

4Q23

Long Island Industrial Market Overview

An aerial photograph of an industrial facility, likely a refinery or chemical plant. The image shows several large, rectangular storage tanks or processing units arranged in a grid-like pattern. The tanks are light-colored, possibly white or light blue, and have a series of dark, horizontal slats or louvers on their sides. The perspective is from a high angle, looking down at the facility, which creates a strong sense of scale and repetition. The overall color palette is dominated by the light blue/white of the tanks and the dark blue/black of the slats and shadows.

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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.
- Leisure and hospitality, education, government, and other services led the region in 2023 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.
- Despite a slight uptick in job growth during the fourth quarter of 2021, the trade/transportation/utilities sector in 2023 saw a decrease in employment year over year. Meanwhile, the manufacturing industry continues to see minimal job growth.

Major Transactions

- Leasing recorded 878,321 square feet of activity, a 12.5% increase from the previous quarter. Despite this, the fourth quarter of 2023 still saw a 23.5% decrease in leasing activity year over year.
- Max Finkelstein Inc. took the entire 132,500 square foot property of 45 Oser Avenue, the largest lease of the quarter.

Leasing Market Fundamentals

- 2023 vacancy increased to 4.5%, largely driven by a delivery of over 447,000 square feet in the past two quarters. As construction deliveries continue to outpace net absorption, vacancy is expected to rise over the next few quarters.
- Following a significant decline in leasing activity in the third quarter of 2023, the fourth quarter experienced a slight rebound, increasing 12.5% from the previous quarter. The fourth quarter's 878,321 square feet leased is down 35.5% from the second quarter's high of 1,357,487 square feet.
- Industrial average asking rents grew by 2.9% over 2022 measures, recording average asking rates of \$16.95/SF in the fourth quarter.

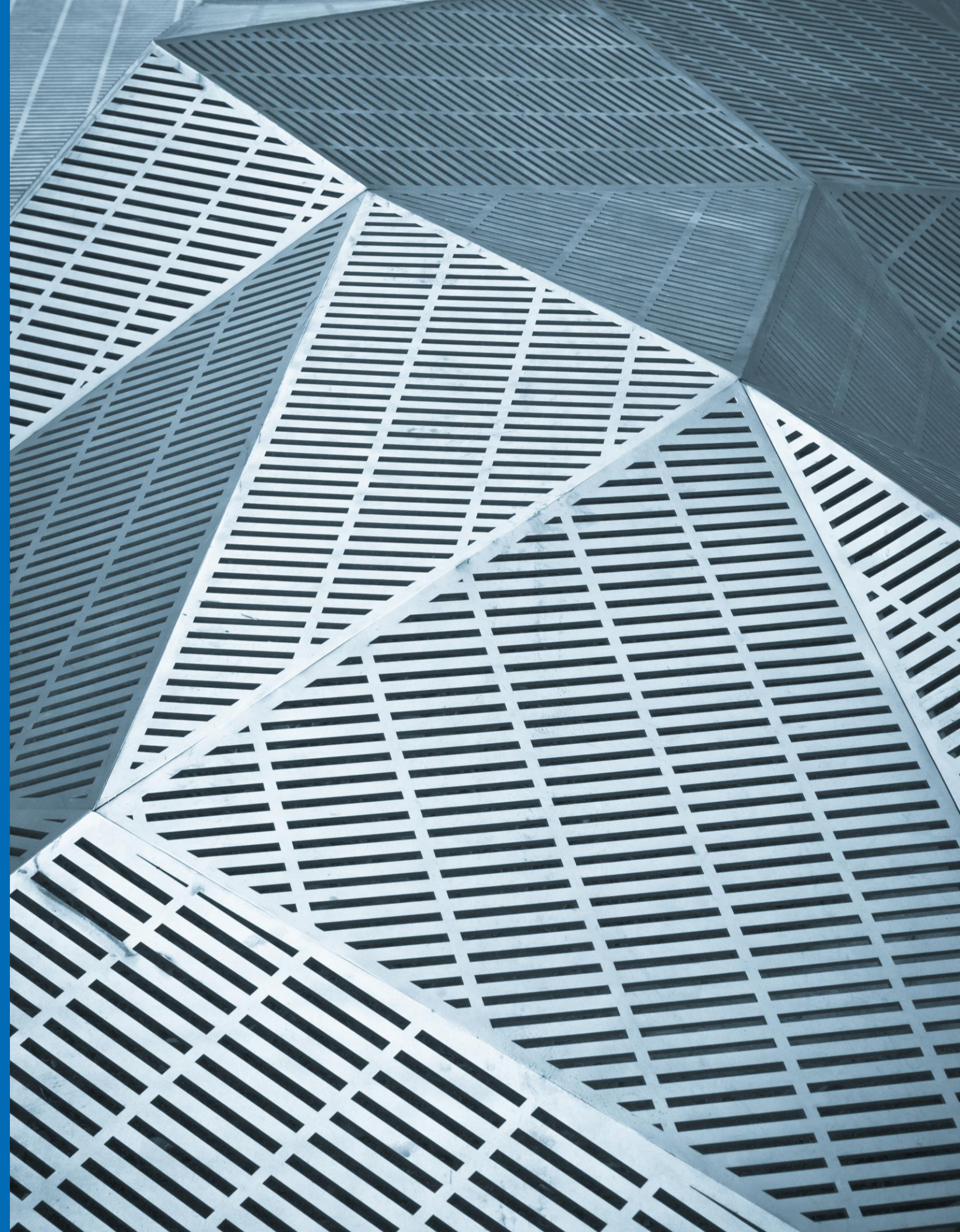
Outlook

- Market vacancy will increase further as record volumes of new construction deliver this year and next, outpacing net absorption.
- Rent growth is expected to continue as demand remains and activity continues to increase.
- With 7.1 million square feet proposed across 34 developments, the pipeline is expected to remain active as demand for Class A space continues to increase.

1. Economy
2. Leasing Market Fundamentals

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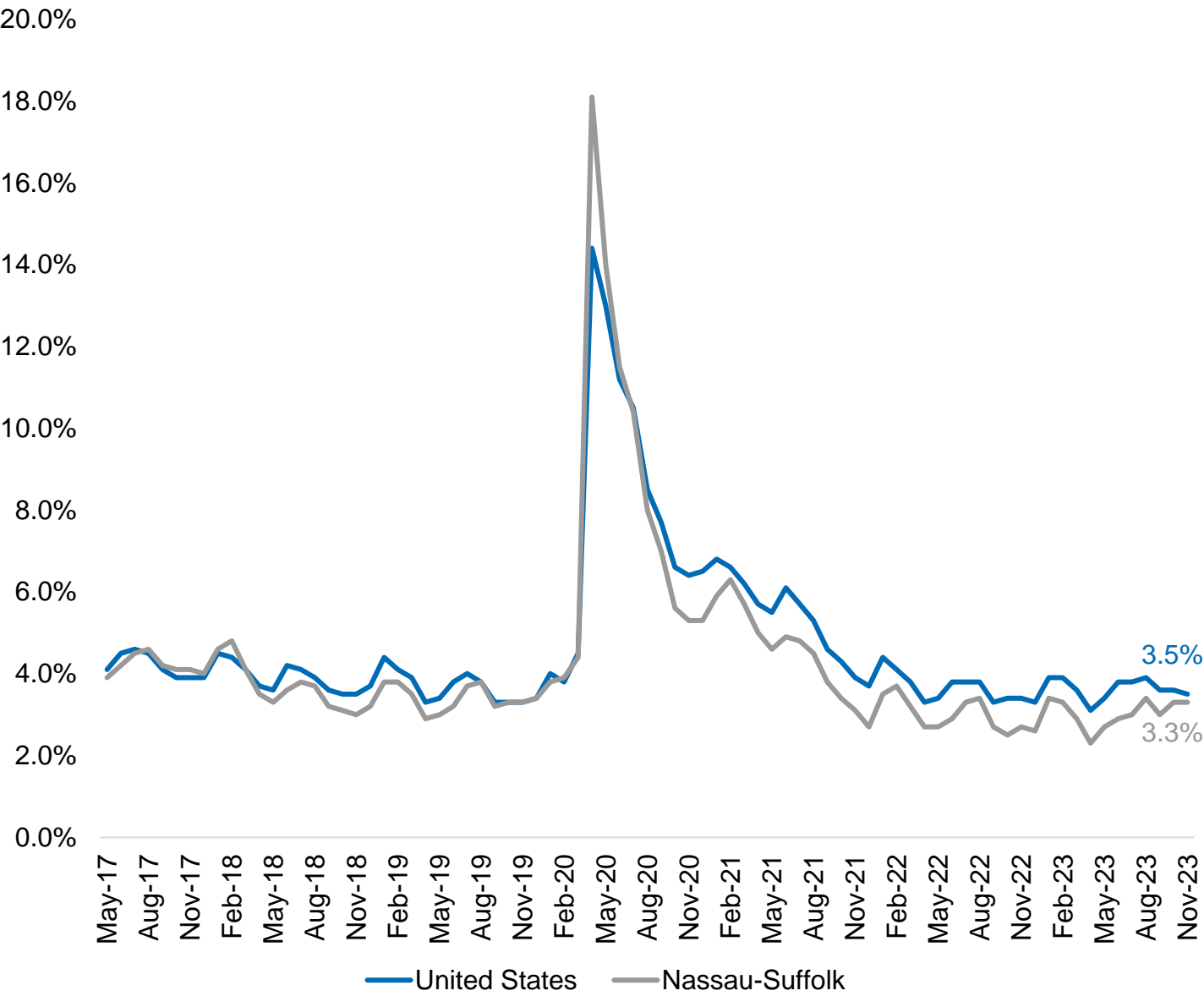
Economy



