
4Q23

Long Island Office Market Overview



NEWMARK

Market Observations

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 continues to near zero.
- Leisure and hospitality, education, government, and other services led the region in 2023 job growth. Meanwhile, all three primary office using employment sectors experienced negative job growth throughout the year.
- Despite a slight increase in unemployment rates since the beginning of 2023, rates have realigned with pre-pandemic levels. Meanwhile, office using employment continued to stay heightened throughout 2023.

Major Transactions

- Deloitte signed the largest deal of the fourth quarter for 20,346 square feet at 2 Jericho Plaza in Suffolk County.
- Leasing activity through 2023 reached 2.0 million square feet, a 9.1% decrease compared to 2022.
- Recording 199,749 square feet of activity, Nassau County accounted for 54.9% of leasing activity in the fourth quarter.

Leasing Market Fundamentals

- Following COVID-19, the Long Island region continued to see the trend of rising vacancy rates in the fourth quarter of 2023. Negative net absorption persisted through the quarter as there is limited demand for suburban office markets.
- Available direct space increased 149,273 square feet in the fourth quarter of 2023. As the sublease available space decreased by 62,709 square feet, the total space available increased by 86,564 square feet. As a result, vacancy rose to 12.4% in the fourth quarter, up 0.9% from the third quarter of 2022.
- While the average asking rent for Class A office space grew slightly in the fourth quarter of 2023, Class B asking rents increased 8.5% since the previous quarter. High-priced sublease rates persisted through the fourth quarter, with the average sublease rate increasing to \$35.63, a 19.0% increase year-over-year.

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.
- Overall asking rates increased for both Class A and B properties in the fourth quarter of 2023. Asking rates will continue to remain high as class A properties make up 51.3% of availabilities.
- The five-year trend of no properties under construction persisted through the fourth quarter of 2023 in the Long Island market. With a decreased demand for suburban office space, Long Island is becoming more attractive for industrial properties, resulting in developers turning their attention away from new office projects.

1. Economy
2. Leasing Market Fundamentals

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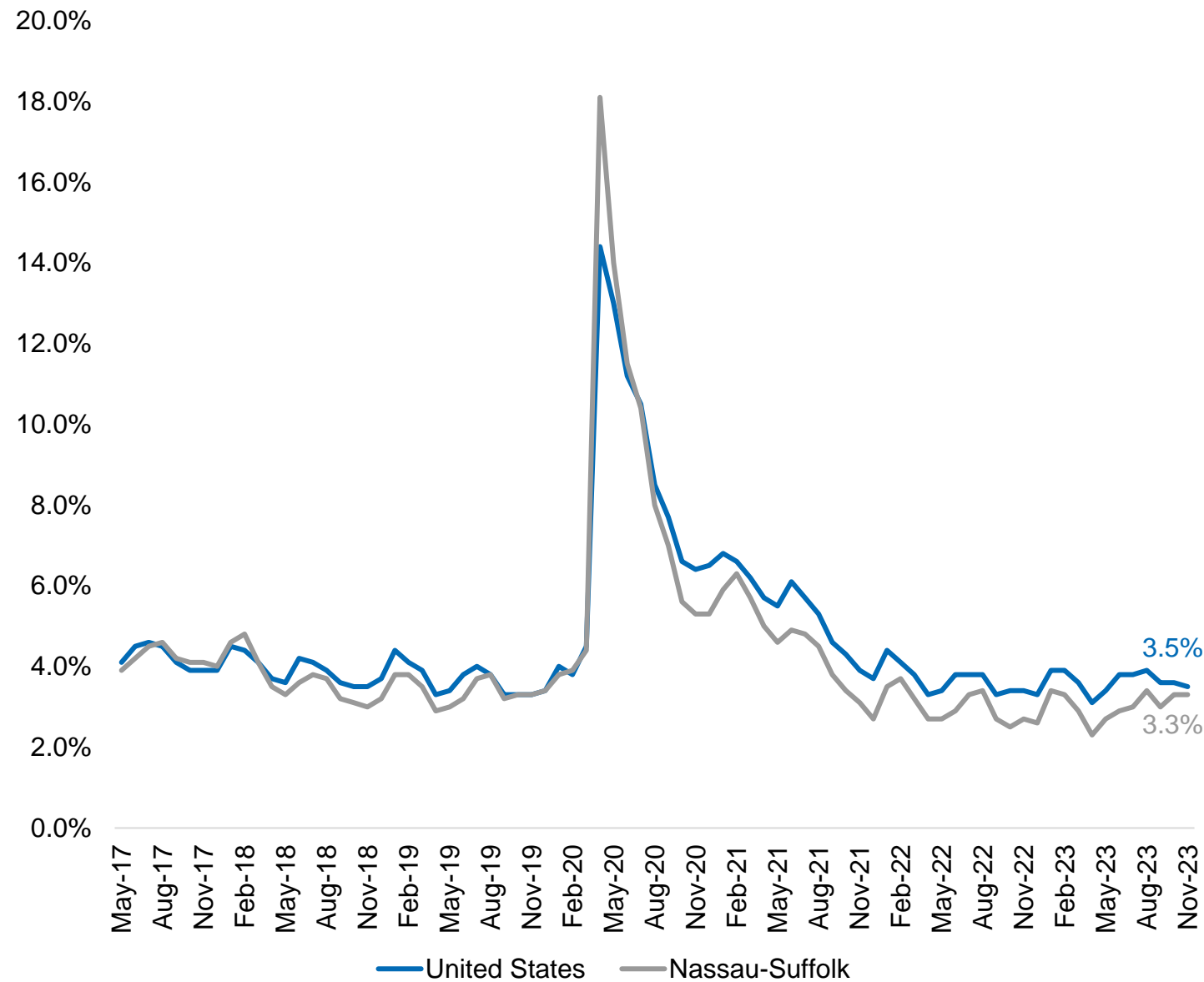
Economy



