Industrial market adjusts as vacancy expands and demand softens

▲ 7.7%	▼ (219,705)	▼ 266,955	▲ 1.4M	▼ $18.58
Vacancy Rate	SF Net Absorption	SF Construction Delivered	SF Under Construction	NNN/YR Direct Lease Rate

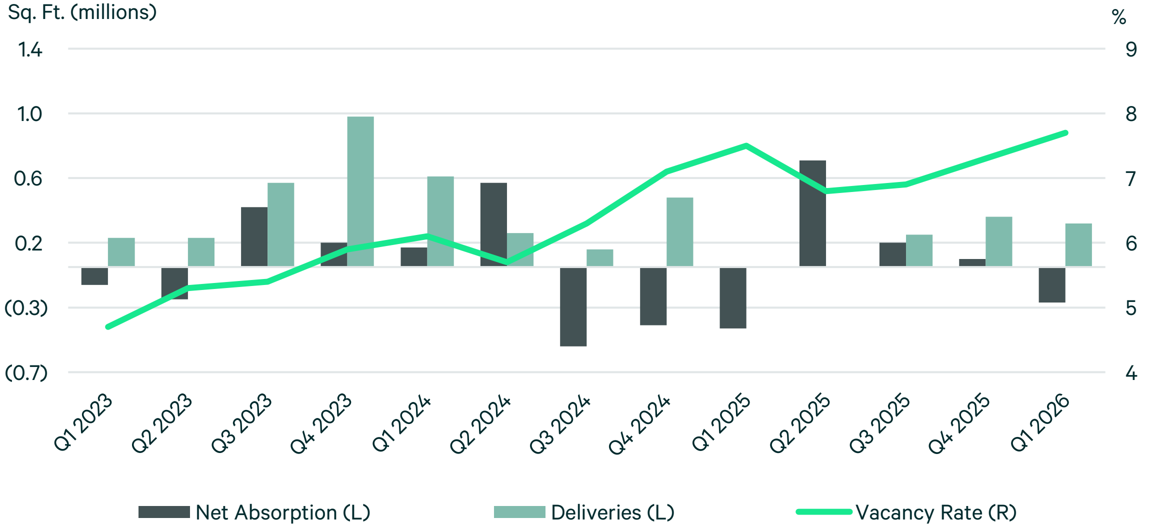
Note: Arrows indicate change from previous quarter.

Market Overview

Long Island's industrial market softened in Q1 2026 as demand weakened and vacancy levels edged higher. Net absorption declined quarter-over-quarter, reversing from a modest 55,000 sq. ft. gain in Q4 2025 to a 220,000 sq. ft. loss, which pushed the vacancy rate up 40 basis points (bps) to 7.7%. This increase was driven by 137,000 sq. ft. of newly delivered space that has yet to be leased, along with the return of several large blocks of space to the market. Despite softer occupancy conditions, pricing remained relatively resilient. Average asking rents declined 0.7% from the prior quarter to $18.58 per sq. ft., but remained 1.5% above year-ago levels.

Construction activity accelerated notably during the quarter, with space under construction rising to 1.4 million sq. ft.—an 82.5% increase quarter-over-quarter and a 191.2% increase year-over-year. Much of this growth stems from an 881,000 sq. ft. build-to-suit facility for Trader Joe's in Islandia that broke ground during the quarter. Meanwhile, speculative completions totaled 137,000 sq. ft. in Q1 2026, adding new supply to a market already contending with elevated vacancy.

