
2Q24

Long Island Office Market Overview



NEWMARK

Market Observations

Economy

- The Long Island labor market unemployment rate continued to track below the national average despite experiencing a minor uptick during the second quarter of 2024. Meanwhile, at 1.4%, employment growth on Long Island remained positive during the second quarter of 2024.
- Leisure and hospitality, education, construction, and other services led the region in job growth over the past year. While Long Island experienced 1.4% employment growth overall, office using sectors including information and business and professional services recorded negative yearly employment growth.
- Many landlords with maturing mortgages or floating rate loans are either in distress or default, with limited capital to lease up their buildings. The quality of services is decreasing, and deferred maintenance is increasing due to lack of capital and tenant relocations.

Major Transactions

- Northwell Health signed the largest deal of the quarter for 46,000 square feet at 855 Franklin Avenue in Nassau County.
- Long Island recorded 427,419 square feet of leasing activity in the second quarter of 2024, a 19.0% decrease from the previous quarter.
- Recording 229,345 square feet of activity, Nassau County accounted for 53.7% of leasing activity in the first quarter.
- With tenants adjusting to the new paradigm of the hybrid model and more employees returning to the office, more tenants are committing to long-term deals.

Leasing Market Fundamentals

- Strong first quarter absorption offset the negative 172,158 square feet of absorption during the second quarter of 2024. The negative quarterly absorption coincided with a heightened vacancy rate of 12.5%, a 20-year high.
- Total available space increased 80,098 square feet during the second quarter of 2024. The region's vacancy rate mirrored the slight increase as it rose to 12.5%.
- During the second quarter of 2024, the Long Island average asking rent increased 1.3% to \$29.21. The second quarter 2024 average asking rent remains 8.2% above the long-term average of \$26.99.
- The second quarter of 2024 continued to see an elevated spread between sublet and direct asking rates. The average sublease asking rate increased 21.9% 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.
- The second quarter of 2024 saw no office properties under construction 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.
- For landlords with the capital to provide tenant installations, pay commissions, and provide first class services, maintenance, and capital improvements, these properties will be the beneficiaries of the distressed properties in the Long Island market.