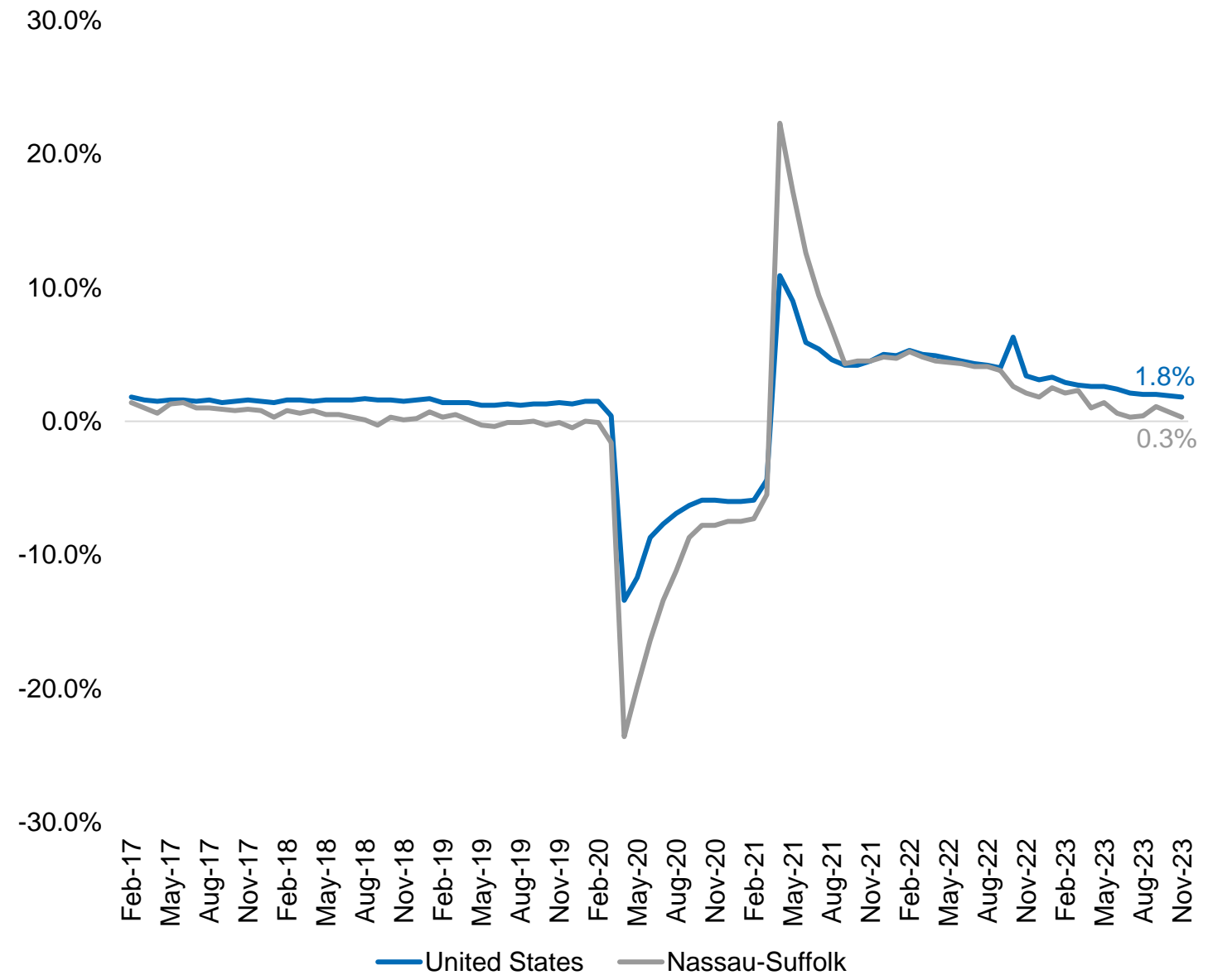
Metro Employment Trends Signal A Slowing Economy