Figure 1: Historical Net Absorption, Deliveries, and Vacancy



Source: CBRE Research, Q1 2026

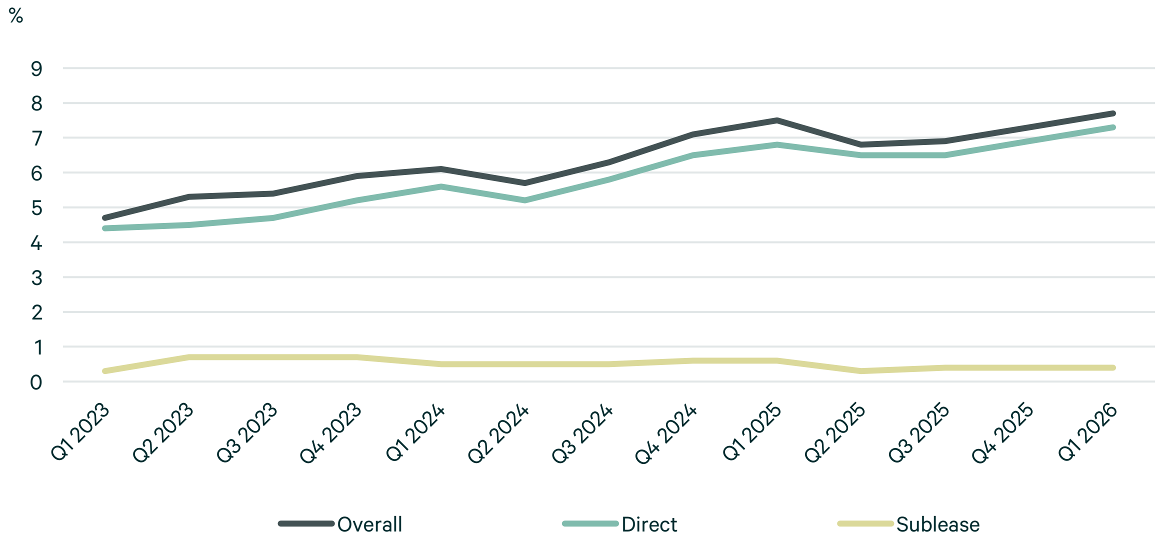
Vacancy Rate

The industrial vacancy rate increased to 7.7% at the close of Q1 2026, up from 7.3% in Q4 2025. The rise was driven largely by Western Suffolk, where vacancy jumped 150 bps quarter-over-quarter to 5.2%. This increase reflects the addition of the quarter's largest block of space—235,000 sq. ft. at 1000 New Horizons Boulevard in Amityville—following GKN Aerospace's closure of the facility as part of a broader consolidation.

Central Suffolk also contributed to the uptick in vacancy, with the rate increasing 30 bps to 8.7%. The increase was primarily due to 124,000 sq. ft. being placed back on the market at 49 Mall Drive in Commack.

Sublease space remained stable in Q1 2026, with an availability rate of 0.4%, unchanged from Q4 2025. In total, there was 381,052 sq. ft. of sublease space on the market in Q1 2026 across the tracked submarkets.