1. Economy
2. Leasing Market Fundamentals

2Q24

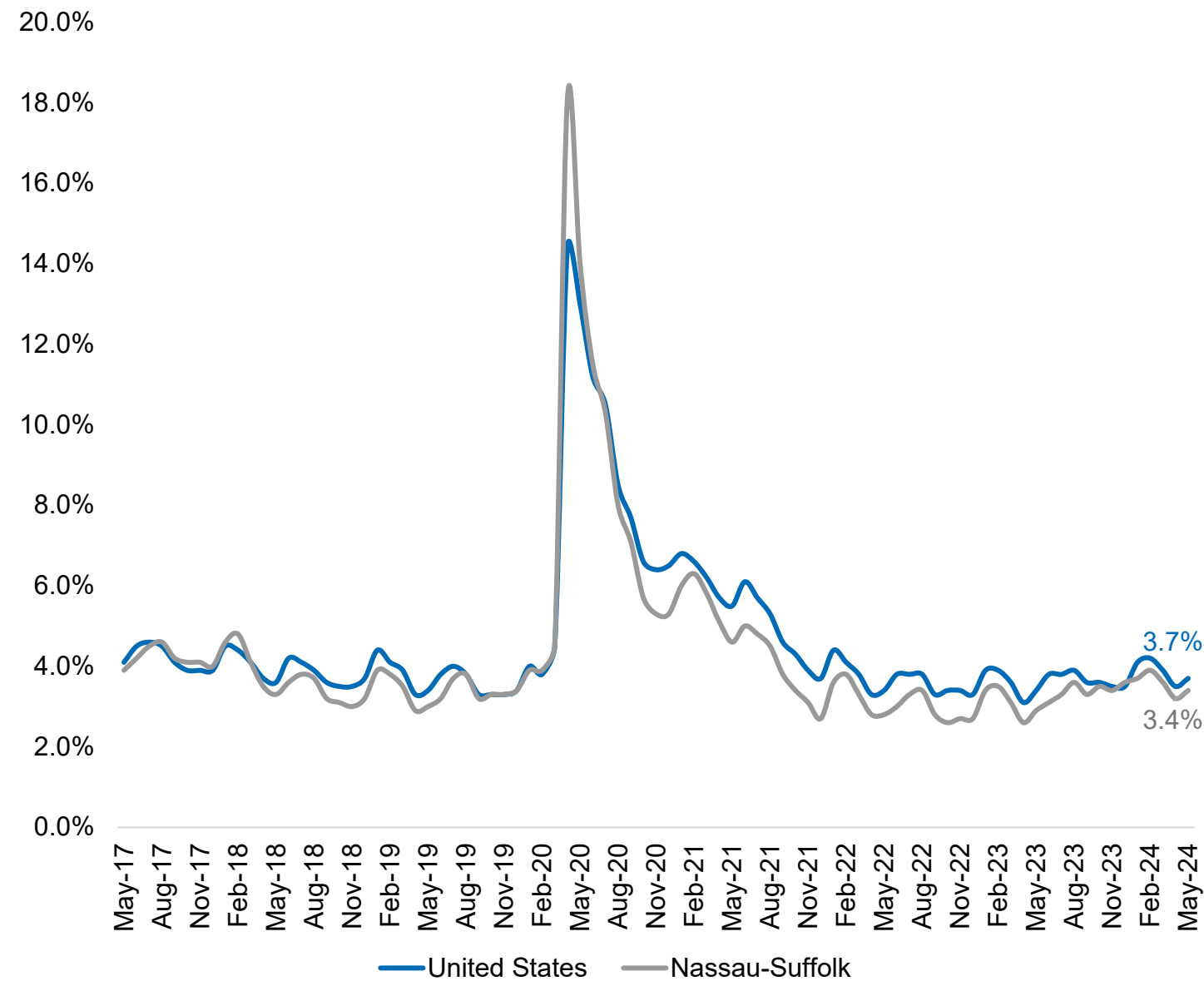
Economy



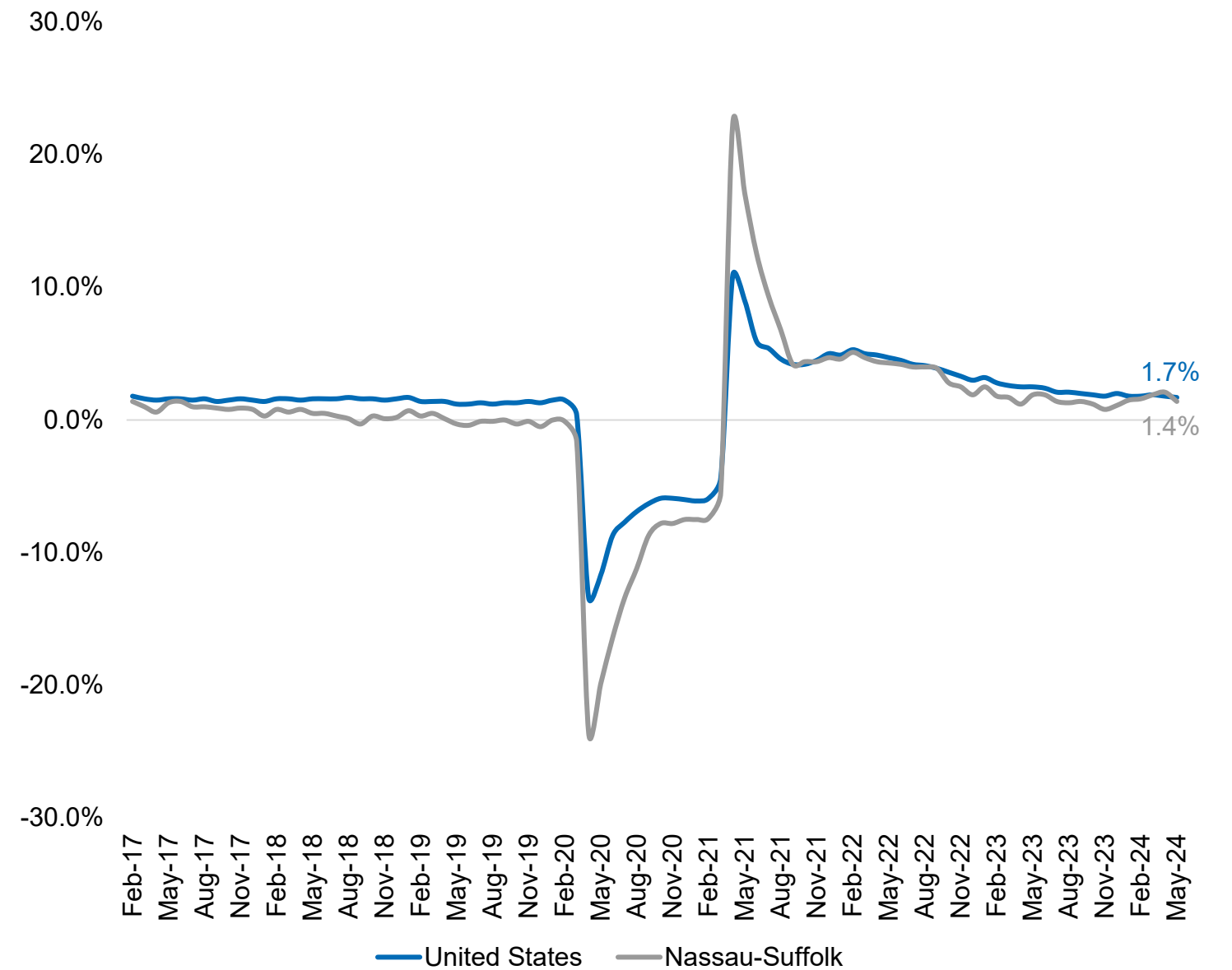
Employment Trends Return to Pre-Pandemic Levels

The Long Island labor market unemployment rate continued to track below the national average despite experiencing a minor uptick during the second quarter of 2024. Meanwhile, at 1.4%, employment growth on Long Island remained positive during the second quarter of 2024.