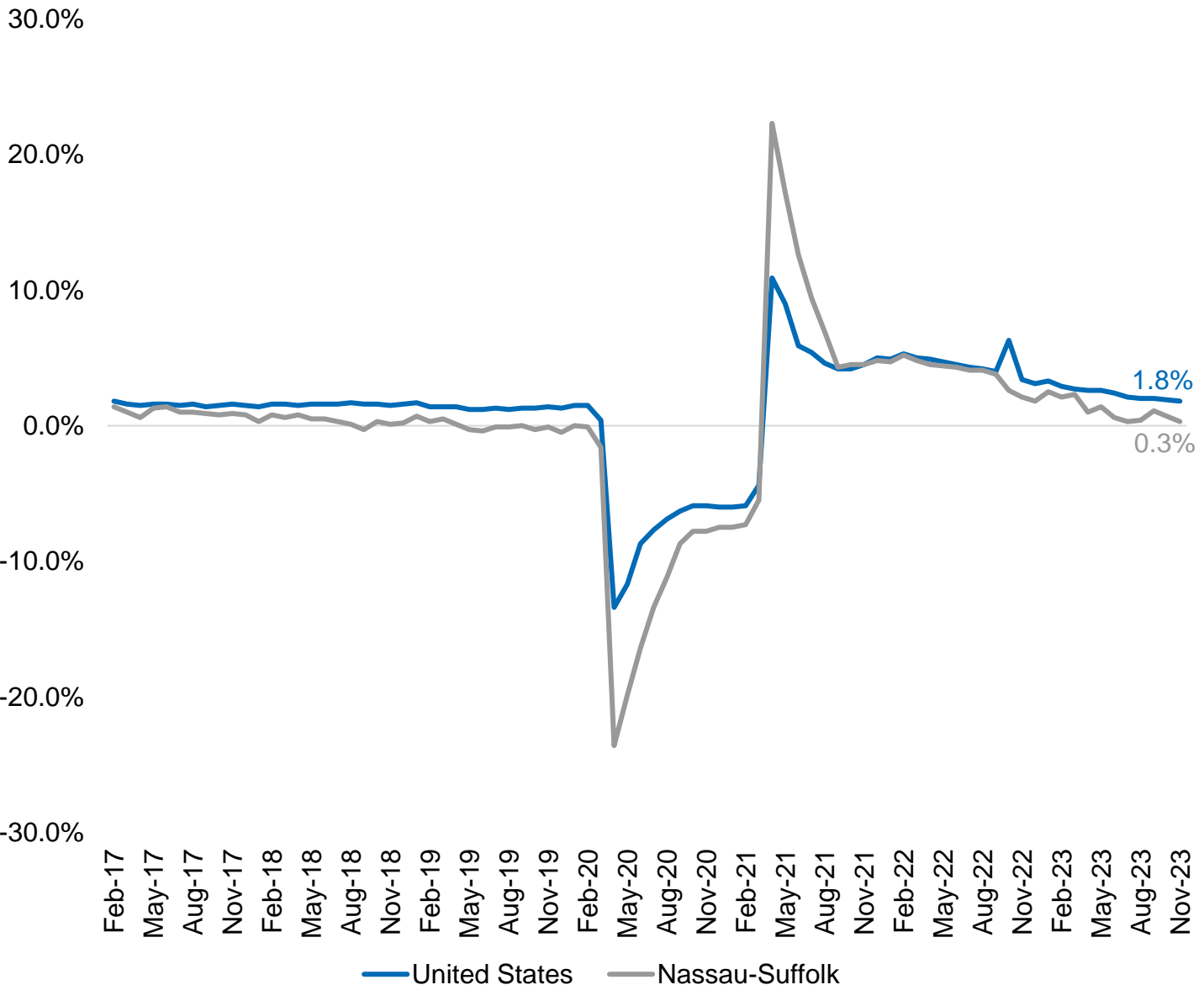
Metro Employment Trends Signal A Slowing Economy

The Long Island labor market has exhibited resiliency, with the unemployment rate consistently tracking below the national average. However, headwinds linger as employment growth continue to near zero.