Figure 2: Vacancy Rates



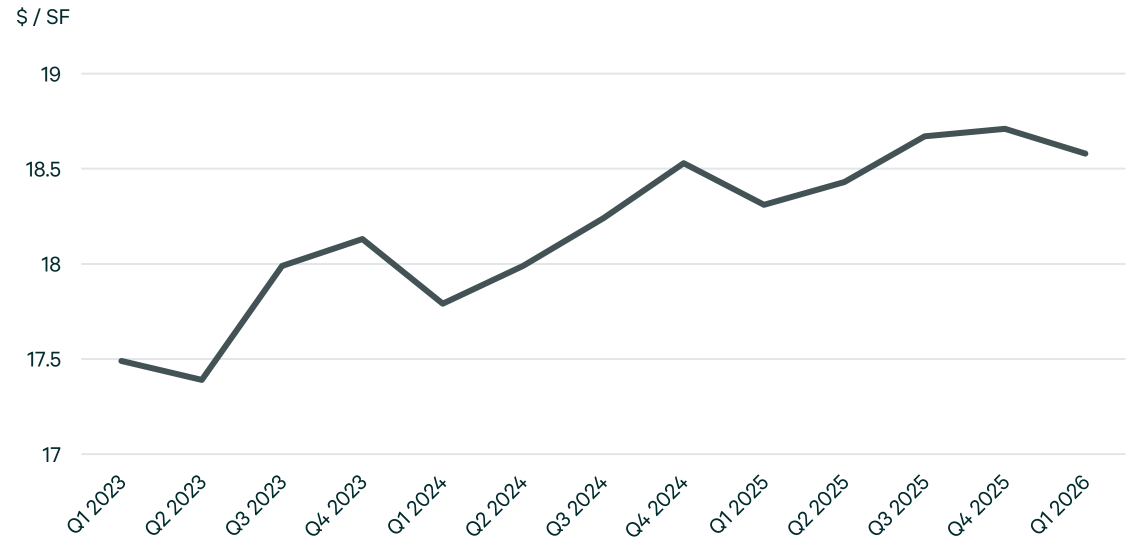
Source: CBRE Research, Q1 2026

Asking Rent

In Q1 2026, the market-wide average asking rent declined modestly to $18.58 per sq. ft., reflecting a 0.7% decrease quarter-over-quarter. Despite the recent pullback, average rents remained 1.5% above year-ago levels, underscoring continued pricing resilience.

Eastern Nassau continued to command the highest average asking rent at $20.53 per sq. ft., remaining relatively flat compared to Q1 2025. Western Nassau recorded an average asking rent of $18.99 per sq. ft., extending its downward trend and registering a 15% decline year-over-year. Among the remaining submarkets, Central Suffolk posted an average asking rent of $18.57 per sq. ft.—its highest level on record—while Eastern Suffolk averaged $17.29 per sq. ft., essentially unchanged from a year earlier. Western Suffolk recorded a notable increase, with average asking rents rising 7% year-over-year to $16.83 per sq. ft.

Figure 3: Average Direct Asking Rate



Source: CBRE Research, Q1 2026

Net Absorption

The market posted positive 656,000 sq. ft. of net absorption in Q2 2025, exceeding the 519,000 sq. ft. total from Q2 2024. This result represented a 26.4% year-over-year increase and a sharp swing from the negative 379,000 sq. ft. of net absorption recorded in Q1 2025.

By Q1 2026, positive net absorption was concentrated primarily in the Eastern Nassau submarket with 64,000 sq. ft. for the quarter, and the Western Nassau submarket with 19,000 sq. ft. Eastern Suffolk was the other submarket that recorded positive net absorption with 11,000 sq. ft. Two submarkets recorded negative net absorption—Western Suffolk with negative 306,000 sq. ft., and Central Suffolk with negative 8,000 sq. ft.

While absorption slowed compared to last quarter, year-over-year gains were significant and reflected sustained tenant demand for modern facilities.