Unemployment Rate, Non-Seasonally Adjusted



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

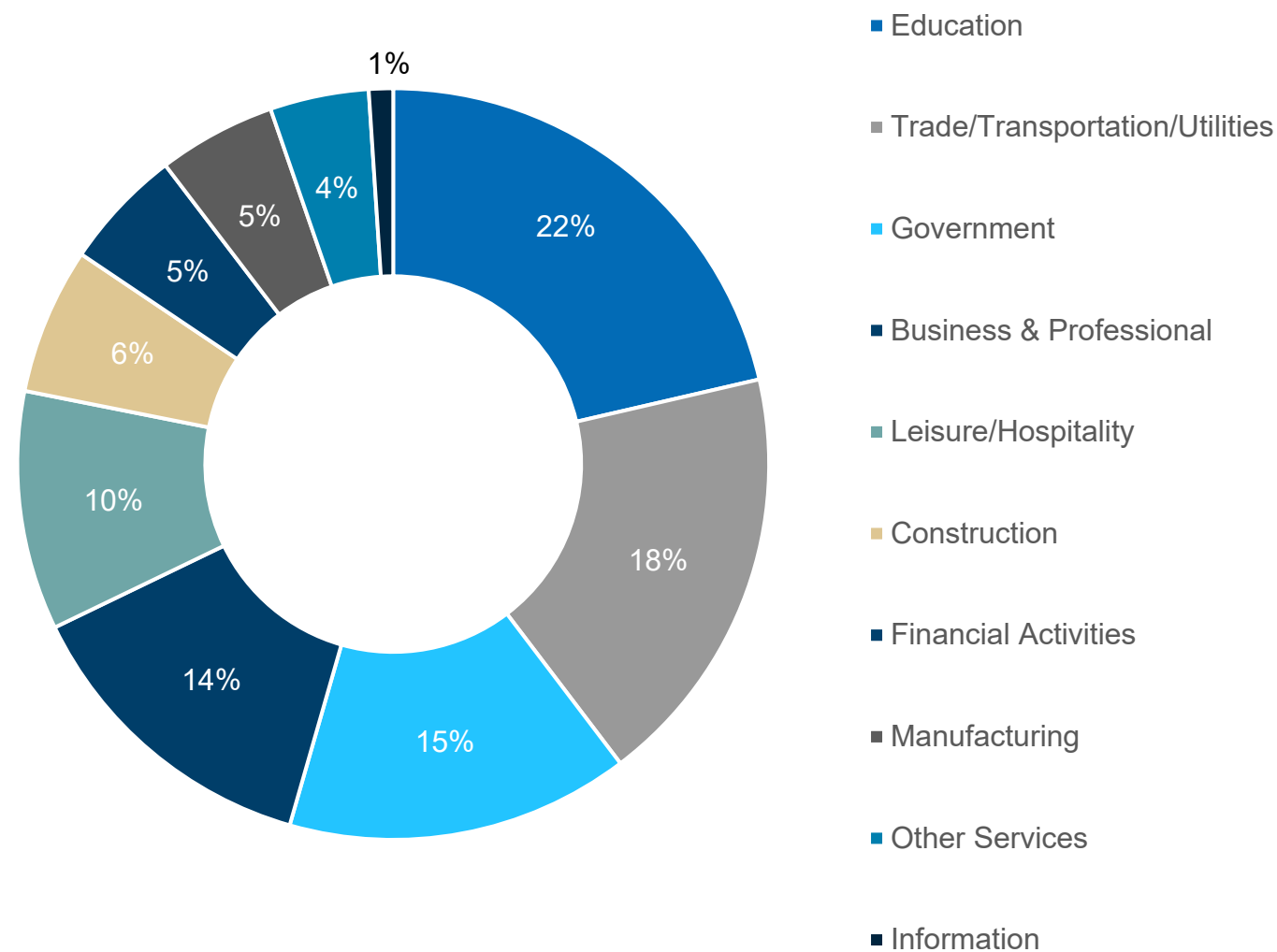


Source: U.S. Bureau of Labor Statistics, Nassau-Suffolk

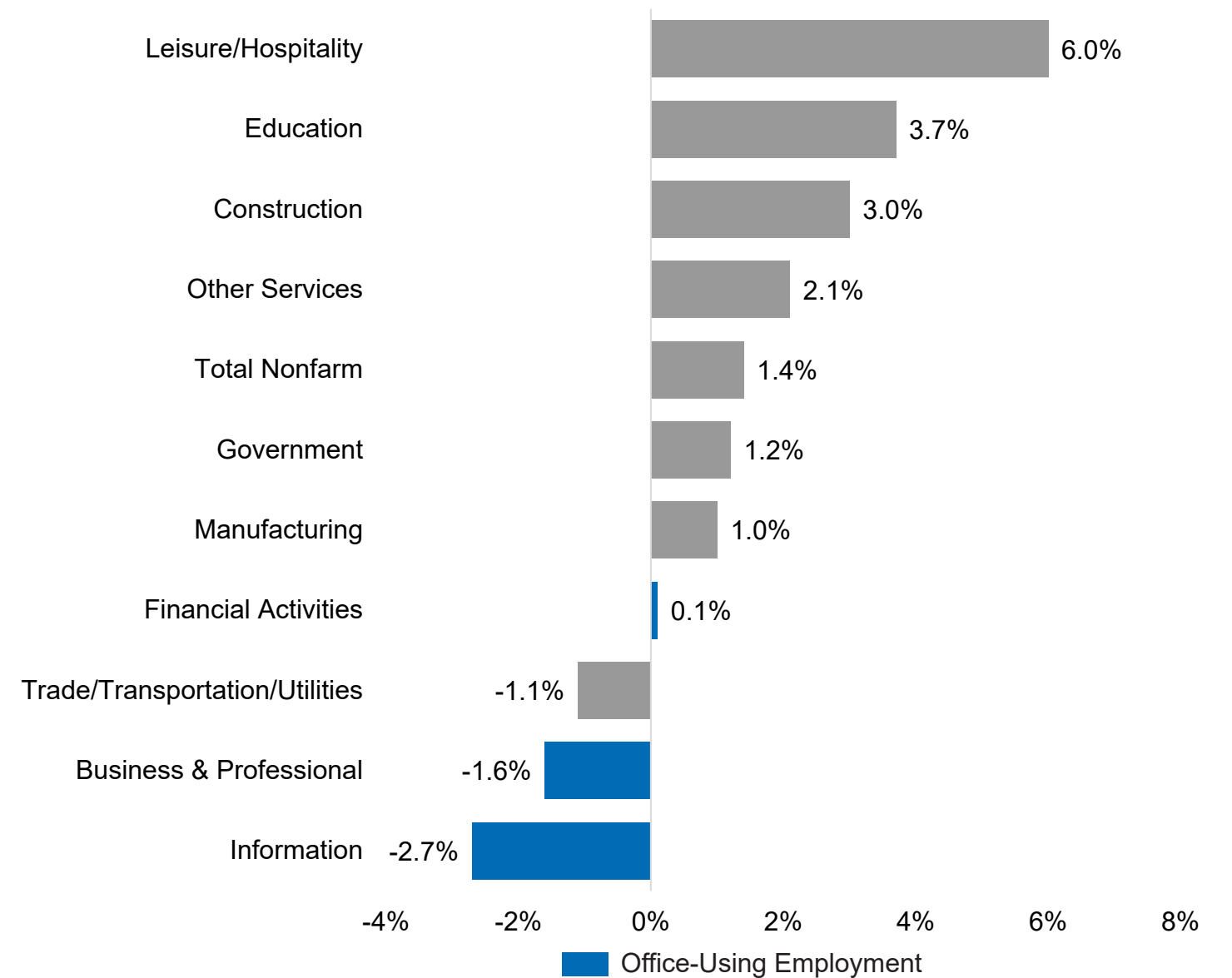
Office Using Sector Experiences Job Loss

Leisure and hospitality, education, construction, and other services led the region in job growth over the past year. While Long Island experienced 1.4% employment growth overall, office using sectors including information and business and professional services recorded negative yearly employment growth.

