

FIGURES | LONG ISLAND OFFICE | Q1 2023

Space additions outpace strong quarter of leasing

▲ 14.3%

Availability Rate

▼ (290,000)

SF Net Absorption

▲ 462,000

SF Leasing Activity

▲ \$29.59

PSF Average Asking Rent

Note: Arrows indicate change from previous quarter.

QUICK FACTS

- Long Island recorded 462,000 sq. ft. of leasing activity during Q1 2023, a 19% increase from the previous quarter and 12% above its five-year quarterly average.
- Year-to-date leasing was 21% ahead of the same period a year ago.
- Absorption was negative 290,000 sq. ft. in Q1 2023, due to large blocks of space coming to market.
- The availability rate increased 90 basis points (bps) to 14.3%, quarter-over-quarter and 110 bps year-over-year.
- Long Island’s sublease availability rate rose 80 bps to 3.0%, which equates to 1.2 million sq. ft., 21% of the total available space.
- The overall average asking rent was \$29.59 per sq. ft.—up 1% from the prior quarter and 2% year-over-year.

Market Overview

After a stable 2022, the Long Island office market started Q1 2023 with a substantial 290,000 sq. ft. of negative absorption. Economic uncertainty propagated and hybrid work patterns solidified leading to the addition of large amounts of available space—both sublease and direct—in several markets. These supply increases pushed the availability rate up 90 bps from the prior quarter to 14.3%. Leasing activity proved resilient amid the decrease in office space demand due to hybrid work, totaling 462,000 sq. ft. in Q1—12% above the five-year quarterly average. Despite the additional supply and concerns over future demand, the overall average asking rent ticked up 1% during Q1 to \$29.59 per sq. ft.—a new high for the market.

Economic Overview

Downstream consequences of the Fed’s tightening program are surfacing and signaling slower growth ahead. Specifically, trouble in the banking sector will likely weigh on even the strongest feature of the economy—the consumer—as banks limit lending to increase their own liquidity. This will erode demand for big-ticket items, such as housing and autos, but could also impede spending on services, which has been a key driver of job growth in recent months.

Meanwhile, other corners of the labor market, especially technology and corporate functions, are under pressure as hiring far exceeded revenue growth in recent years. Other operating challenges, such as inflation and cost of capital, are causing firms to shelve expansion plans and business investment is stalling. Like households, firms will certainly feel the pinch of constrained credit flows.

On Long Island, employment continues to recover. Gains in professional and business services, leisure and hospitality, and private education and health services contributed to the increase in the number of private sector jobs over the year by 24,500, or 2.2% to 1,115,600 in February 2023. Long Island’s office-using employment (OUE)—including jobs in the information, financial activities, and professional and business services sectors—increased by 10,300 jobs year-over-year. The professional and business services sector, accounting for the largest segment of office-using jobs, experienced the greatest improvement by 6%, adding 9,900 jobs between February 2022 and February 2023. The financial services sector increased by less than 1%, gaining 400 jobs. While the number of private sector jobs increased over the year by 2%, Long Island remains 5,100 jobs below the pre-pandemic level in February 2019.

Long Island’s overall unemployment rate for February 2023 was 3.3%, down from 3.4% in January and below the 3.7% rate recorded in February 2022. At this level it is down considerably from its pandemic high of 18.1% in April 2020 and on par with rates recorded right before the pandemic.

FIGURE 1: Significant Transactions | Q1 2023

Size (Sq. Ft)	Tenant	Address	Transaction Type
39,961	AXA Advisors	395 North Service Rd, Melville	New Lease
30,000	W Services Group	150 Motor Parkway, Hauppauge	New Lease
30,000	D&B Engineers and Architects	330 Crossways Park Dr, Woodbury	Renewal
22,000	BDO USA LLP	201 Old Country Rd, Melville	New Lease
20,635	Advanced Acoustic Concepts	3500 Sunrise Highway, Great River	New Lease

Source: CBRE Research, Q1 2023.

FIGURE 2: Leasing Activity | Quarterly Historical



Source: CBRE Research, Q1 2023.

Leasing Activity

Leasing activity picked up in Q1 2023 after three quarters of below average activity. Q1 2023's 462,000 sq. ft. was 19% higher than Q4 2022 and 12% above the five-year quarterly average. Even though leasing activity was up this quarter, tenants completing deals in Q1 often reduced their office footprint as a cost saving measure. Five of the top ten deals over 10,000 sq. ft. involved tenants relocating and taking less space. On average, the reduction in footprints for tenants was 32%.