Unemployment Rate, Non-Seasonally Adjusted



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

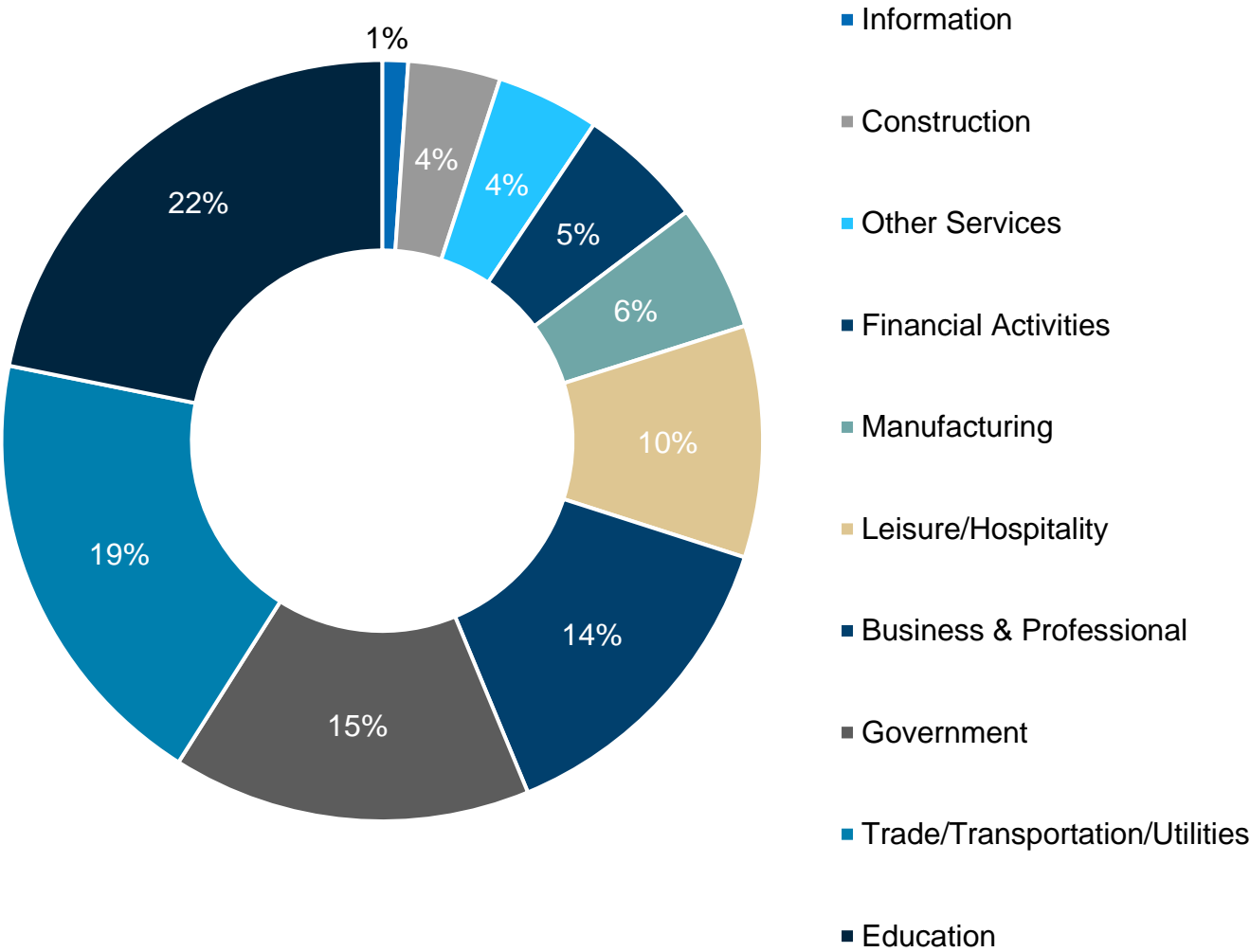


Source: U.S. Bureau of Labor Statistics, Nassau-Suffolk

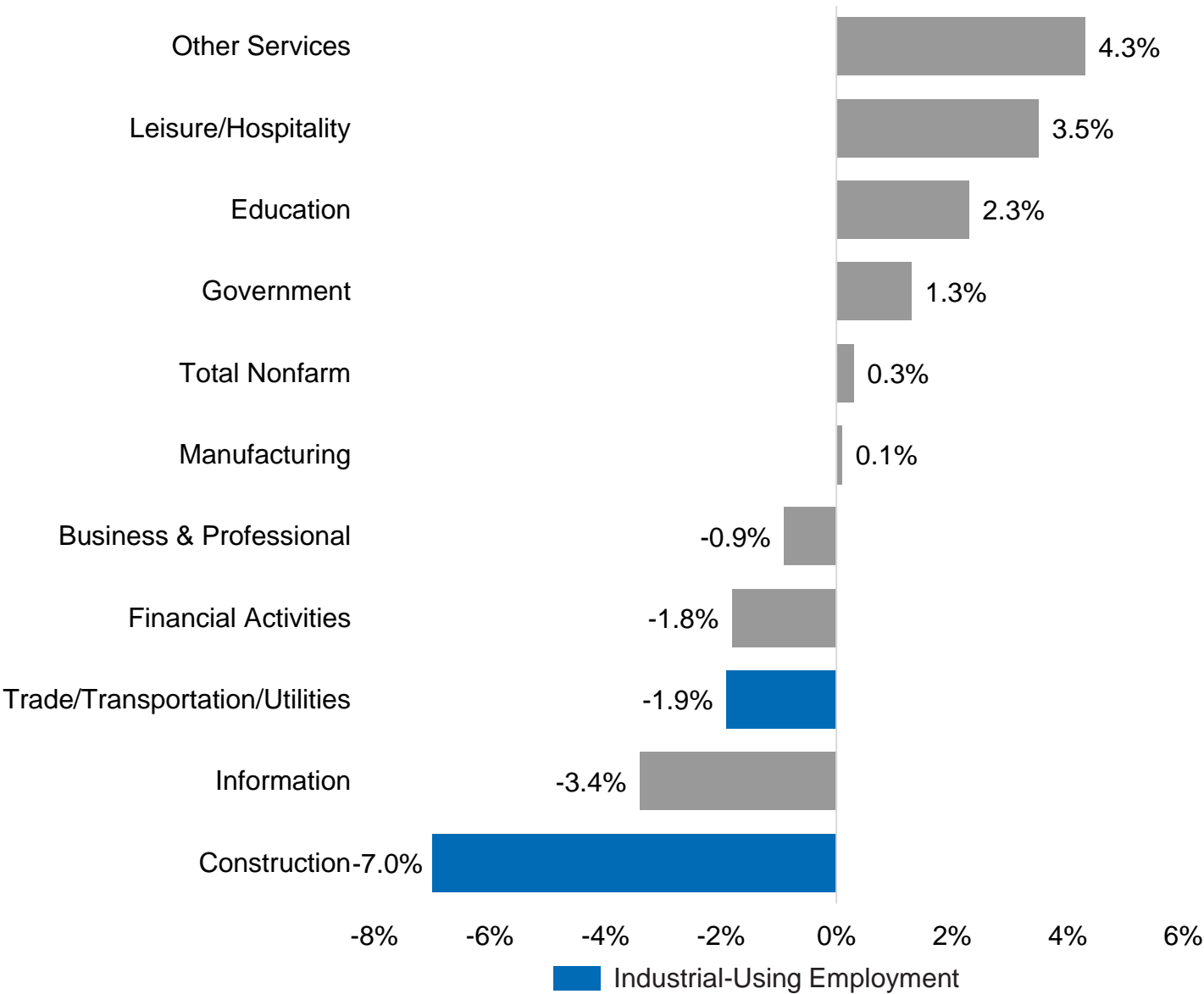
Job Loss Driven by Industrial Using Sectors

Leisure and hospitality, education, government, and other services led the region in 2023 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, November 2023