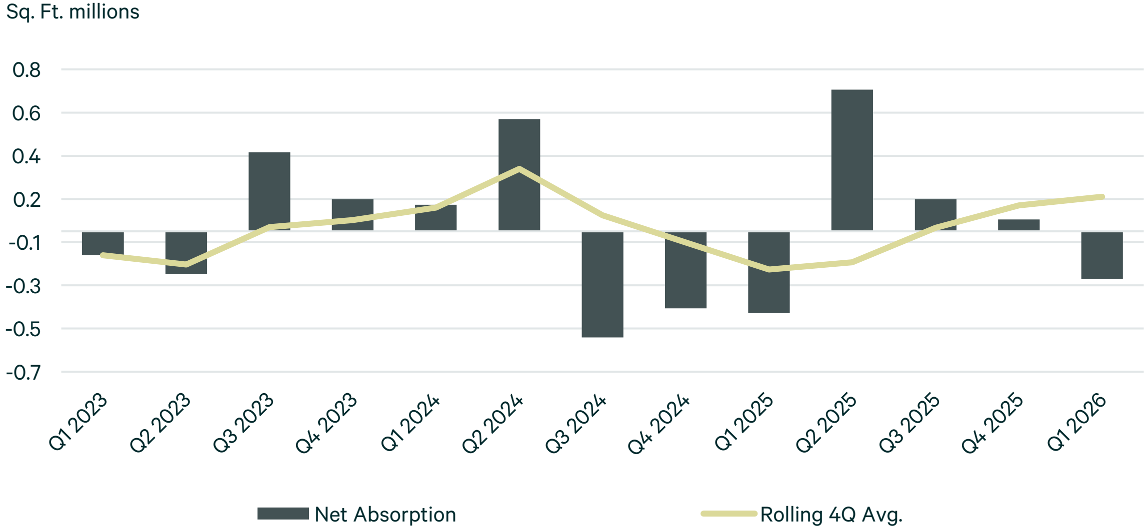
Construction Activity

In Q1 2026, two industrial projects were delivered totaling 267,000 sq. ft. Completions included Venture Cold Park at ISP, located at 2100 Smithtown Boulevard in Ronkonkoma, which remains fully unleased, as well as a 129,000 sq. ft. build-to-suit facility for FedEx at 65 Rason Road in Inwood. As of quarter-end, 1.4 million sq. ft. of industrial space remained under construction. While quarterly deliveries declined 14.2% from Q4 2025, the active development pipeline expanded significantly—up 82.6% quarter-over-quarter and 191.2% year-over-year.

Central Suffolk represents the largest share of the construction pipeline, driven by an 881,000 sq. ft. build-to-suit distribution facility for Trader Joe's in Islandia, scheduled for delivery in Q1 2027. Eastern Nassau follows with 240,000 sq. ft. currently under construction at 600 Grumman Road West in Bethpage, which is 0.0% pre-leased ahead of its anticipated Q2 2026 delivery. Eastern Suffolk contributes an additional 135,000 sq. ft. to the pipeline, including 70,000 sq. ft. at 5150 Veterans Memorial Highway in Holbrook, which is 91.0% pre-leased and expected to deliver in Q2 2026.

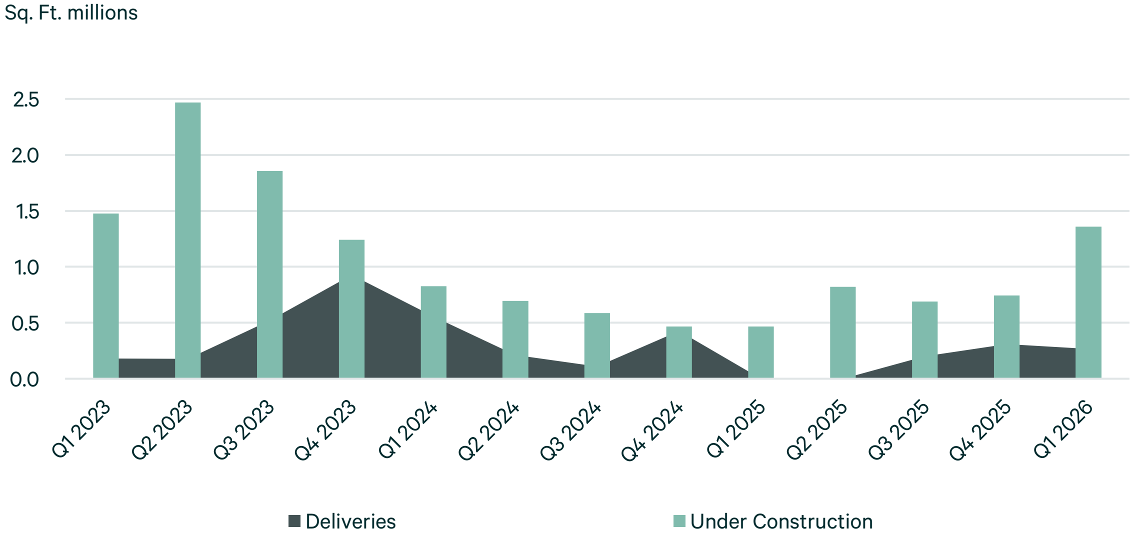
Amid Amazon's continued expansion on Long Island, an additional development was announced this quarter. Hartz Mountain Industries plans to develop a 125,000 sq. ft. build-to-suit facility for Amazon at 125 Spagnoli Road in Melville. As speculative construction continues to moderate and the development pipeline remains largely concentrated in build-to-suit projects, the market is well positioned to absorb existing inventory without exerting meaningful pressure on underlying fundamentals.