Leasing activity for the Western Suffolk submarket totaled 157,000 sq. ft., the highest of the five submarkets and 15% above its five-year quarterly average. Notable Western Suffolk leases include: AXA Advisors taking 40,000 sq. ft. at 395 North Service Road in Melville, BDO USA LLP's lease of 22,000 sq. ft. at 201 Old Country Road in Melville and Bartlett LLP leasing 12,000 sq. ft. at 3 Huntington Quadrangle in Melville.

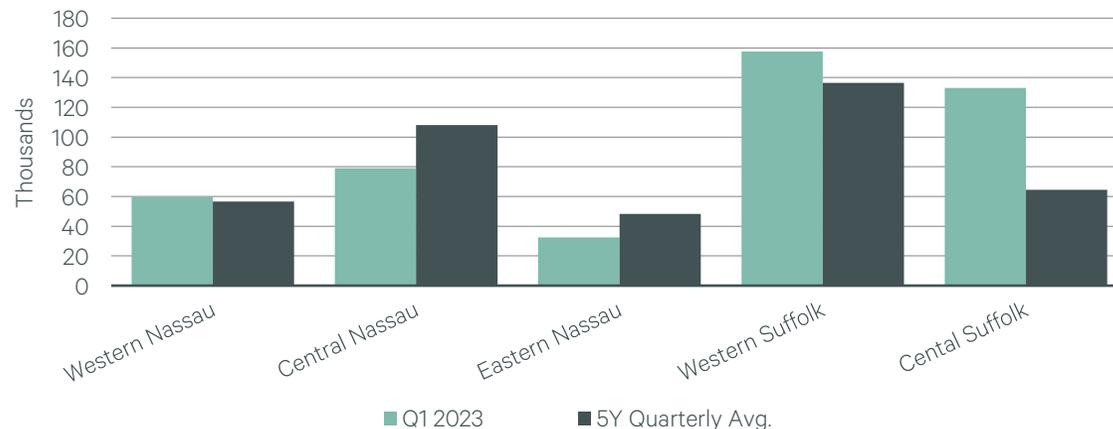
The Central Suffolk submarket outperformed its long-term average, recording 133,000 sq. ft. of leasing activity, 106% above the five-year quarterly average and 44% more than the previous quarter. Two buildings made up 57% of the activity, 150 Motor Parkway in Hauppauge and 3500 Sunrise Highway in Great River. At 150 Motor Parkway, W Services Group leased 30,000 sq. ft. and the New York State Grievance Committee leased 11,000 sq. ft. In Great River, Advanced Acoustic Concepts took 21,000 sq. ft. and the Suffolk County Department of Health Services leased 15,000 sq. ft.

At the other end of the spectrum, Eastern Nassau recorded just 33,000 sq. ft., 33% below its five-year quarterly average. Central Nassau also underperformed with 79,000 sq. ft. of leasing, 27% below the historical average. Western Nassau was 5% above its five-year average with 59,000 sq. ft. of leasing.

Net Absorption and Availability

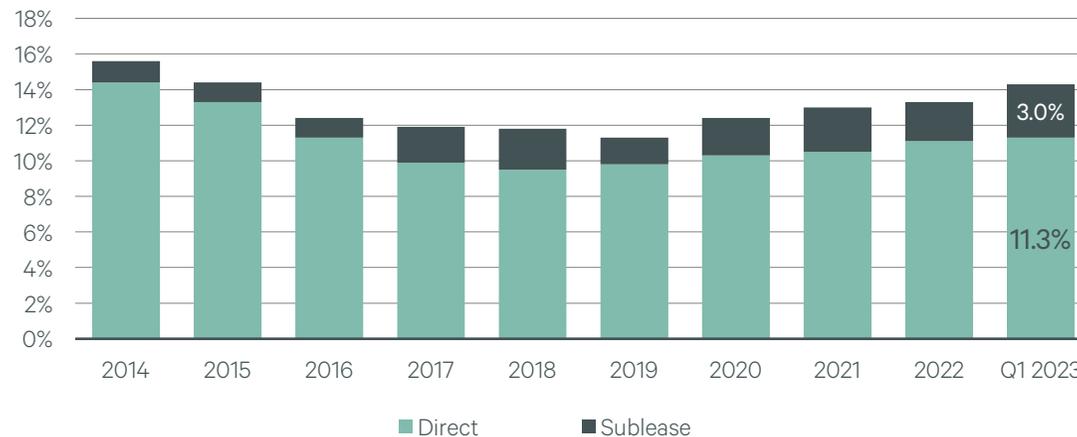
Quarterly net absorption reached negative 290,000 sq. ft., the lowest quarterly total since Q4 2020. The negative net absorption pushed up the availability rate to 14.3%—a 90 bps increase quarter-over-quarter and up 110 bps year-over-year. A significant amount of sublease space coming to market is the primary factor contributing to the negative absorption.