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

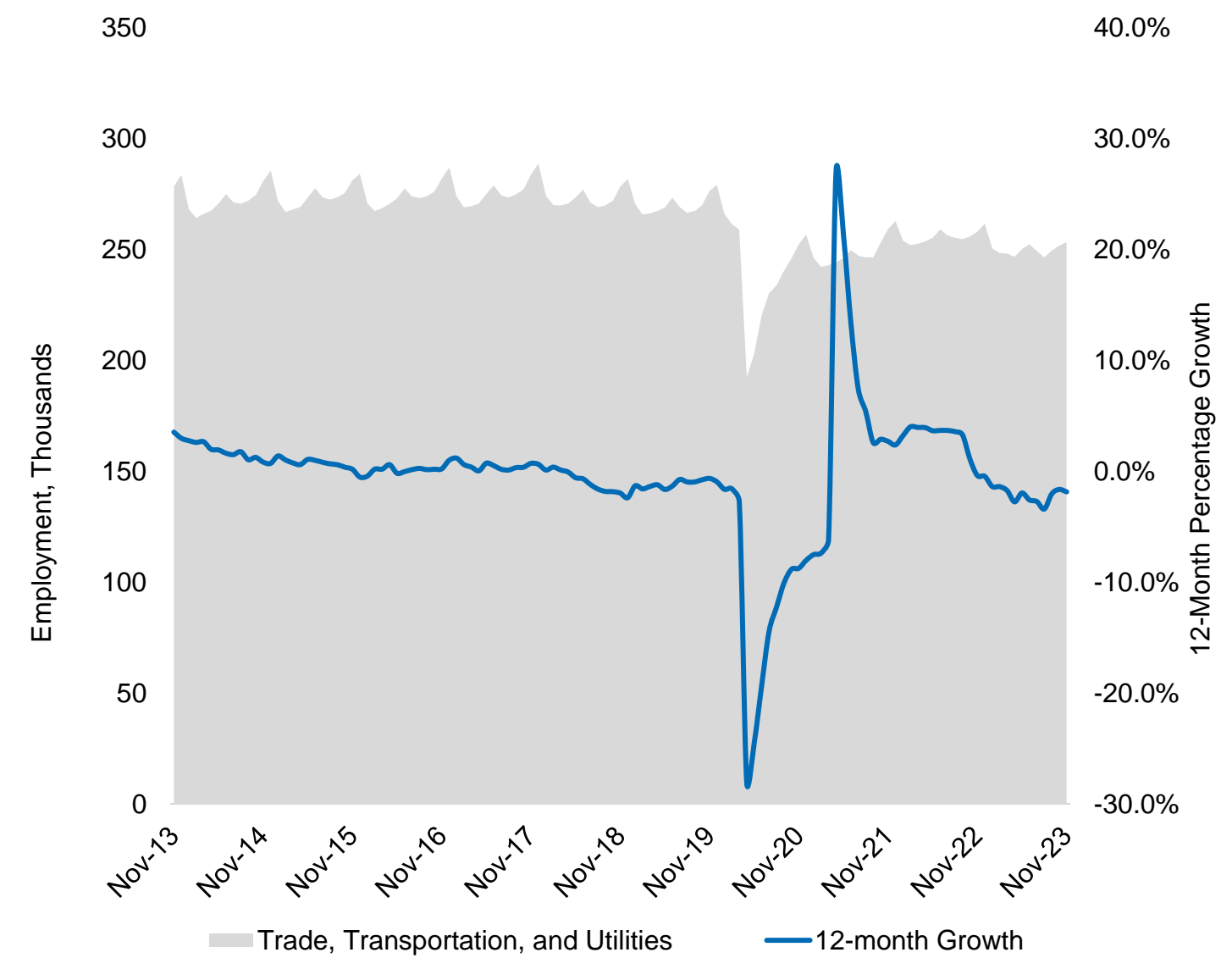


Source: U.S. Bureau of Labor Statistics, Nassau-Suffolk

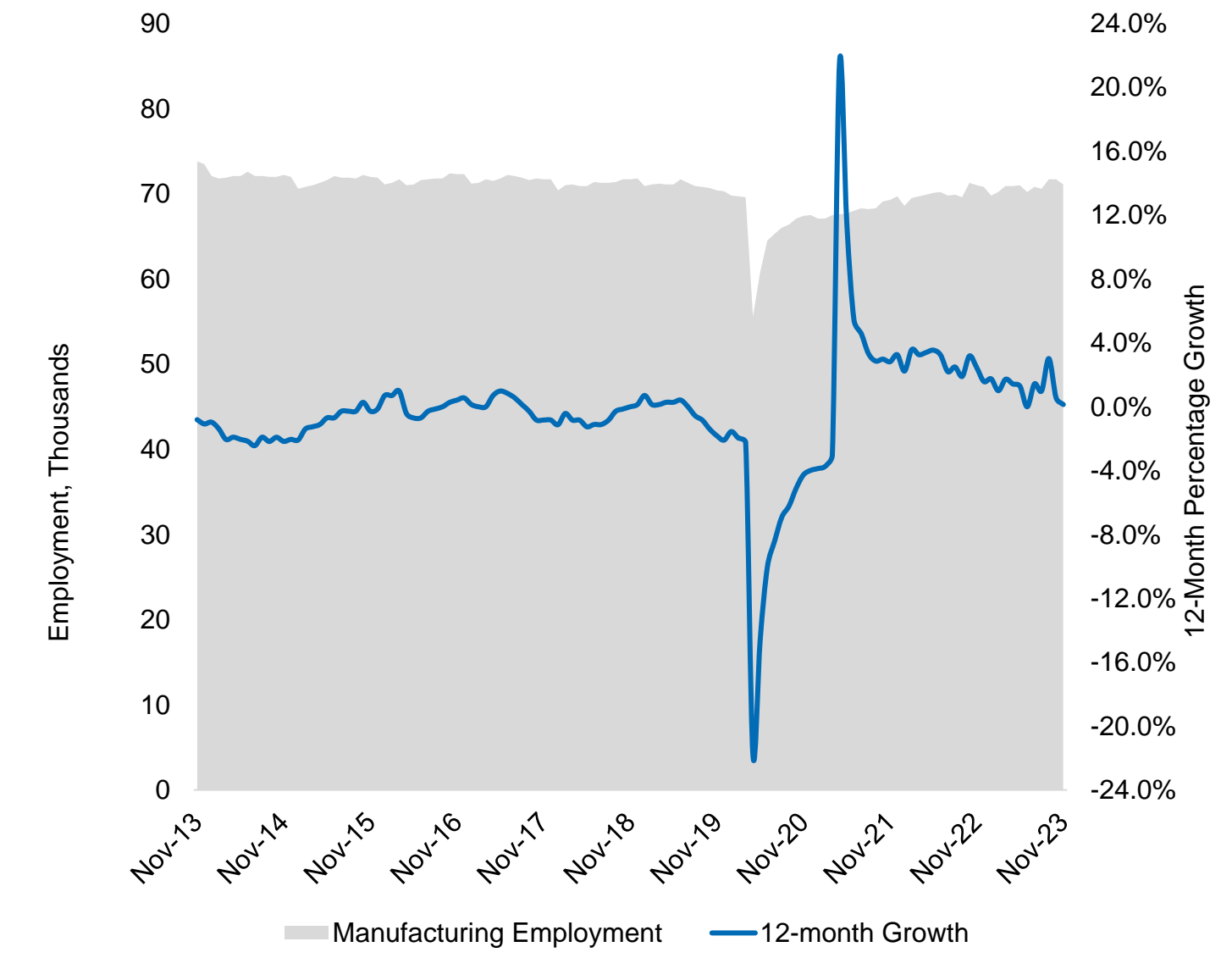
Industrial Employment Continues to Gradually Decline

Despite a slight uptick in job growth during the fourth quarter of 2021, the trade/transportation/utilities sector in 2023 saw a decrease in employment year over year. Meanwhile, the manufacturing industry continues to see minimal job growth.