Figure 4: Net Absorption Trend



Source: CBRE Research, Q1 2026

Figure 4: Construction Activity



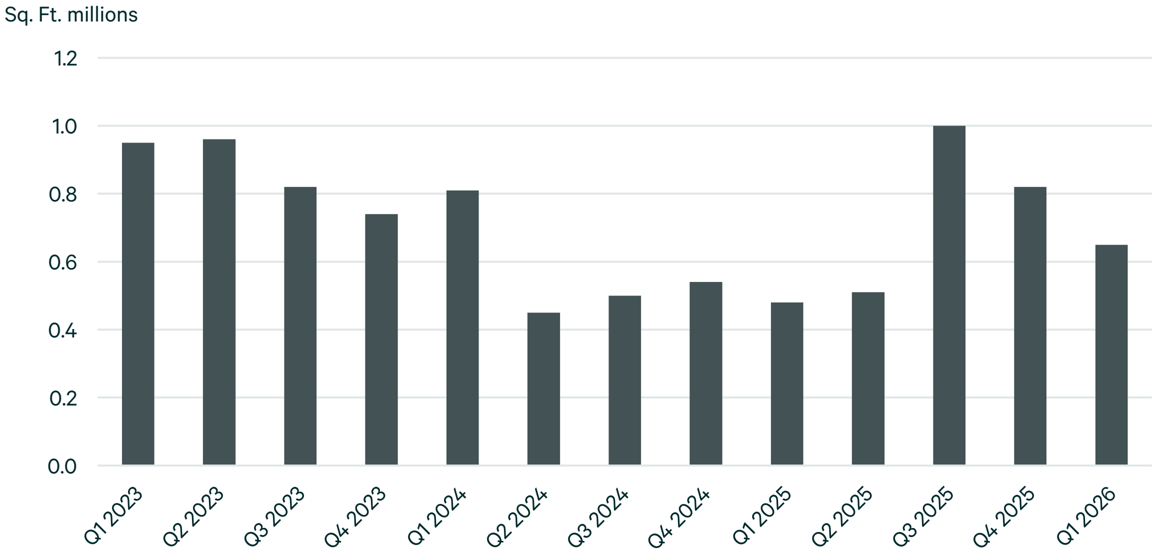
Source: CBRE Research, Q1 2026

Leasing Activity

Quarterly leasing activity moderated compared to the prior quarter, with just over 651,000 sq. ft. of new and expansion leases executed. This represents a 21% decline quarter-over-quarter but a 35% increase compared to Q1 2025. The largest transaction of the quarter was signed by Gate Gourmet, which leased 63,000 sq. ft. at 95 Inip Drive in Inwood. Despite securing the quarter's largest lease, Western Nassau recorded relatively limited overall activity, totaling just 79,000 sq. ft.

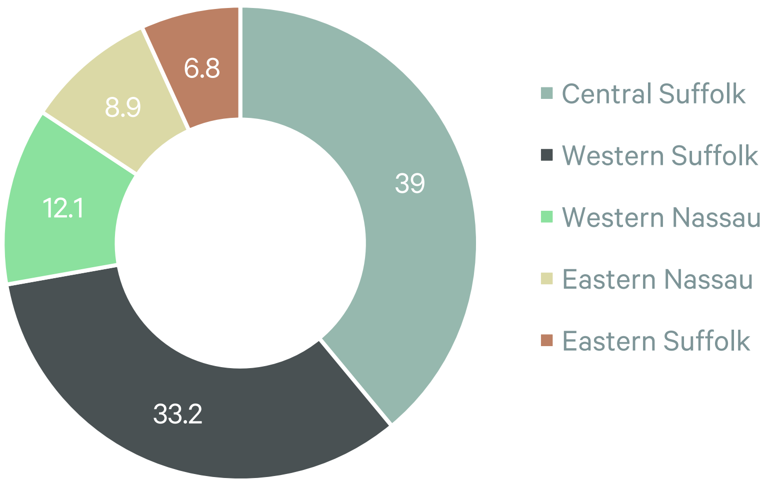
Consistent with historical leasing patterns, Central Suffolk led all submarkets with 254,000 sq. ft. of leasing activity. Western Suffolk recorded the second-highest total at 216,000 sq. ft., representing a significant rebound—up 510% from the prior quarter and 74% year-over-year.

