| Xceleration Sports Training  | 415 Oser Avenue     | Suffolk County | Direct Lease               | 10,000      |
| Xceleration Sports Training signed a new ten-year lease, across 10,000 square feet on the first floor at 415 Oser Avenue.                    |                     |                |                            |             |
| Lumber Liquidators   | 24 Kinkel Street    | Nassau County  | Direct Renewal & Expansion | 9,900       |
| Lumber Liquidators renewed 9,900 square feet on the partial first floor at 24 Kinkel Street, expanding their footprint by 4,250 square feet. |                     |                |                            |             |
| JAJ Stonework  | 180-194 Lauman Lane | Nassau County  | Direct Lease               | 3,000       |
| Masonry contractor JAJ Stonework signed a new lease at 180-194 Lauman Lane for partial first floor space totaling 3,000 square feet.         |                     |                |                            |             |

Source: Newmark Research, CoStar

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