Employment by Industry, May 2024



Employment Growth by Industry, 12-Month % Change, May 2024

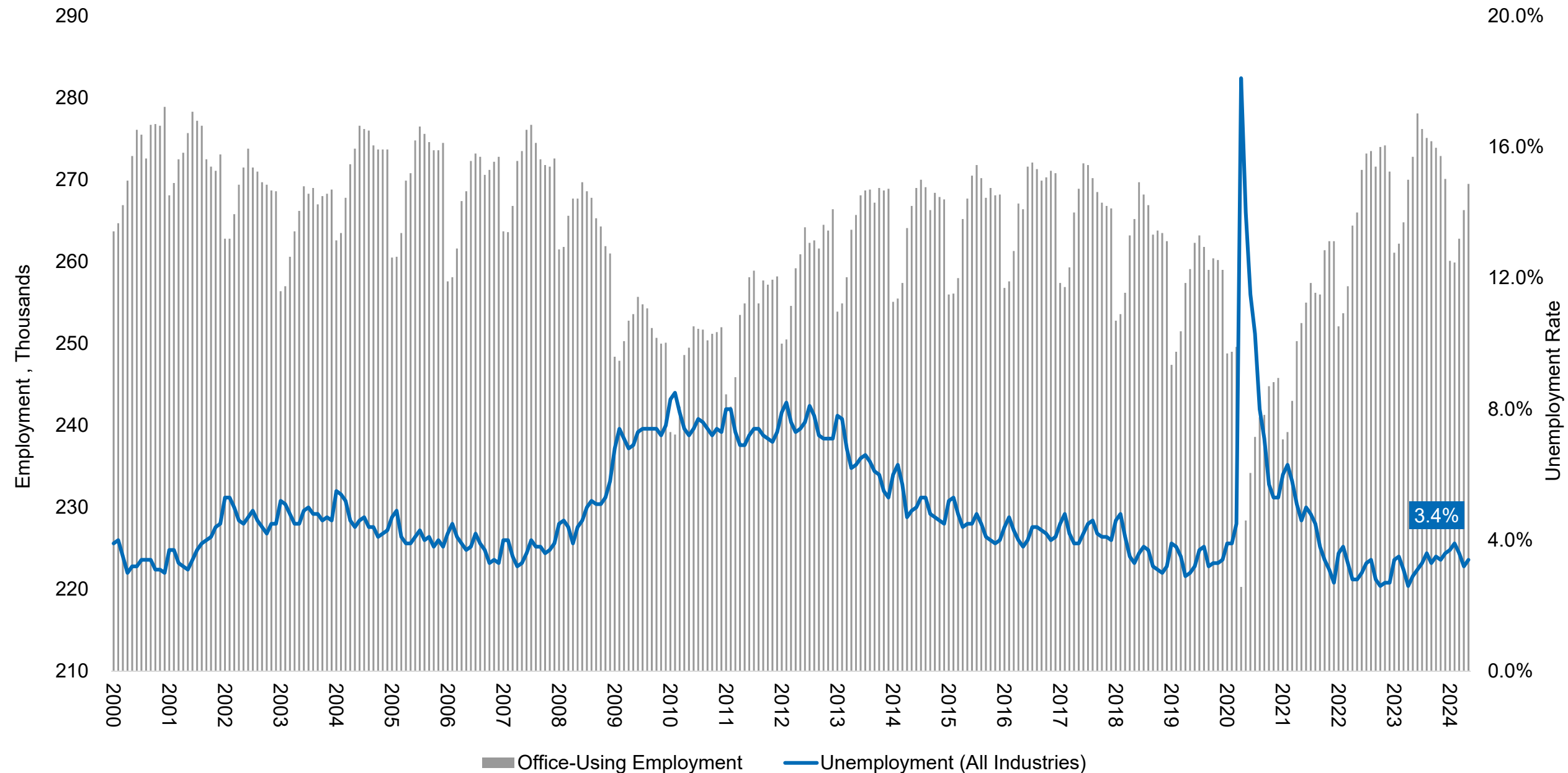


Source: U.S. Bureau of Labor Statistics, Nassau-Suffolk

Overall Office-Using Employment Aligns With Pre-Pandemic Levels

As the Long Island unemployment rate decreased to 3.4% during the second quarter of 2024, the market's office using employment surged. This rebound coincides with previous years as the first quarter consistently records the lowest level of office using employment over the year.

Office-Using Employment* and Unemployment Across All Industries



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

Note: May 2024 data is preliminary.

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

2Q24

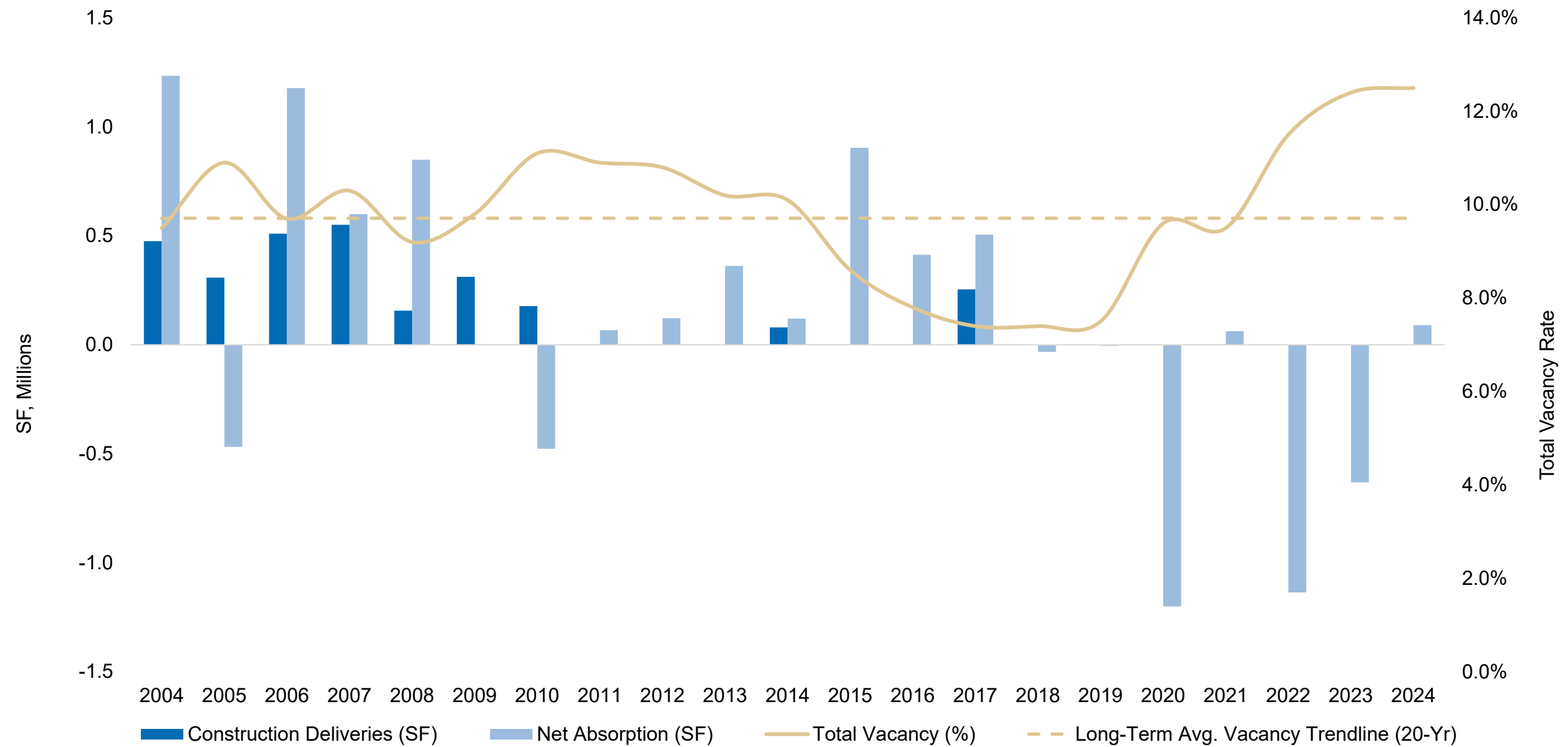
Leasing Market Fundamentals



Net Absorption Becomes Positive as Vacancy Falls

Strong first quarter absorption offset the negative 172,158 square feet of absorption during the second quarter of 2024. The negative quarterly absorption coincided with a heightened vacancy rate of 12.5%, a 20-year high.