Figure 7: Leasing Activity Trend



Source: CBRE Research, Q1 2026

Figure 6: Leasing Activity by Submarket (% of Total Activity)



Source: CBRE Research, Q1 2026

Figure 8: Key Lease Transactions

Tenant	Sq. Ft. Leased	Transaction Type	Address	Submarket
Dealer Tire	73,000	Renewal	2040 Express Dr S, Hauppauge	Central Suffolk
Gate Gourmet	63,000	New Lease	95 Inip Dr, Inwood	Western Nassau
L&K Distributors	59,000	New Lease	120 Adams Blvd, Farmingdale	Western Suffolk
D3, LLC	53,000	New Lease	30 Hub Dr, Melville	Western Suffolk
Aria Logistics	51,000	New Lease	92 Central Ave, Farmingdale	Western Suffolk
Lanco York	50,000	New Lease	75 Austin Blvd, Commack	Central Suffolk

Source: CBRE Research, Q1 2026

Market Statistics by Size

Figure 9

Size Range	Net Rentable Area (MSF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate ($/SF NNN/yr)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (MSF)
Under 100,000 sq. ft.	63.68	5.2	5.2	4.8	0.4	17.46	(90,000)	(90,000)	-	0.24
100,000-199,999 sq. ft.	25.60	11.5	11.3	10.9	0.5	19.21	168,000	168,000	267,000	0.13
200,000-299,999 sq. ft.	8.04	11.6	12.6	12.6	-	19.53	(234,000)	(234,000)	-	0.24
300,000-499,999 sq. ft.	3.61	14.5	14.5	14.5	-	18.99	(25,000)	(25,000)	-	-
500,000-749,999 sq. ft.	2.35	13.0	13.0	13.0	-	18.92	(43,000)	(43,000)	-	-
750,000 sq. ft.	1.83	4.9	4.9	4.9	-	20.00	4,000	4,000	-	0.76
Total	**105.11**	**7.7**	**7.8**	**7.4**	**0.4**	**18.58**	**(220,000)**	**(220,000)**	**267,000**	**1.36**