FIGURE 3: Leasing Activity | By Submarket



Source: CBRE Research, Q1 2023.

FIGURE 4: Sublease and Direct Availability Rate | Historical



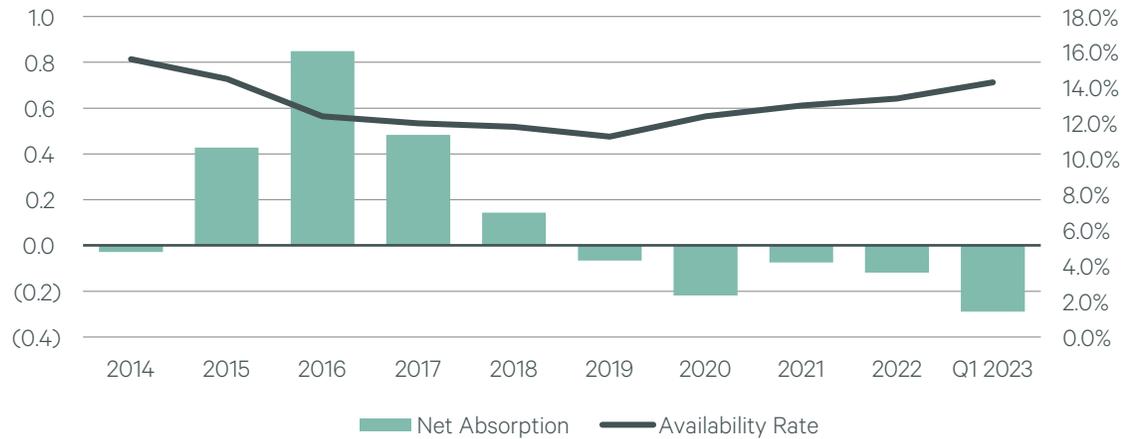
Source: CBRE Research, Q1 2023.

For the first time since 2010, Long Island’s sublease availability rate climbed to 3.0%. With 1.2 million sq. ft. available, sublease space accounts for 21% of all available space on the market, up from 19% a year ago. The majority of available sublease space was in Class A properties, 1.07 million sq. ft.—representing 87% of all available sublease space.

The Eastern Nassau submarket was the main driver, registering 401,000 sq. ft. of negative net absorption with a corresponding rise in availability to 17.1%. The availability moved up 640 bps quarter-over-quarter and 600 bps higher than one year ago. The largest block of available sublease space, at 310,000 sq. ft., was added to the market in Q1 2023 at 200 Jericho Quadrangle in Jericho. The entire building leased to Altice, now with just two years remaining, has been available for sublease on and off for several years. Right next door at 300 Jericho Quadrangle, Publishers Clearing House added 100,000 sq. ft. available for long-term sublease.

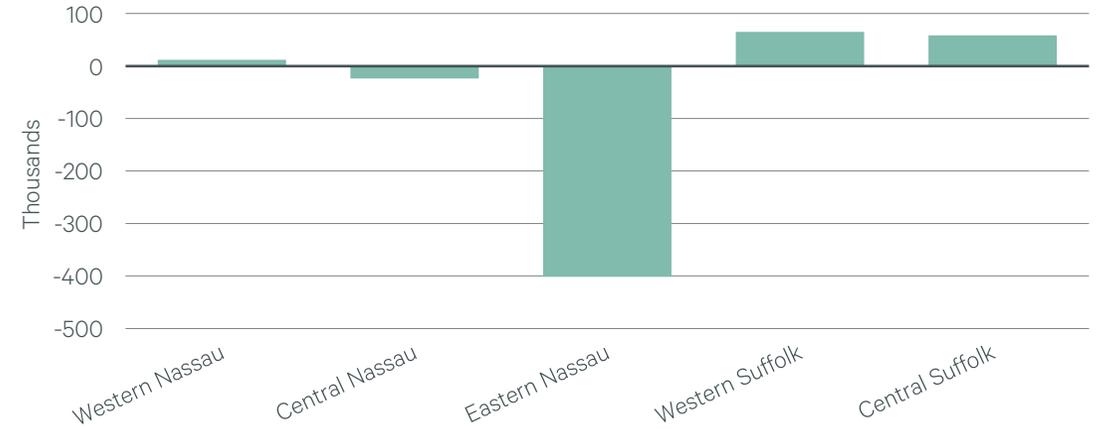
Central Nassau is the only other submarket to experience negative net absorption, totaling 24,000 sq. ft., with availability rising 20 bps quarter-over-quarter to 16.8%. All other submarkets posted positive net absorption for the quarter. Above average leasing and a lack of large