Historical Construction Deliveries, Net Absorption, and Vacancy

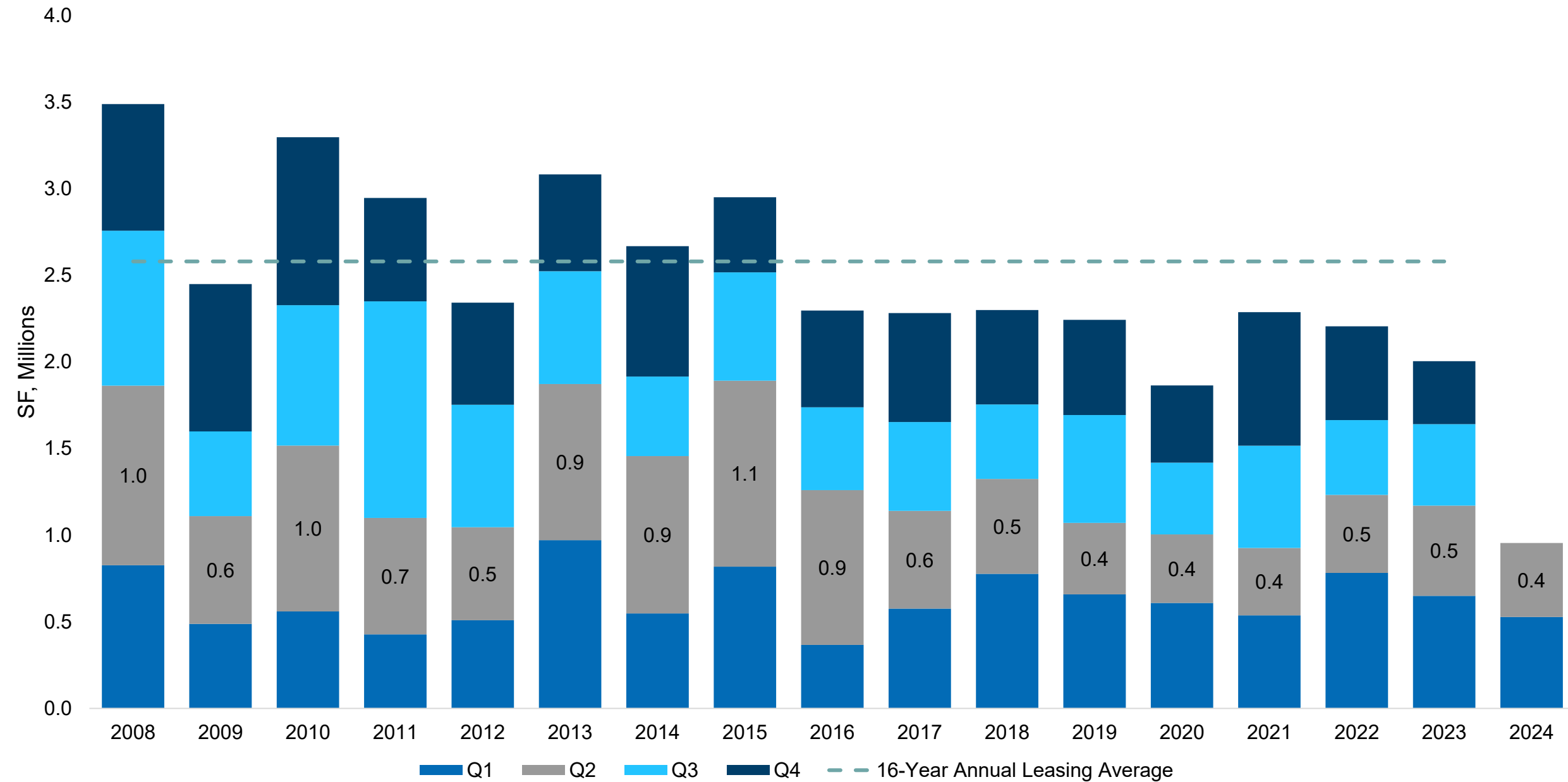


Source: Newmark Research, CoStar

Leasing Activity Slightly Declines

Long Island recorded 427,419 square feet of leasing activity in the second quarter of 2024, a 19.0% decrease from the previous quarter. Northwell Health signed the largest deal of the quarter for 46,000 square feet at 888 Franklin Avenue.

Total Leasing Activity

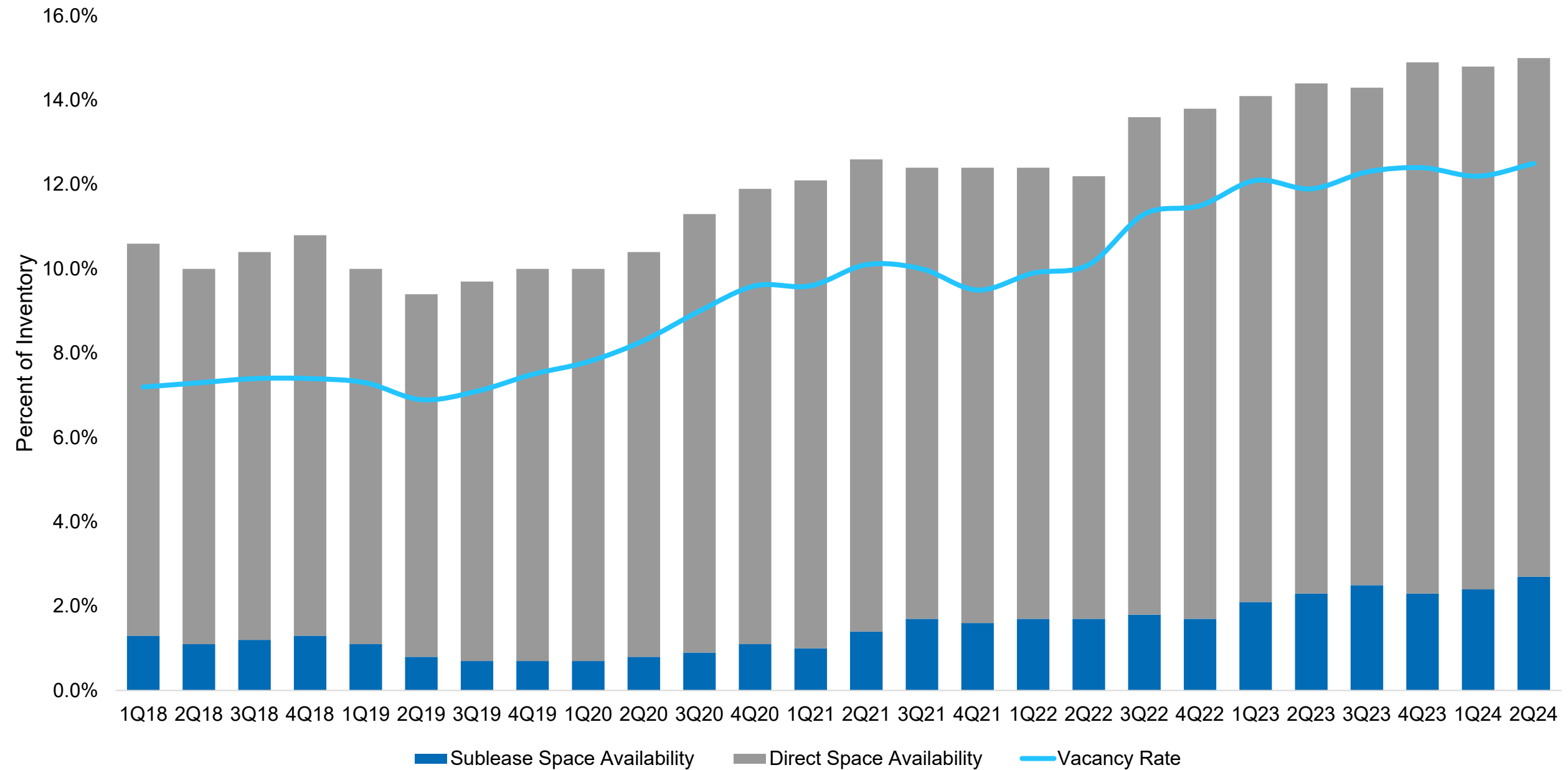


Source: Newmark Research, CoStar

Vacancy Rate and Availability Increase

Total available space increased 80,098 square feet during the second quarter of 2024. The rise was driven by available sublease space increasing 156,419 square feet while available direct space marginally decreased. The region's vacancy rate mirrored the slight increase in availability as it rose to 12.5%.