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



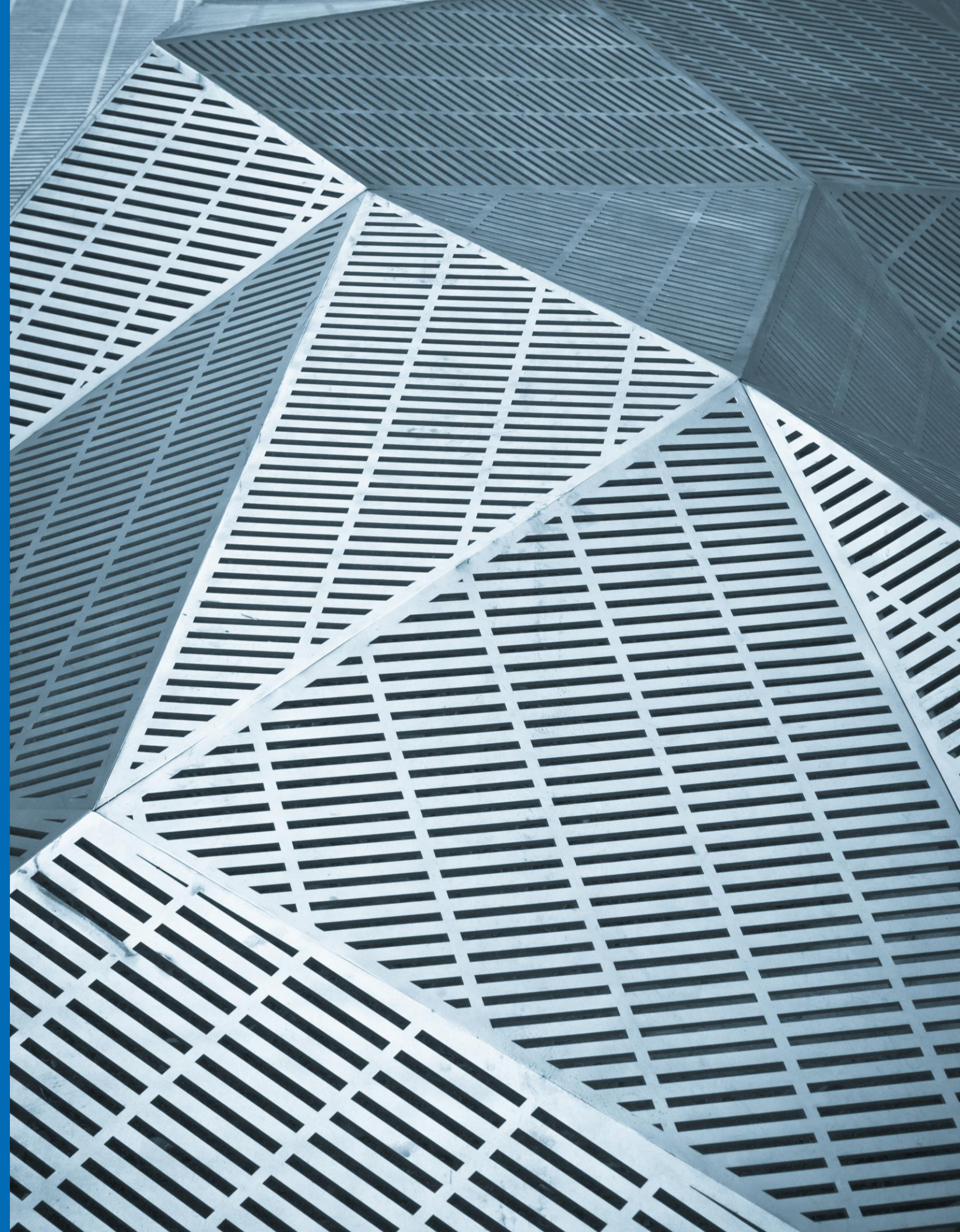
Total Employment and 12-Month Growth Rate, Manufacturing



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

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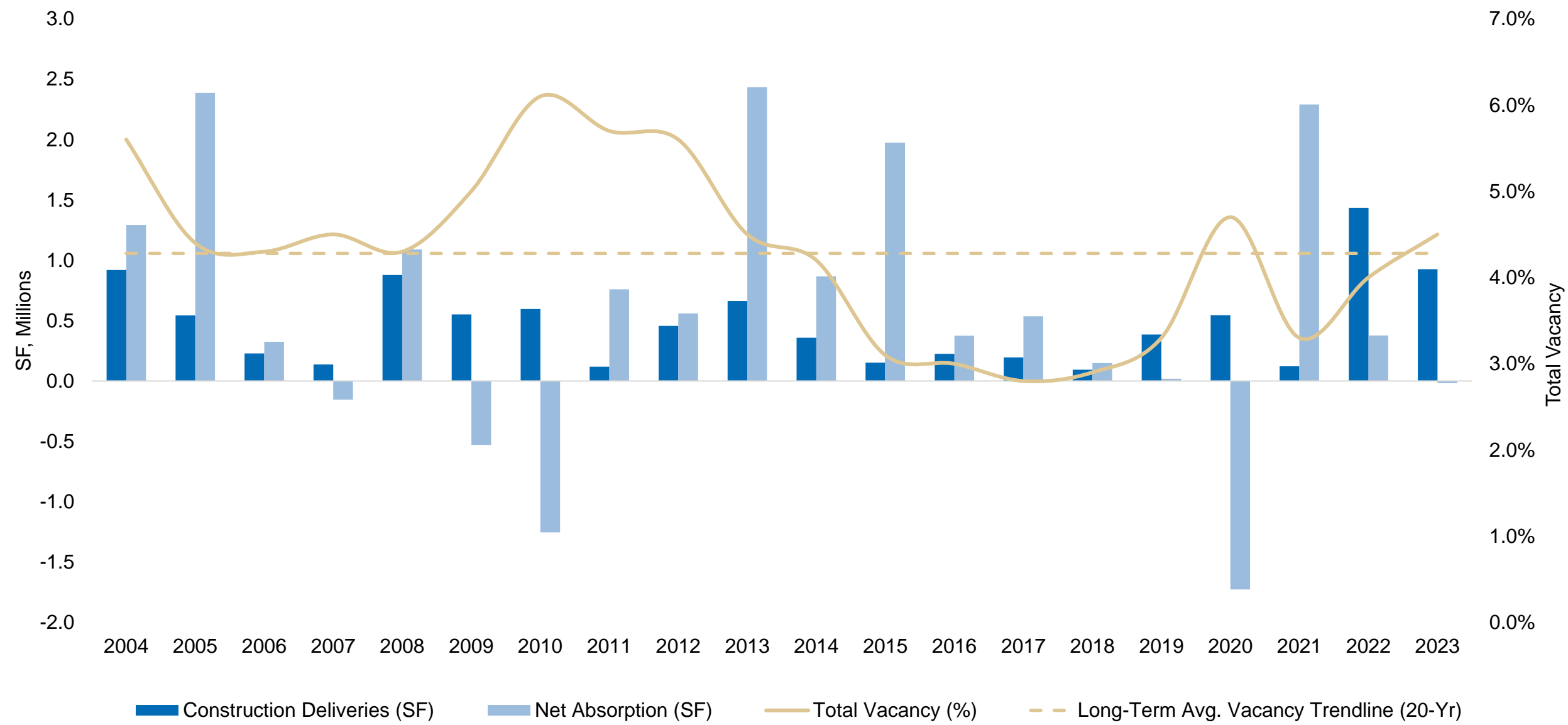
Leasing Market Fundamentals



Vacancy Rises as Construction Deliveries Outpace Net Absorption

2023 vacancy increased to 4.5%, largely driven by a delivery of over 447,000 square feet in the past two quarters. As construction deliveries continue to outpace net absorption, vacancy is expected to rise over the next few quarters.

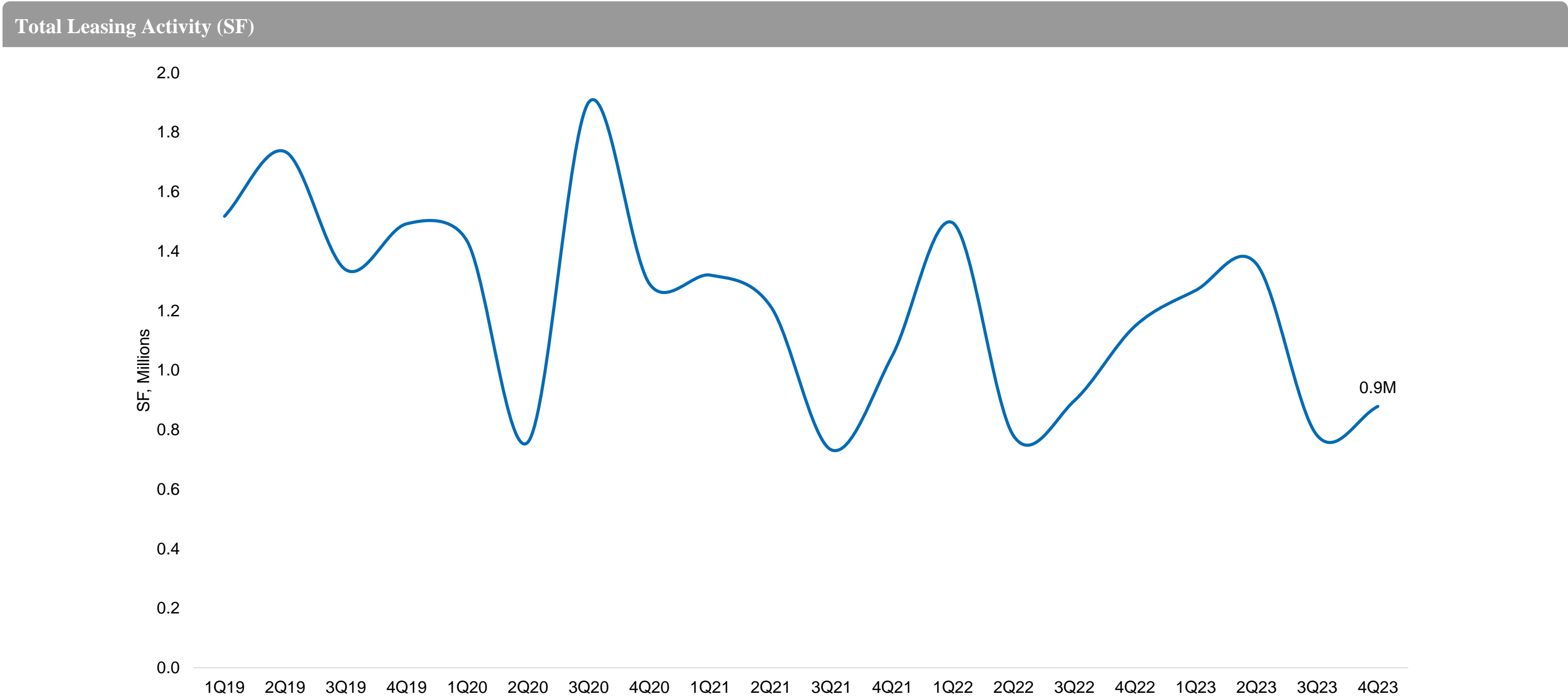
Historical Construction Deliveries, Net Absorption, and Vacancy