FIGURE 5: Net Absorption | Historical



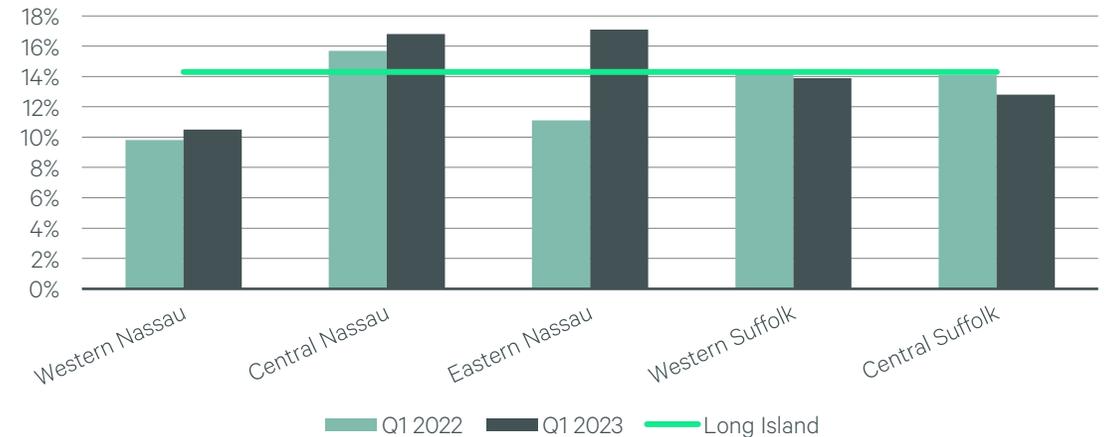
Source: CBRE Research, Q1 2023.

FIGURE 6: Quarterly Net Absorption | By Submarket



Source: CBRE Research, Q1 2023.

FIGURE 7: Availability Rate | By Submarket



Source: CBRE Research, Q1 2023.

new availabilities led Western Suffolk to record positive net absorption of 65,000 sq. ft., dropping availability quarter-over-quarter 70 bps to 13.9%. Central Suffolk recorded 58,000 sq. ft. of absorption, resulting in a 70 bps decrease in the availability rate to 12.8%. With 12,000 sq. ft. of positive absorption, Western Nassau maintains the lowest availability rate of all submarkets at 10.5%

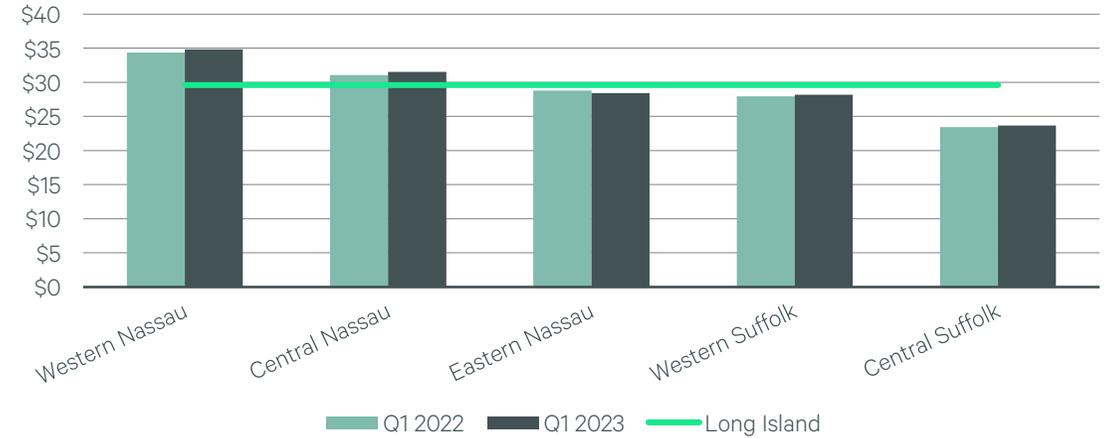
Average Asking Rent

Long Island’s average asking rent ticked up for the third consecutive quarter to \$29.59 per sq. ft. as of Q1 2023, increasing 1% quarter-over-quarter and 2% year-over-year. Class A average asking rents experienced marginal quarterly changes, however year-over-year the Class A average increased 1% to \$32.65 per sq. ft. The Class B average asking rent increased 3% quarter-over-quarter to \$27.43 per sq. ft., and 2% year-over-year. This increase largely reflects the addition of a higher priced block of space in the Western Nassau submarket.