Source: CBRE Research, Q1 2026

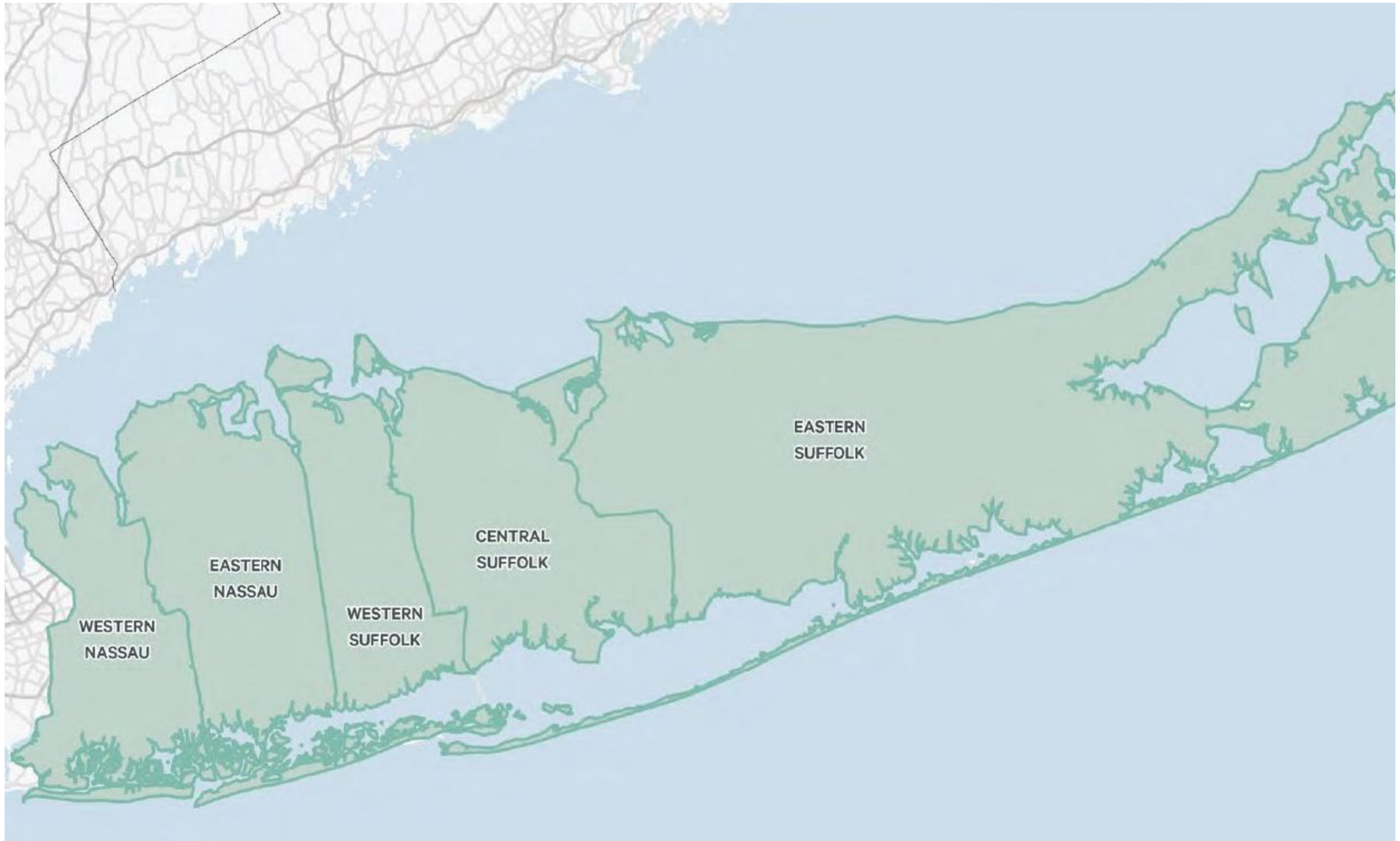
Market Statistics by Submarket

Figure 10

Submarket	Net Rentable Area (MSF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate ($/SF NNN/yr)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (MSF)
Central Suffolk	39.88	8.7	8.5	8.3	0.2	18.57	(8,000)	(8,000)	137,000	0.92
Eastern Nassau	20.05	6.6	6.8	6.5	0.3	20.53	64,000	64,000	-	0.24
Eastern Suffolk	9.88	13.1	13.6	12.8	0.9	17.29	11,000	11,000	-	0.20
Western Nassau	14.83	6.5	6.1	5.7	0.4	18.99	19,000	19,000	129,000	-
Western Suffolk	20.47	5.2	5.6	5.3	0.4	16.83	(306,000)	(306,000)	-	-
Total	**105.11**	**7.7**	**7.8**	**7.4**	**0.4**	**18.58**	**(220,000)**	**(220,000)**	**267,000**	**1.36**

Source: CBRE Research, Q1 2026

Market Area Overview



Definitions

Available Sq. Ft.: Space in a building, ready for occupancy within six months; can be occupied or vacant.
Availability Rate: Total Available Sq. Ft. divided by the total building Area.
Average Asking Lease Rate: A calculated average that includes net and gross lease rate, weighted by their corresponding available square footage.
Gross Lease Rate: Rent typically includes real property taxes, building insurance, and major maintenance.
Net Absorption: The change in Occupied Sq. Ft. from one period to the next.
Net Lease Rate: Rent excludes one or more of the "net" costs (real property taxes, building insurance, and major maintenance) typically included in a Gross Lease Rate.
Occupied Sq. Ft.: Building Area not considered vacant.
Vacancy Rate: Total Vacant Sq. Ft. divided by the total Building Area.
Vacant Sq. Ft.: Space that can be occupied within 30 days.
Class A industrial are buildings built after 2000, with 32' or greater clear height and ESFR sprinklers.

Contacts

Janet Wachter

Senior Research Analyst
+1 631 370 6086
janet.wachter@cbre.com