Source: Newmark Research, CoStar

Industrial Leasing Slight Rebound

Following a significant decline in leasing activity in the third quarter of 2023, the fourth quarter experienced a slight rebound, increasing 12.5% from the previous quarter. Despite this, the fourth quarter's 878,321 square feet leased is down 35.5% from the second quarter's high of 1,357,487 square feet. Max Finkelstein Inc. signed the largest deal of the quarter, with a lease for the entire 132,500 square foot property at 45 Oser Avenue.

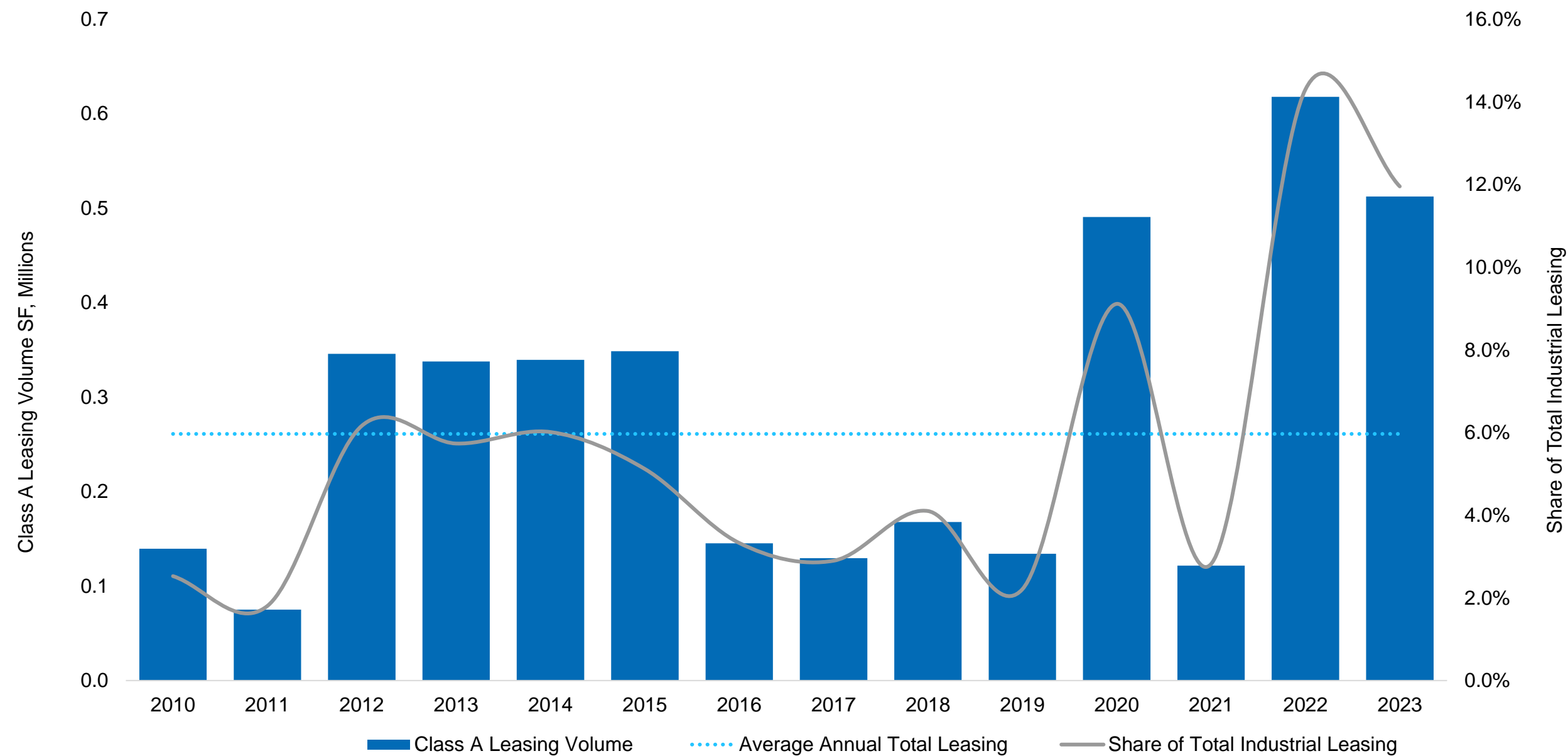


Source: Newmark Research, CoStar

Class A Warehouse Leasing Above Long-Term Average

512,279 square feet of leasing activity was recorded in 2023, a 96.3% increase over the long-term average. During the year, Class A properties accounted for 12% of the total industrial leasing. Reflecting the heightened demand, developers responded by delivering 553,330 square feet of Class A industrial space in 2023. Despite the rise in construction and deliveries, Class A warehouse properties make up only 4.3% of total industrial Long Island inventory.