Western Nassau was the only submarket to see a significant average asking rent increase from Q4, up 4% to \$34.84 per sq. ft. due to a block of 68,000 sq. ft. in Rockville Centre priced well above average. Western Suffolk saw the largest rent decline in Q1 2023, dropping 1% from Q4 2022 to \$28.19 per sq. ft., due to higher-priced Class A spaces being leased. Central Nassau, Eastern Nassau and Central Suffolk were all relatively flat quarter-over-quarter.

The Western Nassau submarket continued to hold the highest average asking rental rate of \$34.84 per sq. ft. Conversely, the Central Suffolk submarket has the lowest average asking rent at \$23.66 per sq. ft.

FIGURE 8: Average Asking Rent | By Submarket



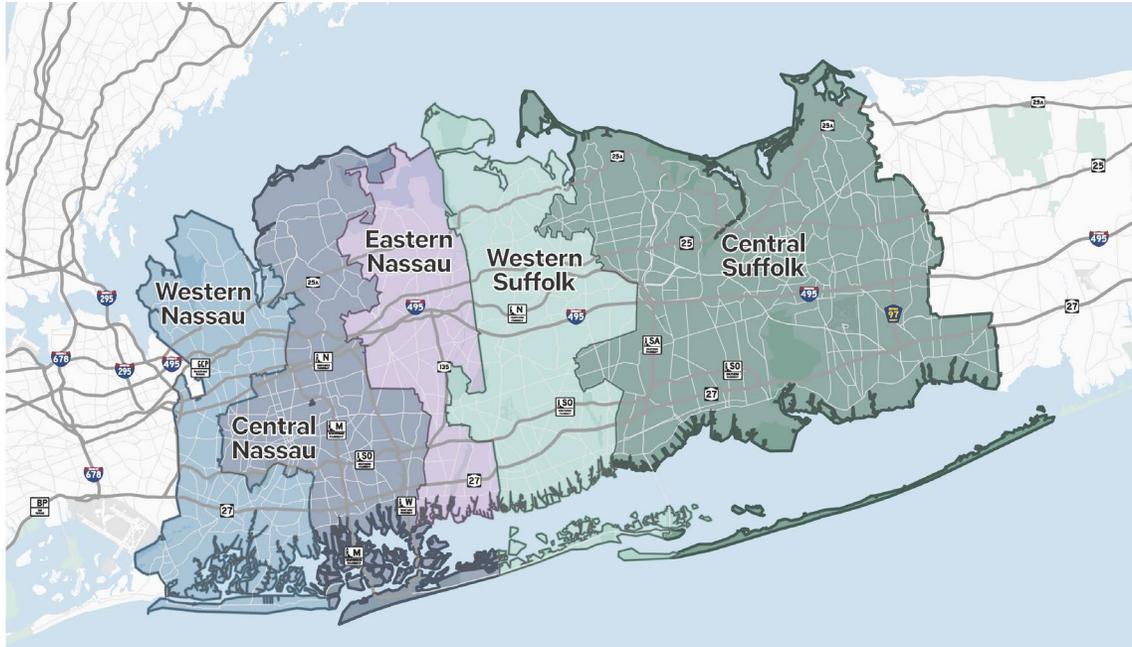
Source: CBRE Research, Q1 2023.

FIGURE 9: Average Asking Rent | Historical



Source: CBRE Research, Q1 2023.

Market Area Overview



Definitions

Availability: Space that is being actively marketed and is available for tenant build-out within 12 months. Includes space available for sublease as well as space in buildings under construction.

Asking Rent: Weighted average asking rent.

Leasing Activity: Total amount of sq. ft. leased within a specified period of time, including new deals, expansions, and pre-leasing, but excluding renewals.

Leasing Velocity: Total amount of sq. ft. leased within a specified period of time, including new deals, expansions, and pre-leasing and renewals.

Net Absorption: The change in the amount of committed sq. ft. within a specified period of time, as measured by the change in available sq. ft.

Vacancy: Unoccupied space available for lease.

Survey Criteria

CBRE's market report analyzes fully modernized office buildings that total 20,000+ sq. ft. in Long Island, including owner-occupied buildings (except those owned and occupied by a government or government agency). New construction must be available for tenant build-out within 12 months. CBRE assembles all information through telephone canvassing and listings received from owners, tenants and members of the commercial real estate brokerage community.

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