Available Space and Tenant Demand as Percent of Overall Market

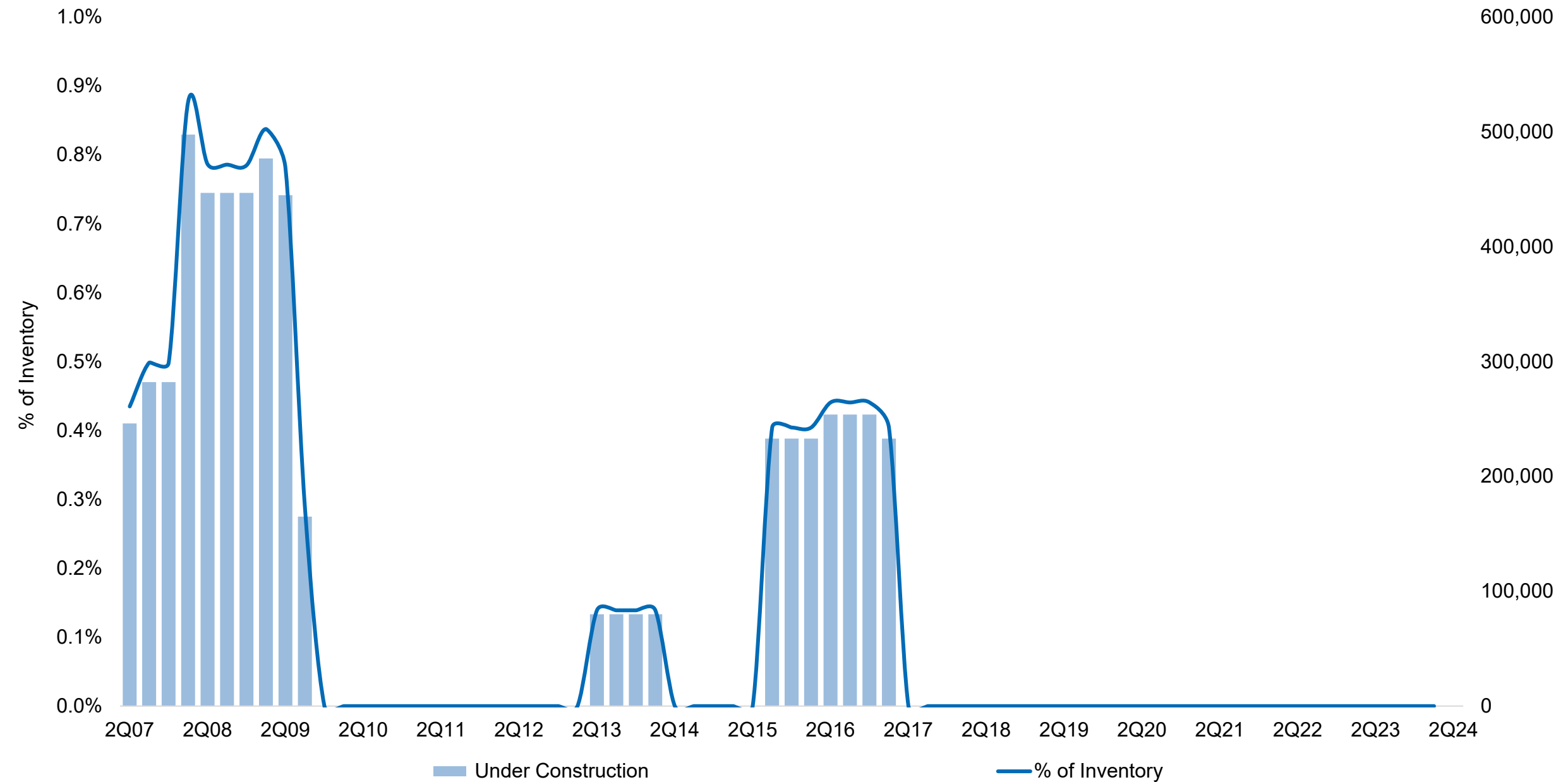


Source: Newmark Research, CoStar

Construction Standstill Continues

The second quarter of 2024 saw no office properties under construction 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