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

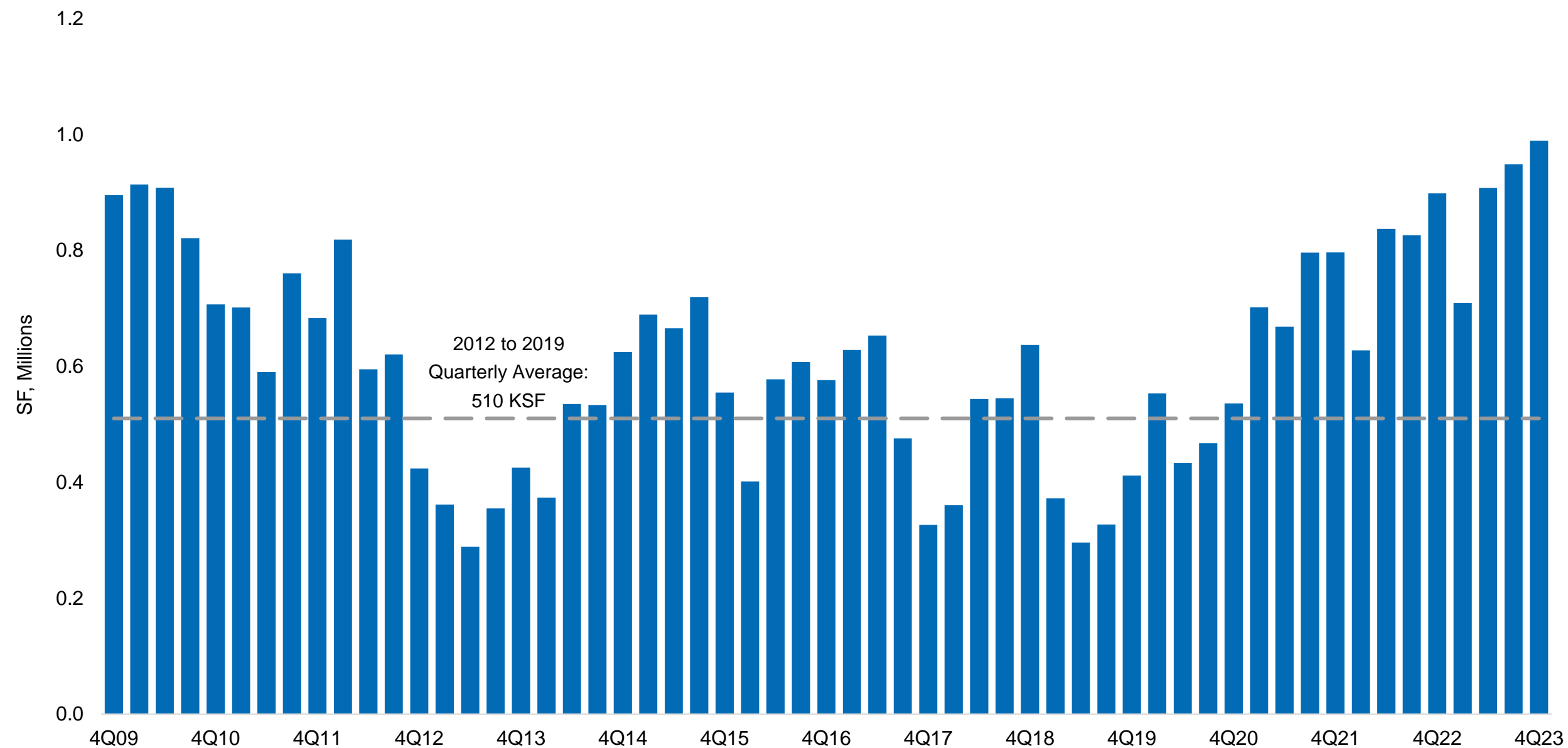


Source: Newmark Research, CoStar

Industrial Sublease Availability Spikes Above Pre-Pandemic Levels

With 989,268 square feet of sublease space available, the fourth quarter of 2023 recorded the most sublease space on the market in the last 14 years. 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)

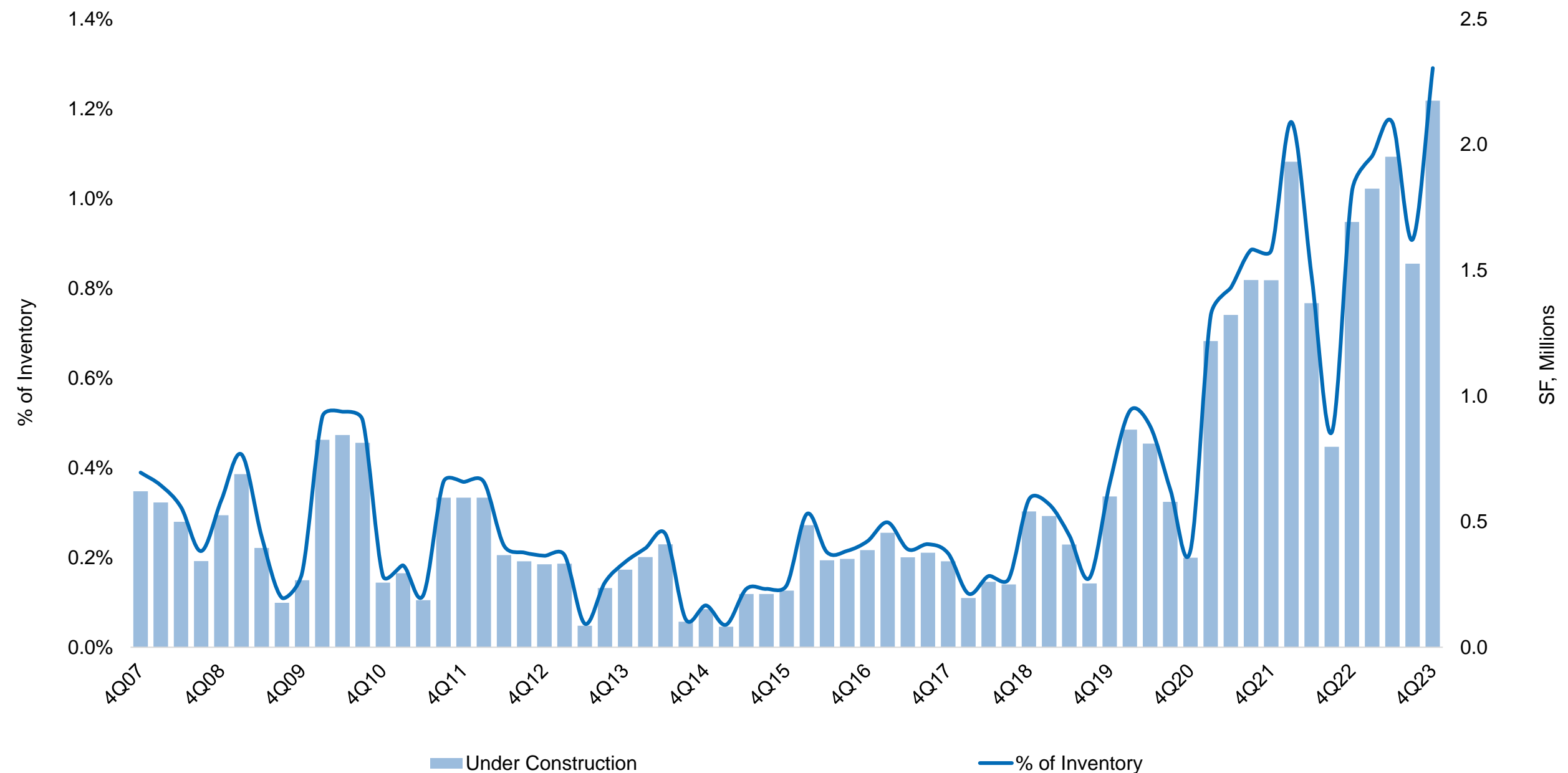


Source: Newmark Research, CoStar

Industrial Supply Grows as Pipeline Remains Robust

Inventory under construction continues to increase in the fourth quarter of 2023. With 7.1 million square feet proposed across 34 developments, the pipeline is expected to remain active as demand for Class A space continues to increase.