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

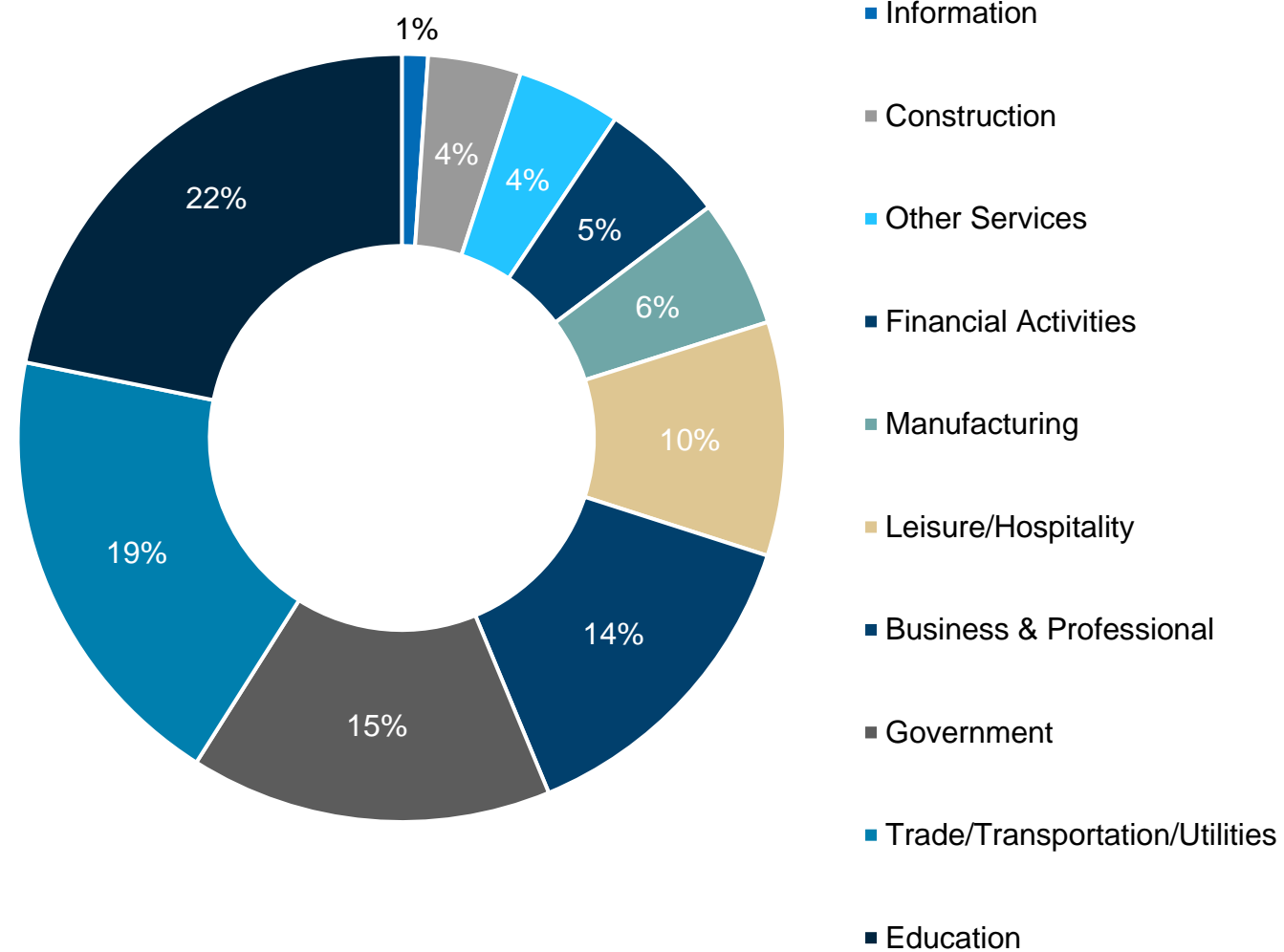


Source: U.S. Bureau of Labor Statistics, New York City

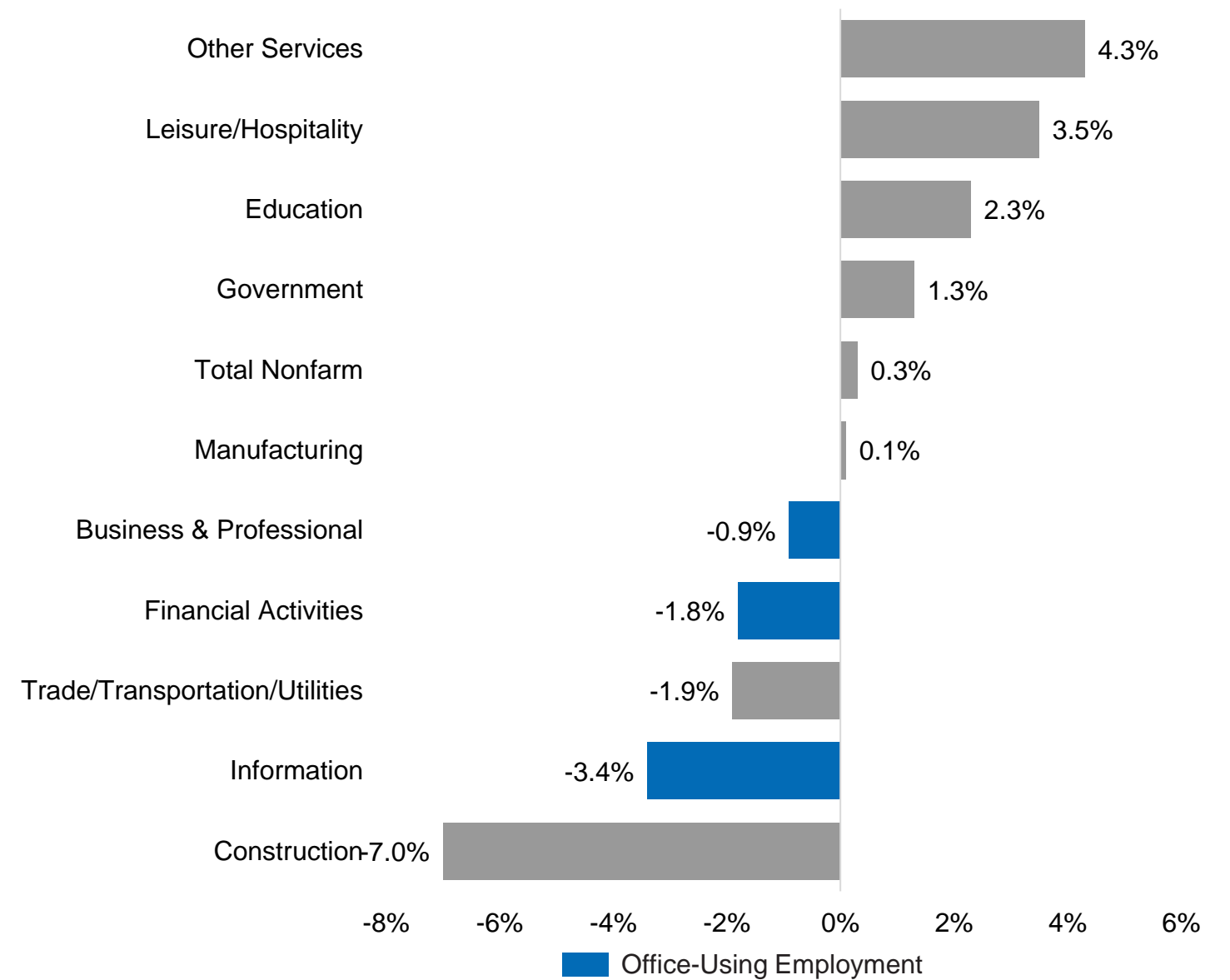
Job Loss Driven by Industrial Using Sectors

Leisure and hospitality, education, government, and other services led the region in 2023 job growth. Meanwhile, all three primary office using employment sectors experienced negative job growth throughout the year.

Employment by Industry, November 2023



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

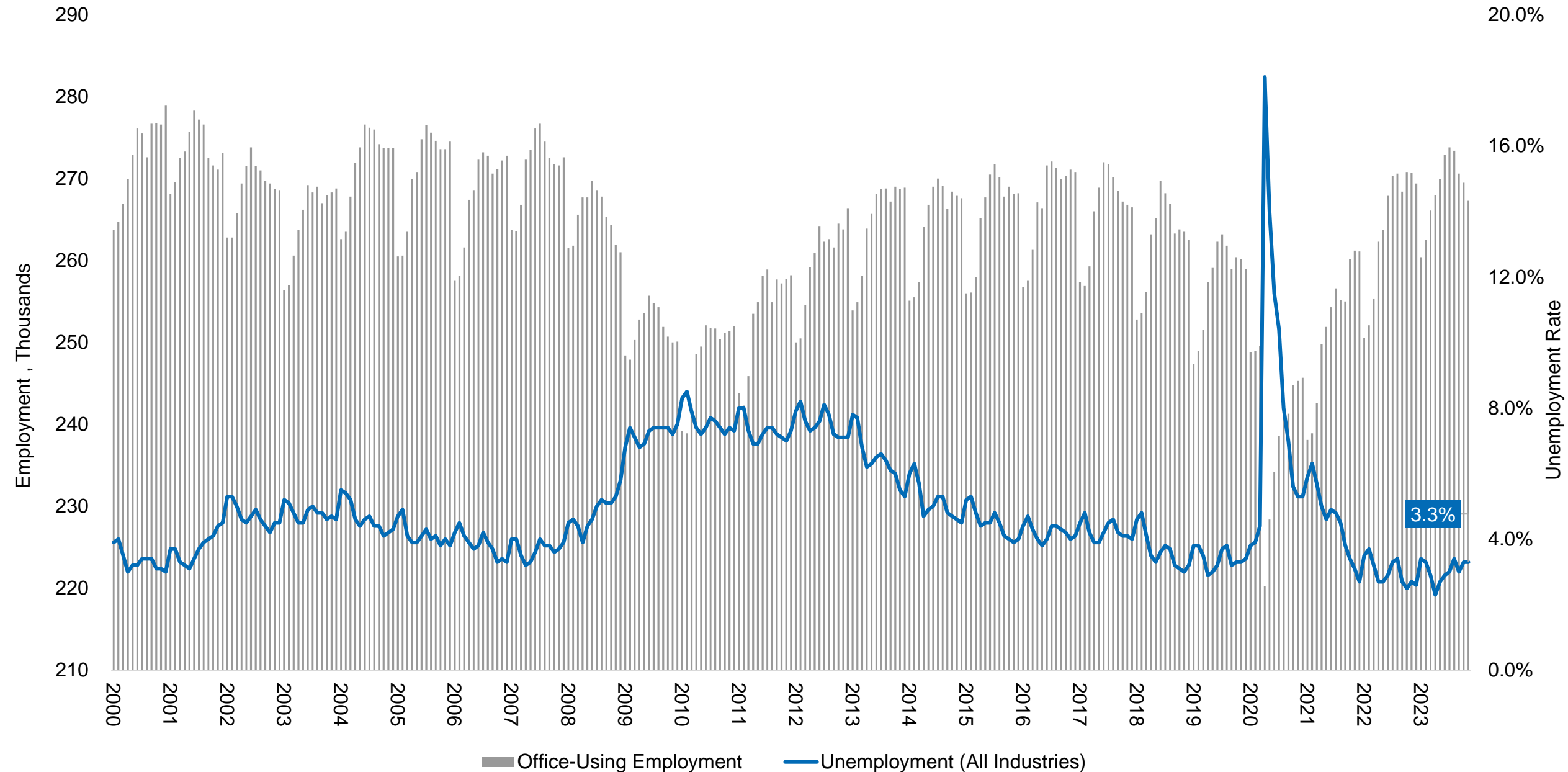


Source: U.S. Bureau of Labor Statistics, New York City

Overall Office-Using Employment Aligns With Pre-Pandemic Levels

Despite a slight increase in unemployment rates since the beginning of 2023, rates have realigned with pre-pandemic levels. Meanwhile, office using employment continued to stay heightened throughout 2023.