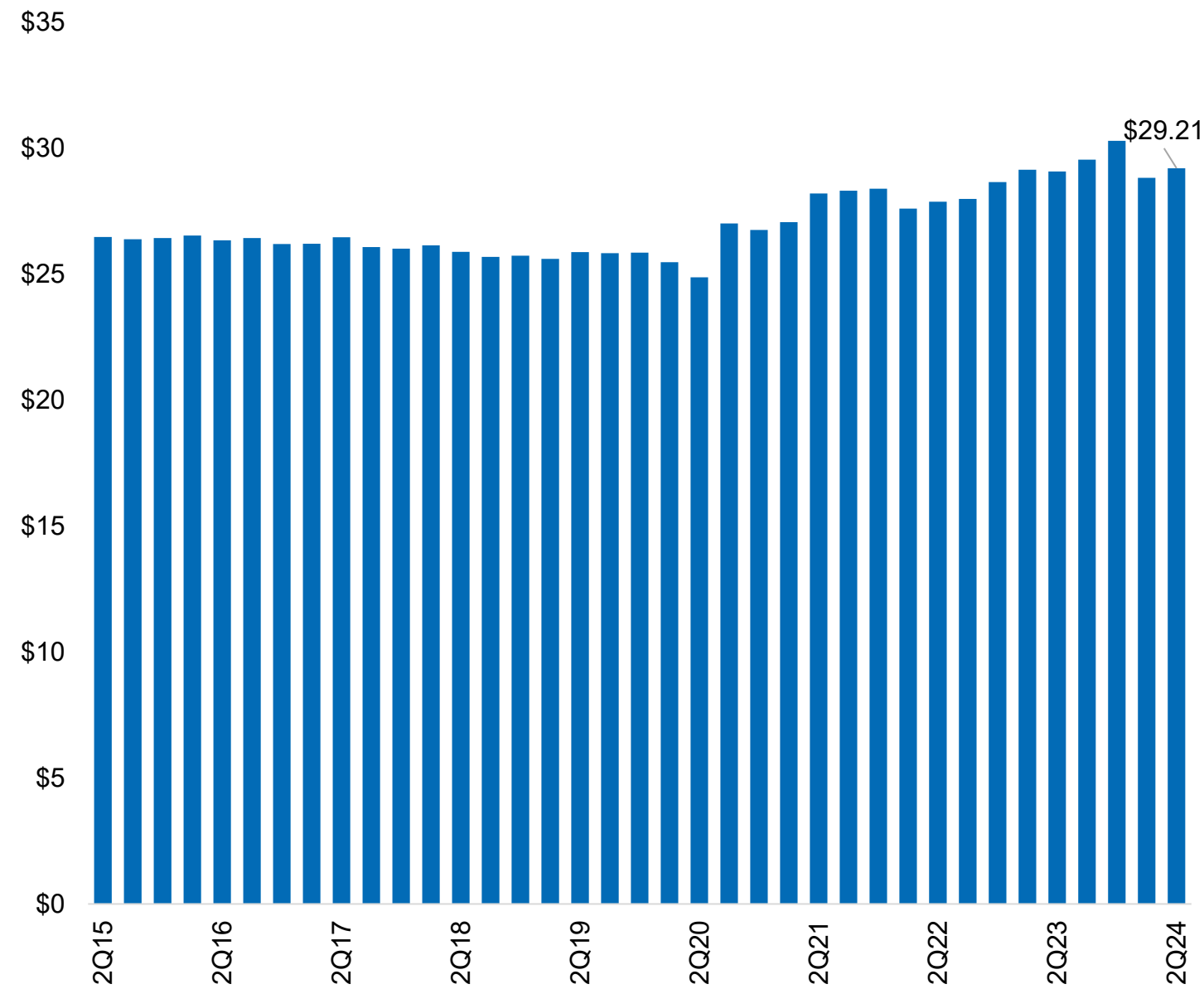


Source: Newmark Research, CoStar

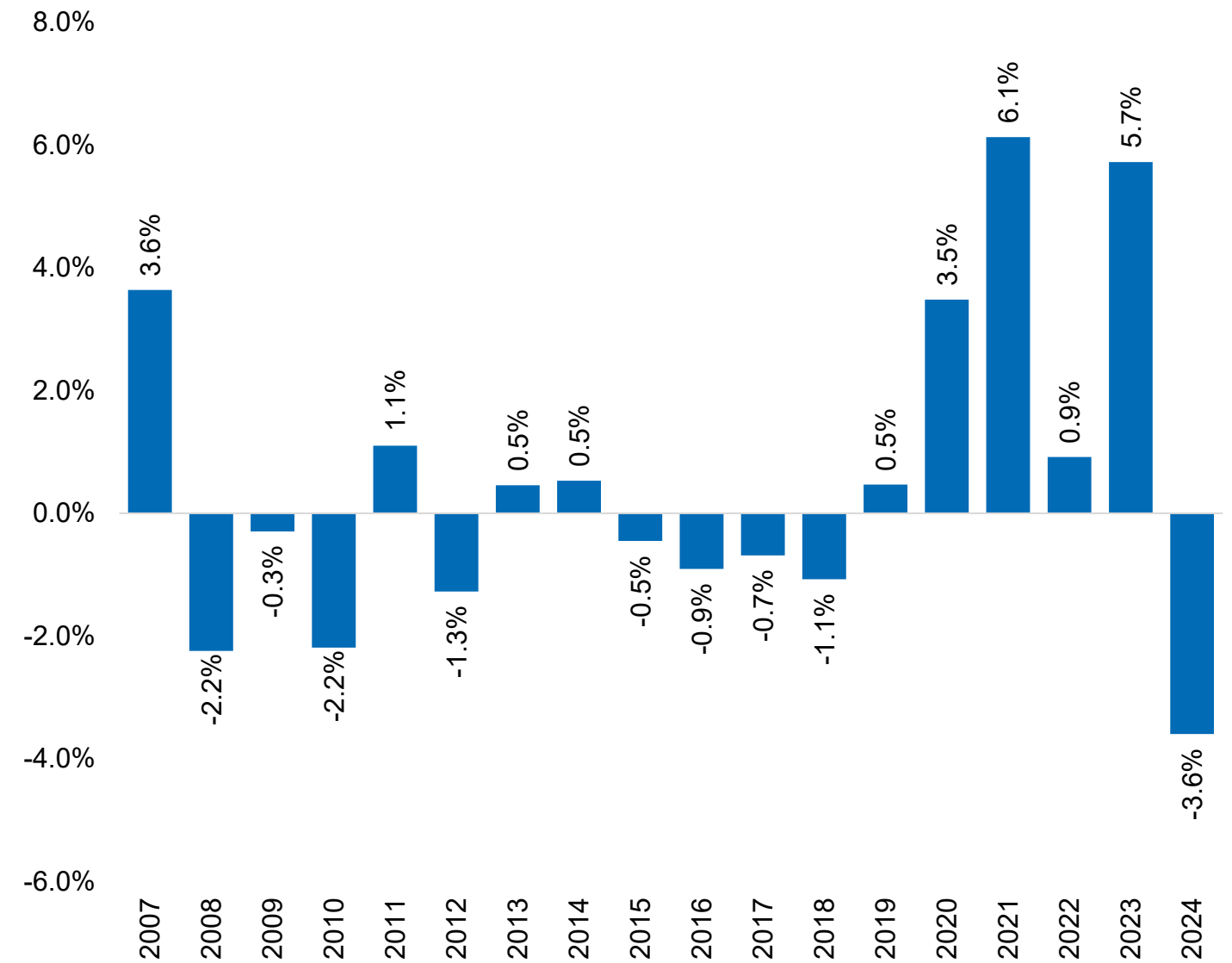
Rents Remain Elevated

During the second quarter of 2024, the Long Island average asking rent increased 1.3% to \$29.21. While still \$1.09 below the historic high experienced during the fourth quarter of 2023, the second quarter 2024 average asking rent remains 8.2% above the long-term average of \$26.99.