Industrial Under Construction and % of Inventory

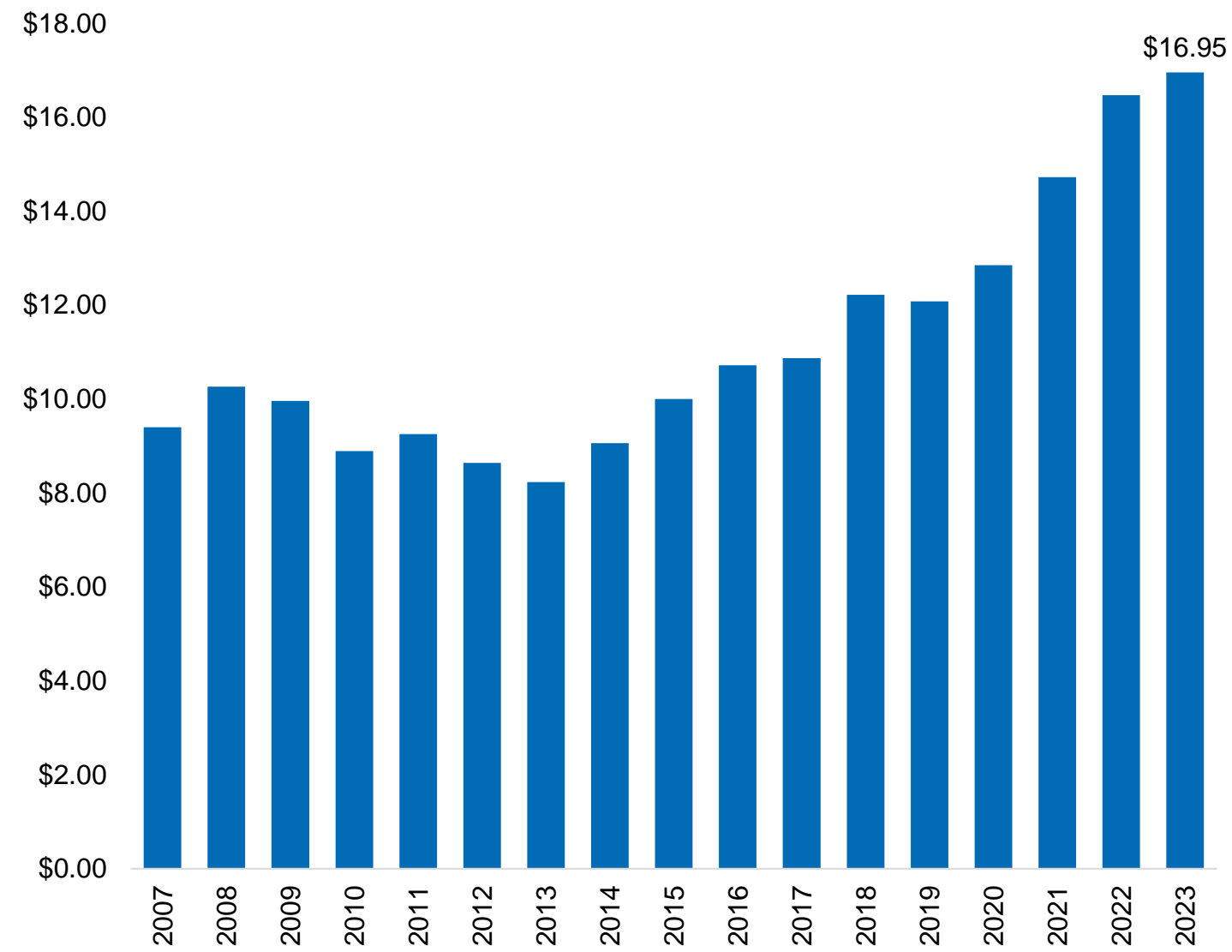


Source: Newmark Research, CoStar

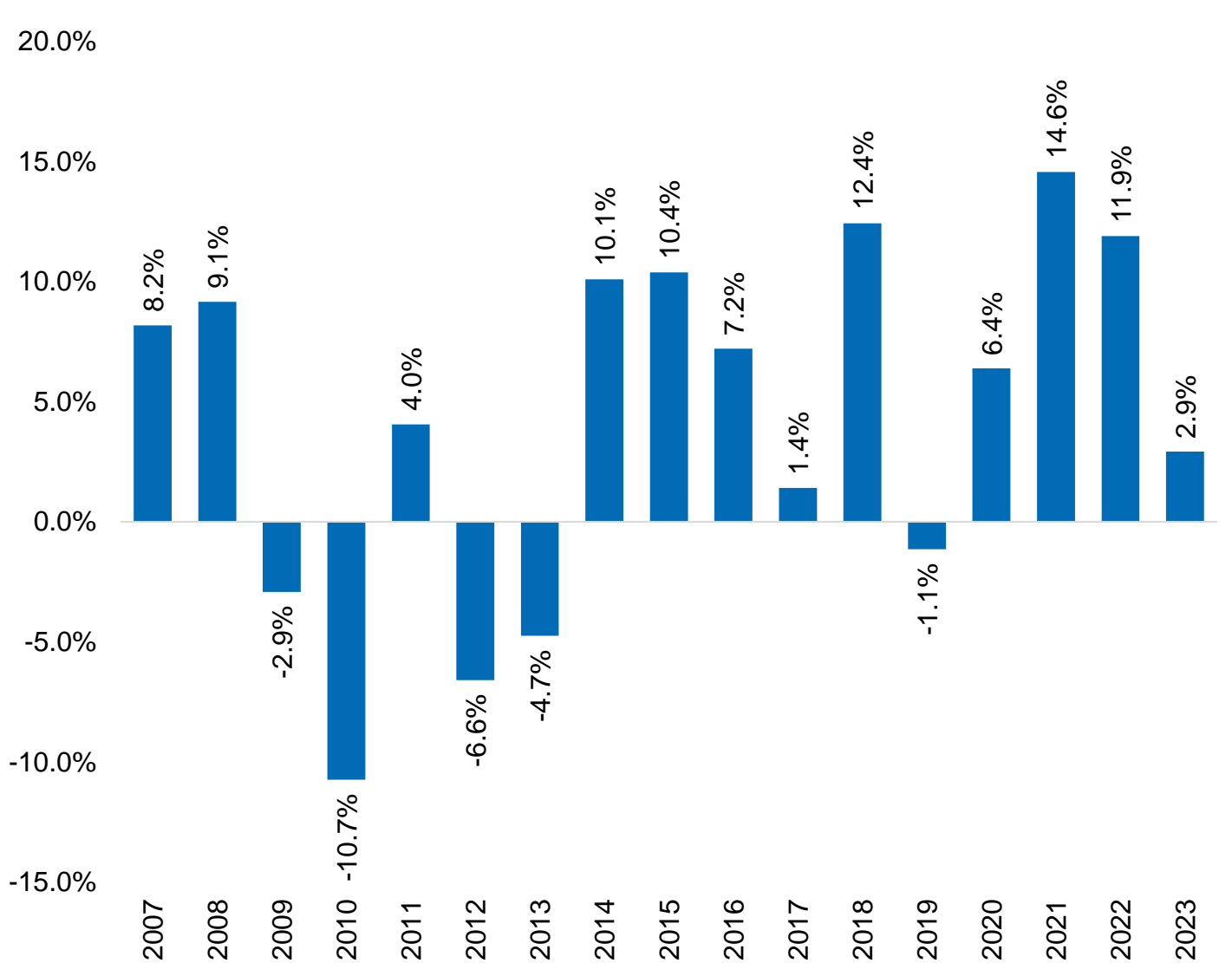
Record-Pace Industrial Asking Rent Growth Continues into the Fourth Quarter of 2023

Industrial average asking rents grew by 2.9% over 2022 measures, recording average asking rates of \$16.95/SF in the fourth 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

Notable Lease Transactions

Leasing recorded 878,321 square feet of activity, a 12.5% increase from the previous quarter. Despite this, the fourth quarter of 2023 still saw a 23.5% decrease in leasing activity year over year.

Notable 4Q23 Lease Transactions				
Tenant	Building(s)	Submarket	Type	Square Feet
Max Finkelstein Inc.	45 Oser Avenue	Suffolk County	Direct Lease	132,500
Max Finkelstein Inc. took the entire 132,500 square foot property at 45 Oser Avenue.				
Tate’s Bake Shop	Long Island Expressway – Building 1	Suffolk County	Direct Lease	40,000
Retailer Tate’s Bake Shop leased 40,000 square feet of first floor space at the Long Island Expressway – Building 1.				
Cerco Products	229 Broadhollow Road	Nassau County	Direct Lease	39,000
Cerco Products signed a new seven-year lease for 39,000 square feet at 229 Broadhollow Road.				
Universe Home Services Holdings LLC	260 Smith Street	Nassau County	Direct Lease	24,700
Universe Home Services Holdings signed a 24,700 square feet on the partial first floor at 260 Smith Street.				
HexStar Group Supply	700 Broadhollow Road	Nassau County	Direct Lease	19,400
Restaurant supply store HexStar Group Supply signed a new lease at 700 Broadhollow Road for partial first floor space totaling 19,400 square feet.				

Source: Newmark Research, CoStar

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