Office-Using Employment* and Unemployment Across All Industries



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

Note: November 2023 data is preliminary.

*Office-using employment includes employment in the following industry sectors: Professional & Business Services, Financial Activities and Information.

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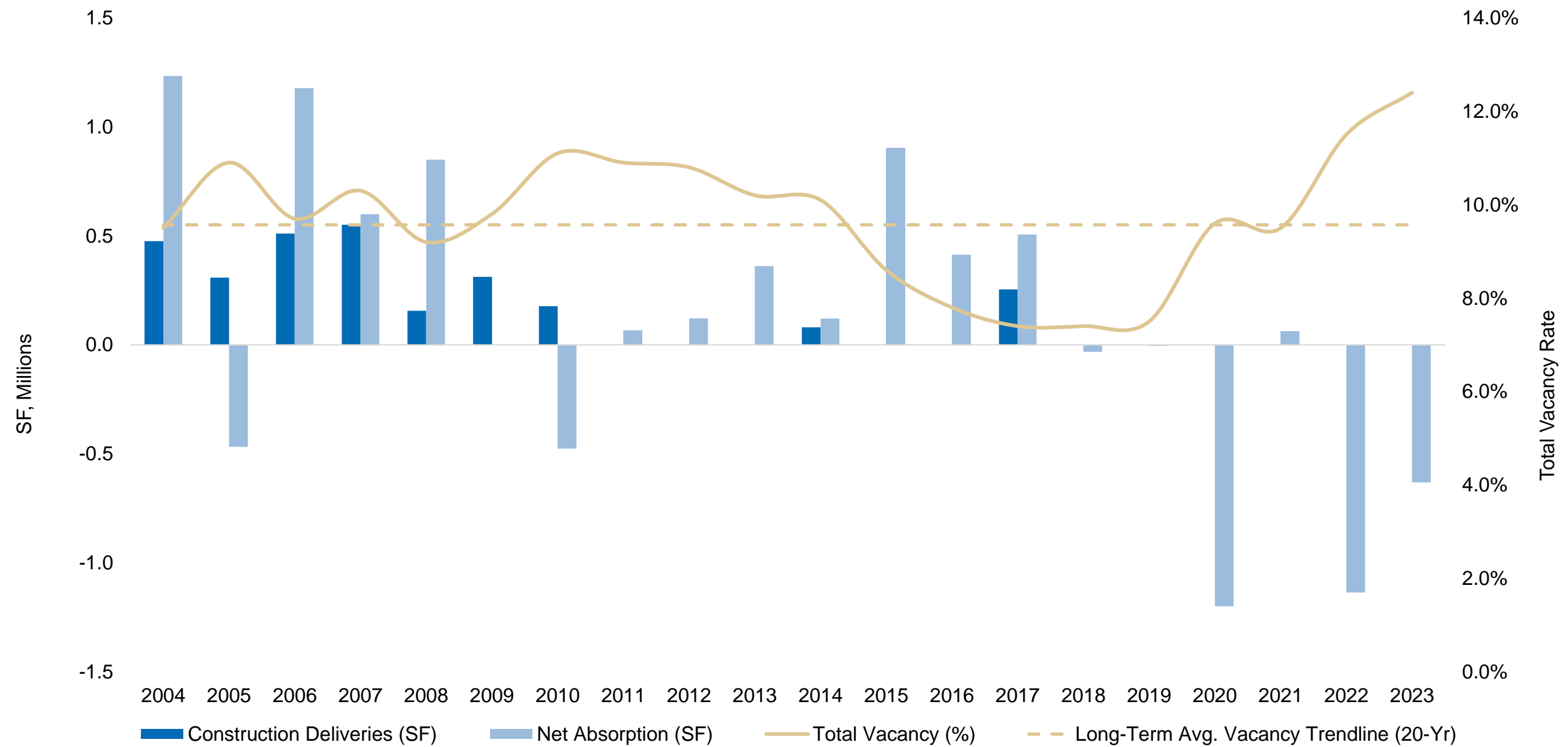
Leasing Market Fundamentals



Vacancy Rises as Net Absorption Remains Negative

Following COVID-19, the Long Island region continued to see the trend of rising vacancy rates in the fourth quarter of 2023. Negative net absorption persisted as demand remained limited in suburban office markets.