Office Average Asking Rent, \$/SF, FS



Year-over-Year Asking Rent Growth Rate

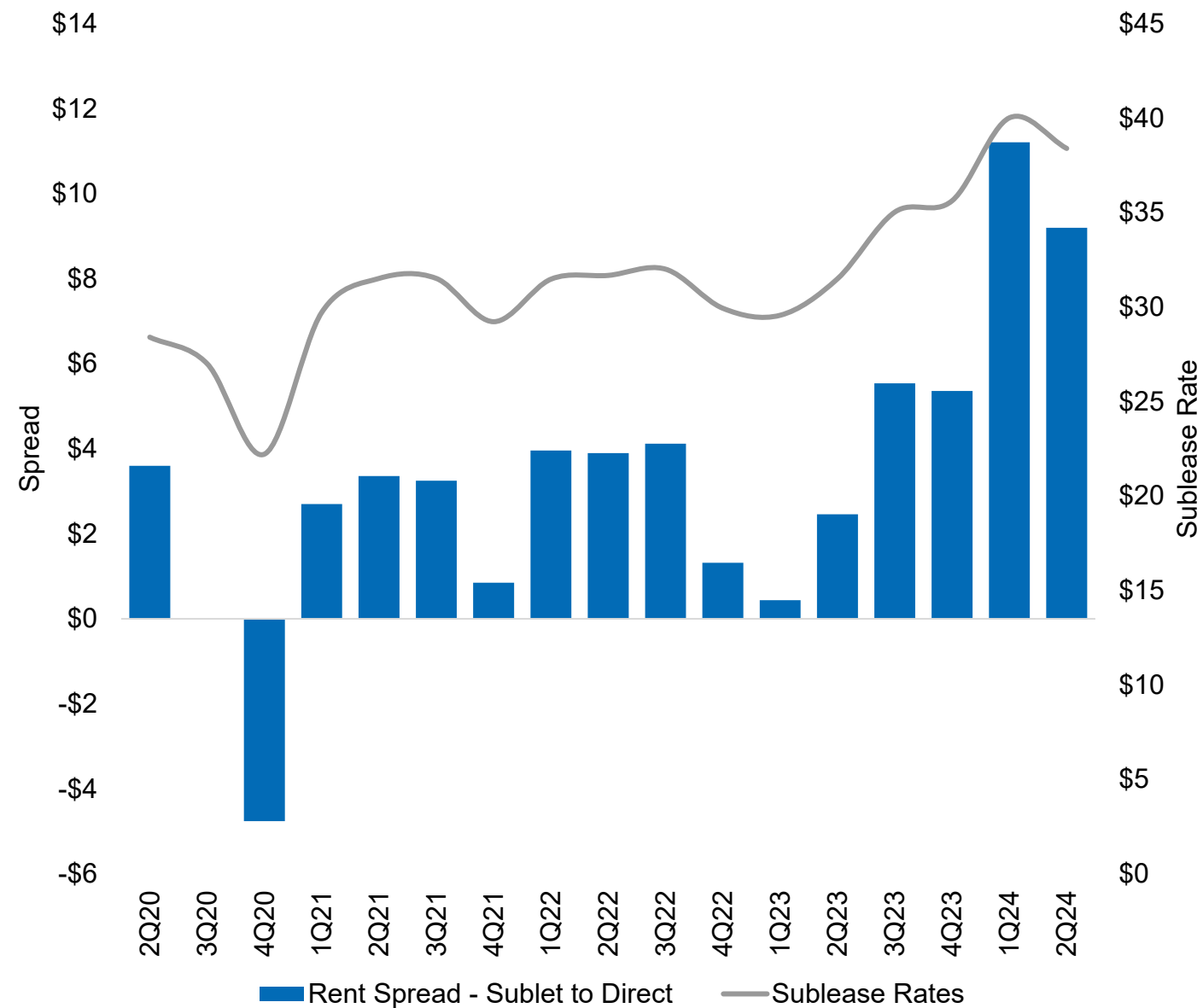


Source: Newmark Research, CoStar

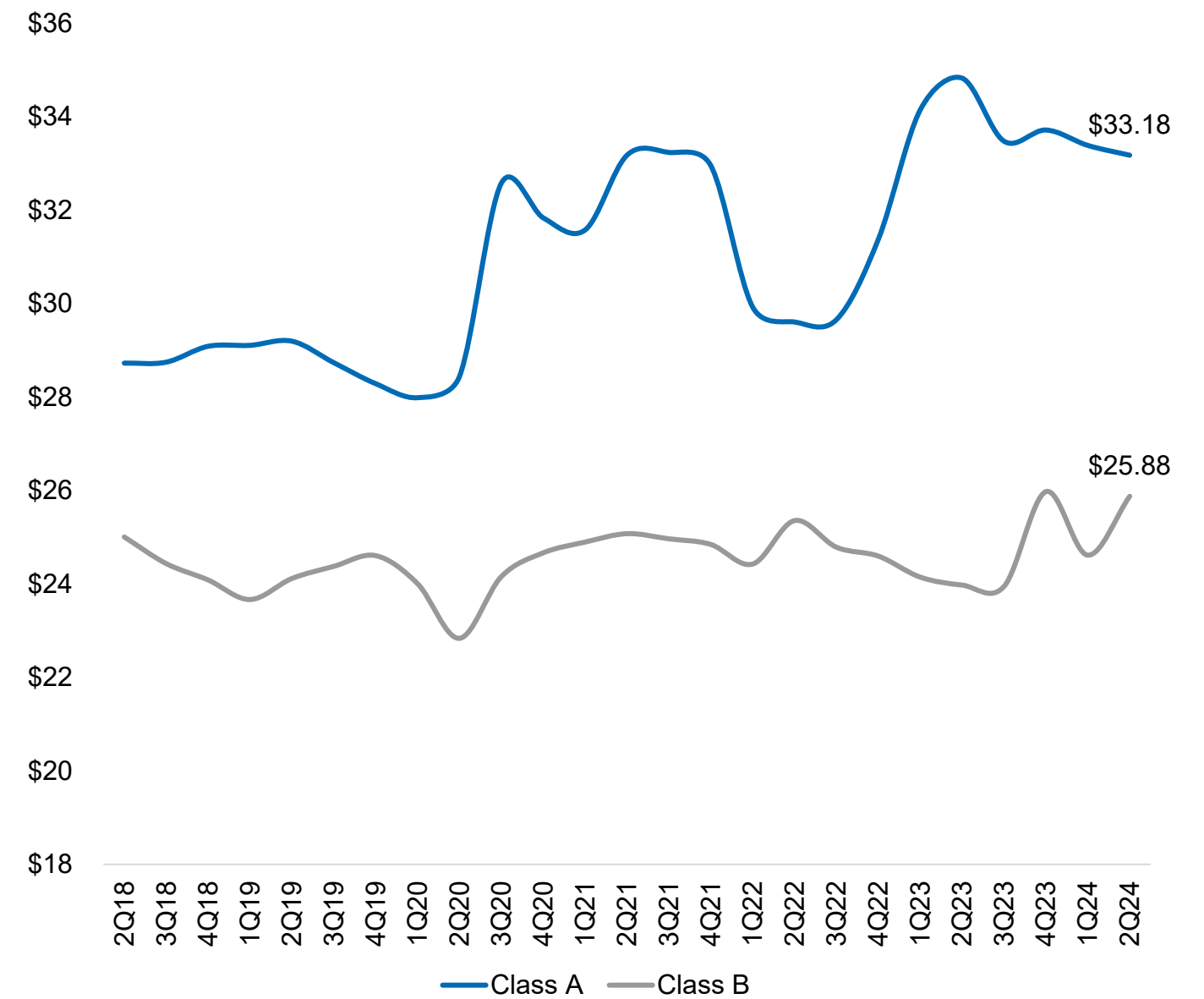
Heightened Sublease Rates Persist

The second quarter of 2024 continued to see an elevated spread between sublet and direct asking rates. While the average direct asking rates have stayed consistent, the average sublease asking rate increased 21.9% year over year.

Sublease Rates



Class A and Class B Direct Asking Rents



Source: Newmark Research, CoStar

Notable Lease Transactions

Second quarter 2024 leasing recorded 427,419 square feet of activity, a 19.0% decrease from the previous quarter. Recording 229,345 square feet of activity, Nassau County accounted for 53.7% of leasing activity in the first quarter.

Notable 2Q24 Lease Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
Northwell Health	855 Franklin Avenue	Nassau County	Direct Lease	46,000
<i>Northwell Health signed 46,000 square feet on the lower level, second, and third floor of 855 Franklin Avenue.</i>				
HUB International	401 Broadhollow Road	Suffolk County	Direct Lease	40,000
<i>Insurance brokers HUB International signed 40,000 square feet on the second and third floor of 401 Broadhollow Road.</i>				
JP Morgan Chase & Co.	1001 Franklin Avenue	Nassau County	Direct Lease	20,557
<i>Financial services firm JP Morgan Chase & Co. signed a ten-year lease for 20,557 square feet on the first floor of 1001 Franklin Avenue.</i>				
Advance Care Alliance of NY	100 Duffy Avenue	Suffolk County	Direct Renewal	12,423
<i>Advance Care Alliance of NY renewed 12,423 square feet on the first floor at 300 Vanderbilt Motor Parkway.</i>				
Regus	888 Veterans Memorial Highway	Suffolk County	Direct Lease	9,680
<i>Regus signed a ten-year lease for 9,680 square feet on the second floor at 888 Veterans Memorial Highway.</i>				

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