Historical Construction Deliveries, Net Absorption, and Vacancy

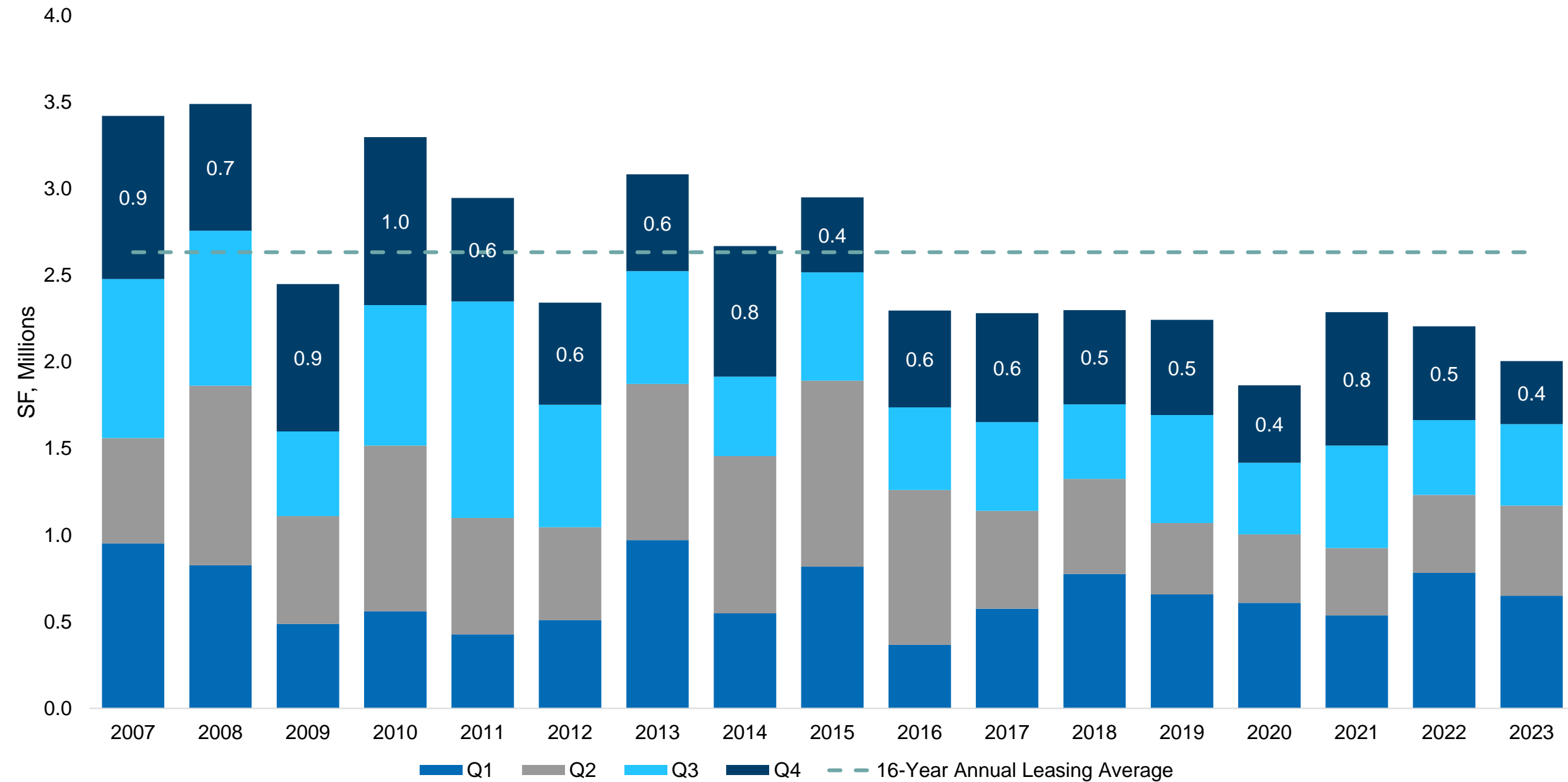


Source: Newmark Research, CoStar

Leasing Activity Remains Consistent

Leasing activity through 2023 reached 2.0 million square feet, a 9.1% decrease compared to 2022, and 23.8% less than the long-term average. The largest deal that closed in the fourth quarter exceeded 20,000 square feet with Deloitte signing a lease at 2 Jericho Plaza in Nassau County.

Total Leasing Activity

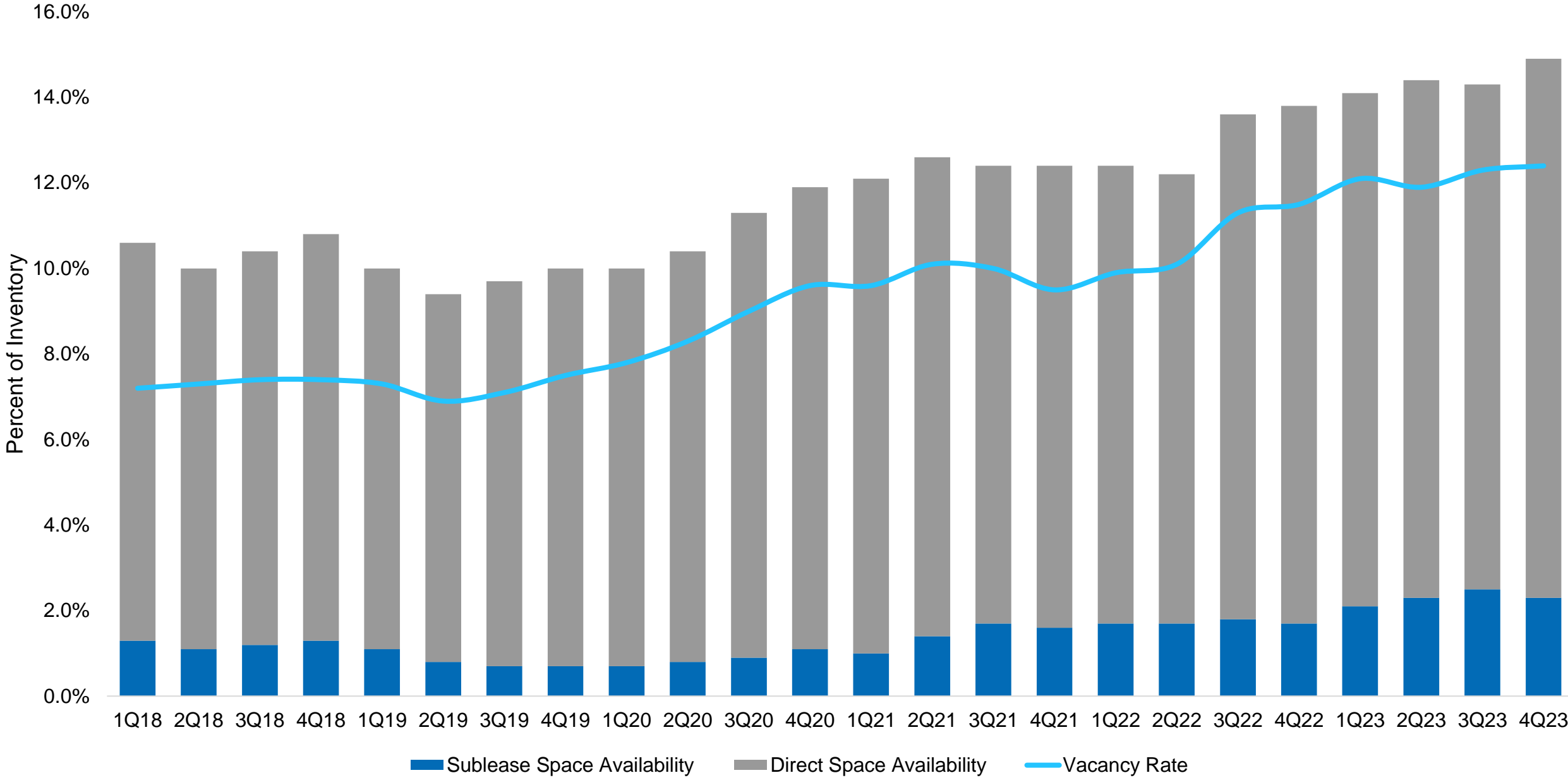


Source: Newmark Research, CoStar

Vacancy Rate and Availability Increase

Available direct space increased 149,273 square feet in the fourth quarter of 2023. As the available sublease space decreased by 62,709 square feet, the total space available grew by 86,564 square feet. As a result, vacancy rose to 12.4% in the fourth quarter, up 0.9% from the fourth quarter of 2022.

Available Space and Tenant Demand as Percent of Overall Market

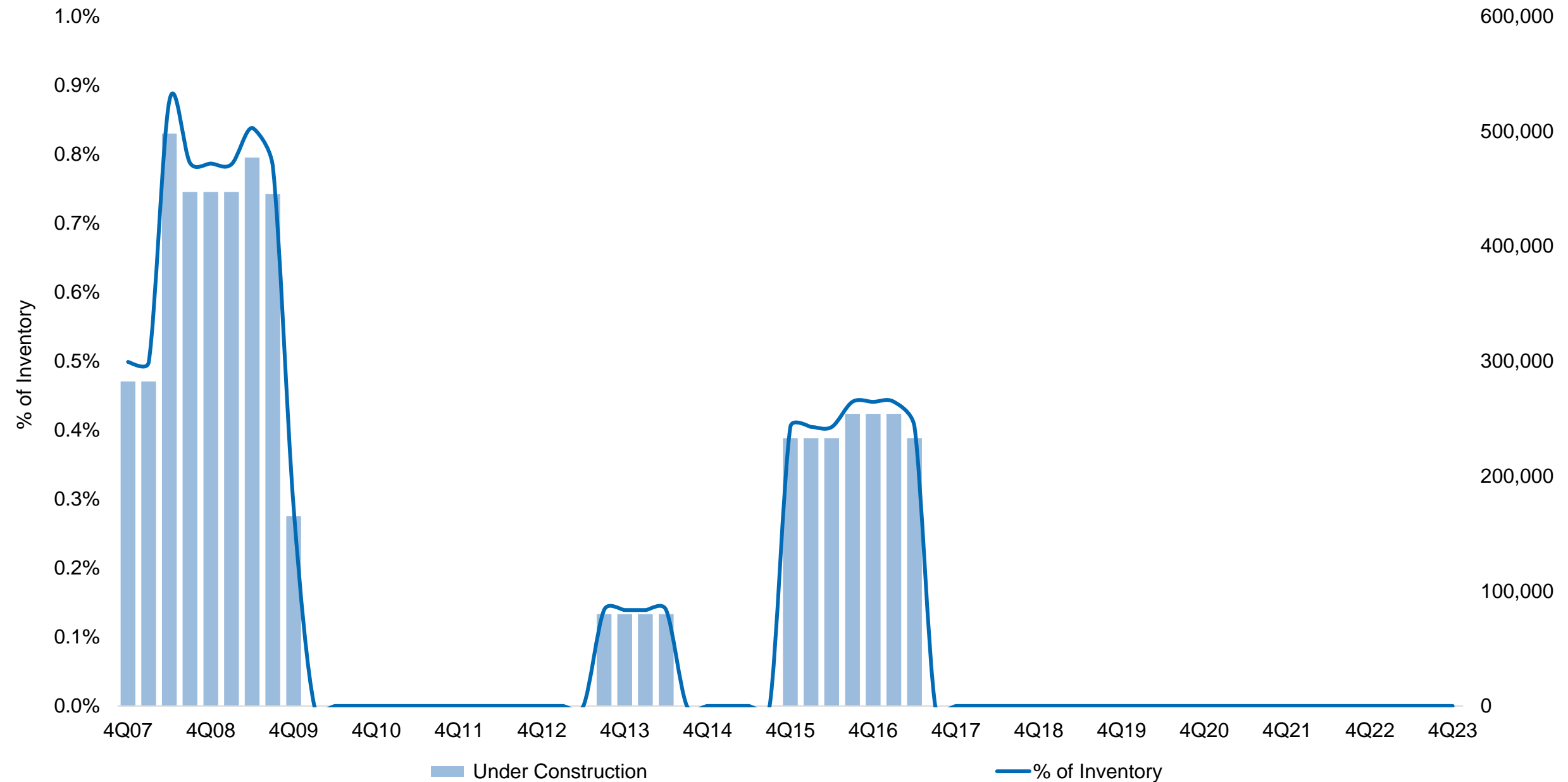


Source: Newmark Research, CoStar

Construction Standstill Continues

The five-year trend of no properties under construction persisted through the fourth quarter of 2023 in the Long Island market. With a decreased demand for suburban office space, Long Island is becoming more attractive for industrial properties, resulting in developers turning their attention away from new office projects.

Office Under Construction and % of Inventory

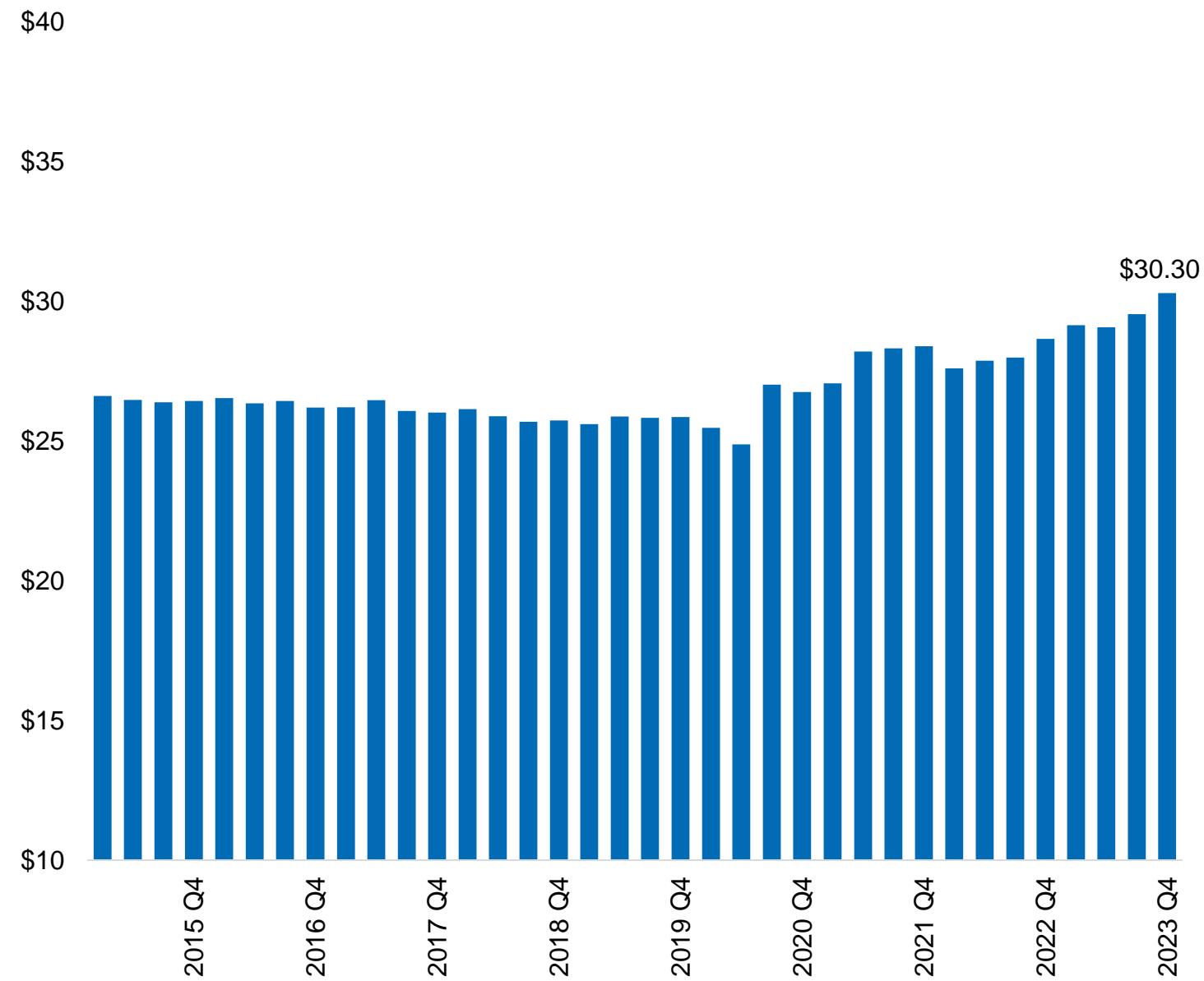


Source: Newmark Research, CoStar

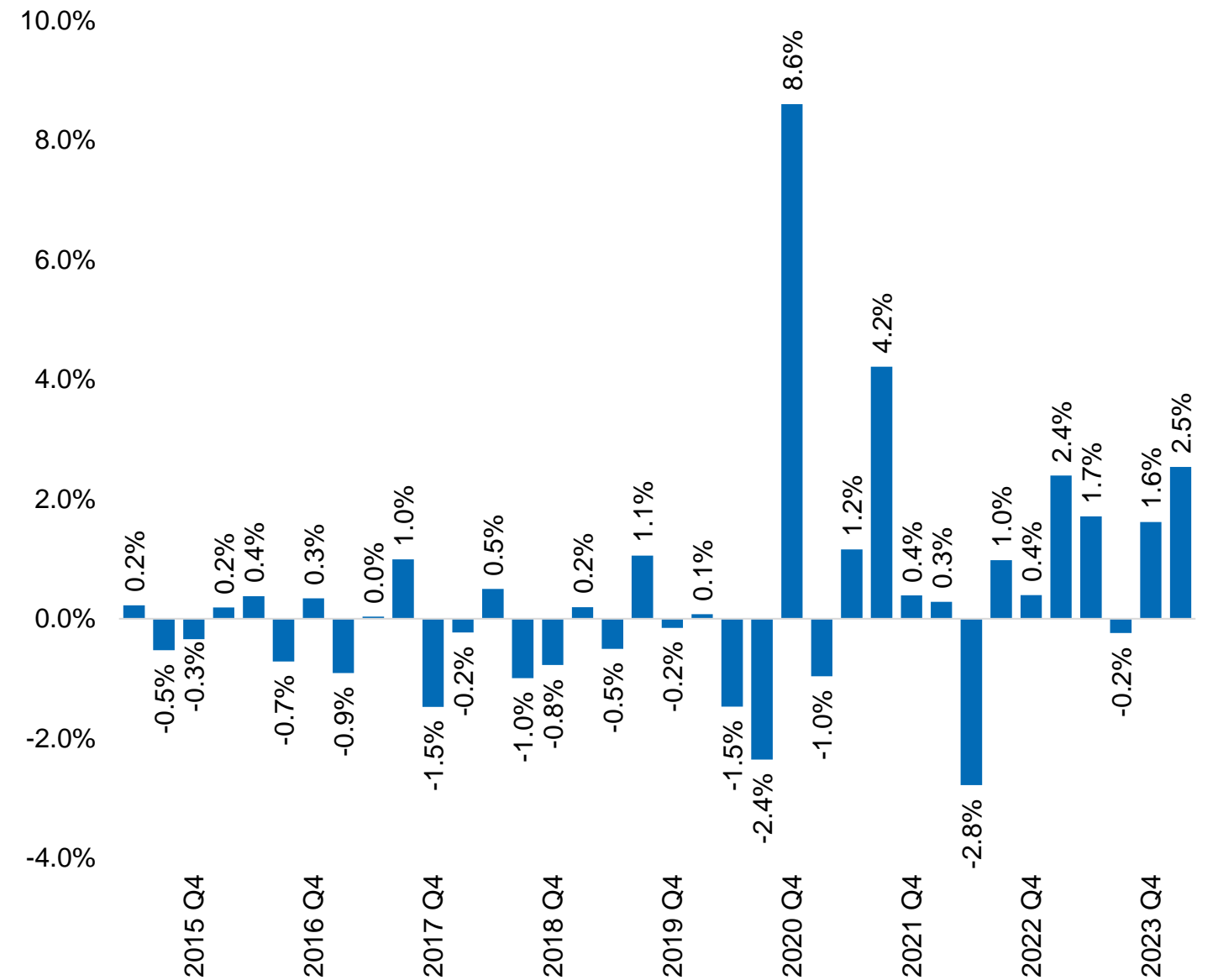
Rents Climb to Historic Rates

In the fourth quarter 2023, the average asking rate increased 5.7% year-over-year to \$30.30, marking the highest asking rate over the last 16 years. Overall asking rates increased for both Class A and B properties in the fourth quarter of 2023. Asking rates will continue to remain high as class A properties make up 51.3% of availabilities.

Office Average Asking Rent, \$/SF, FS



Year-over-Year Asking Rent Growth Rate

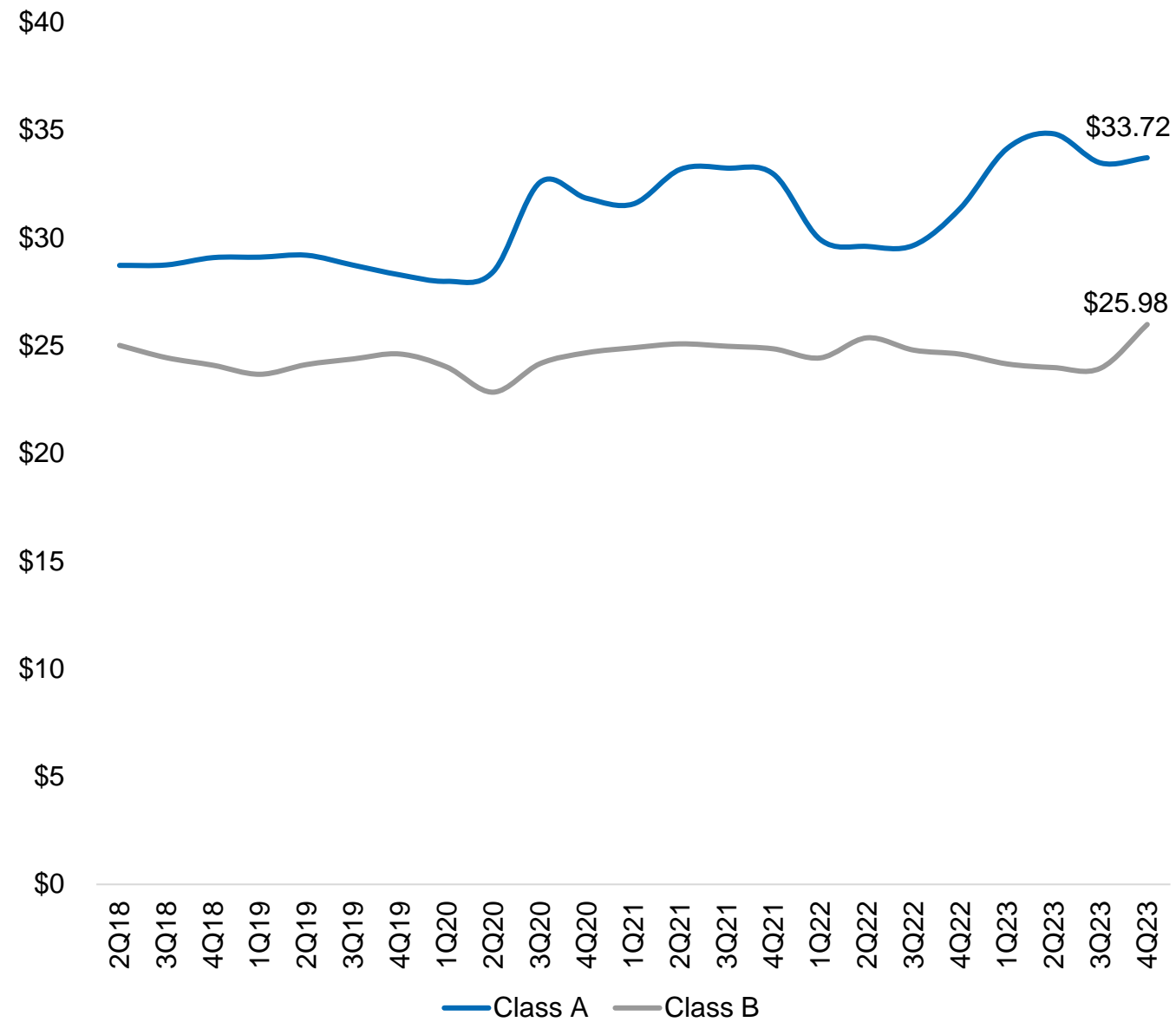


Source: Newmark Research, CoStar

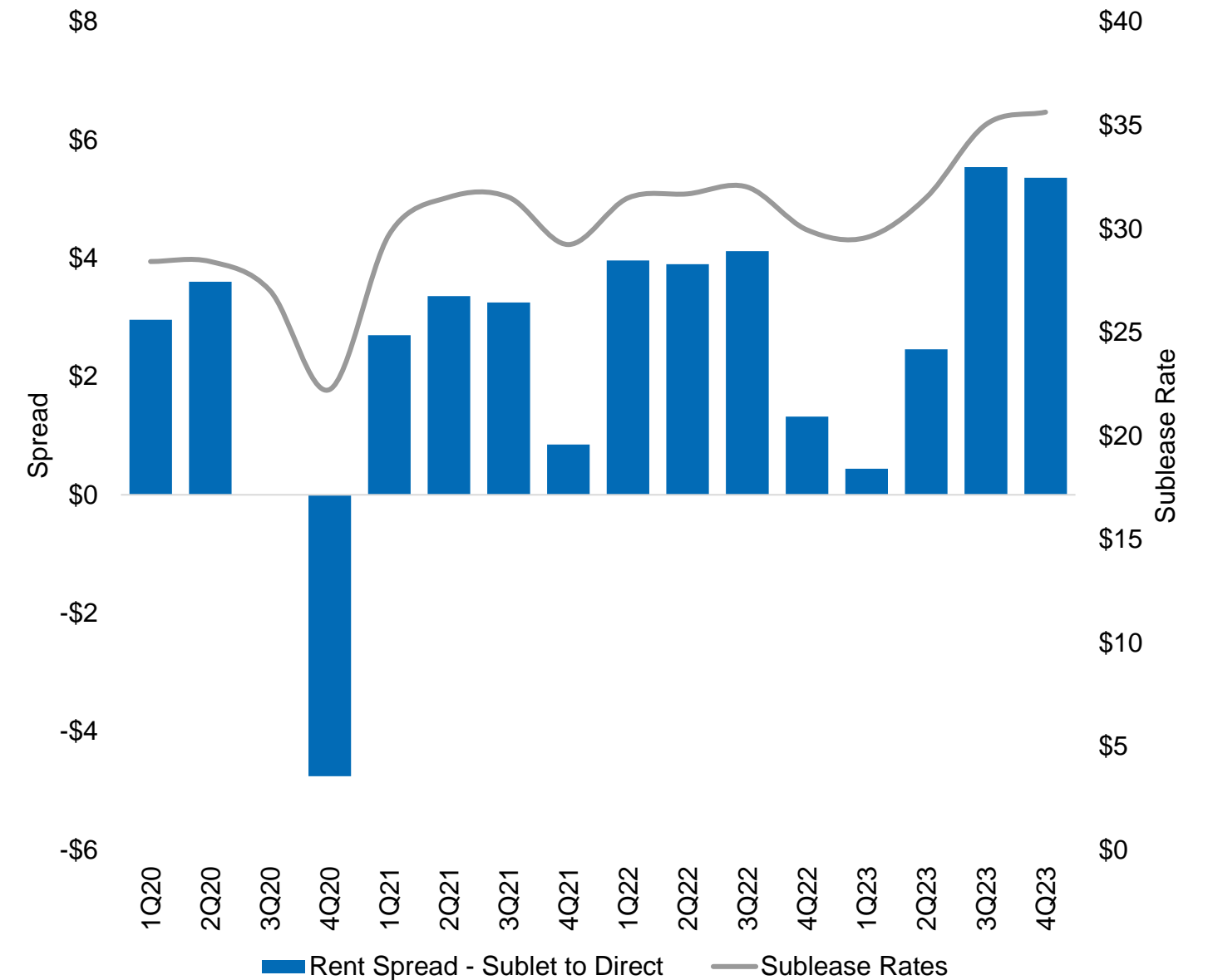
Asking Rent Spread Lessons

While the average asking rent for Class A office space grew slightly in the fourth quarter of 2023, Class B asking rents increased 8.5% since the previous quarter. The gap between Class A and B asking rents decreased considerably but are still significantly higher than levels seen in 2022. High-priced sublease rates persisted through the fourth quarter, with the average sublease rate increasing to \$35.63, a 19.0% increase year-over-year.

Class A and Class B Direct Asking Rents



Sublease Rates



Source: Newmark Research, CoStar

Notable Lease Transactions

Fourth quarter 2023 leasing recorded 363,562 square feet of activity, a decrease of 22.8% from the previous quarter. The total leasing activity for 2023 totaled 2,005,145 square feet.

Notable 4Q23 Lease Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
Deloitte	2 Jericho Plaza	Nassau County	Direct Lease	20,346
<i>Deloitte signed 20,346 square feet on the third floor of 2 Jericho Plaza.</i>				
Schwartzapfel Lawyers	600 Old Country Road	Nassau County	Direct Renewal	6,700
<i>Law firm Schwartzapfel Lawyers renewed 6,700 square feet on the fourth floor at 600 Old Country Road.</i>				
Liberty Resources	90 Adams Avenue	Suffolk County	Direct Lease	5,760
<i>Liberty Resources signed a five-year lease for 5,760 square feet on the partial first floor at 90 Adams Avenue.</i>				
CrossCountry Mortgage	270 Spagnoli Road	Suffolk County	Direct Lease	4,000
<i>CrossCountry Mortgage signed a partial first floor one-year lease at 270 Spagnoli Road for 4,000 square feet.</i>				
Royal House Events and Rental	4462 Middle Country Road	Suffolk County	Direct Lease	2,200
<i>Royal House Events and Rental signed a five-year lease at 4462 Middle Country Road for 2,200 square feet.</i>				

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