
1Q25

Long Island Office Market Overview



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Market Observations

Economy

- The Long Island unemployment rate experienced a sharp uptick during the first quarter of 2025, increasing 110 basis points to 4.1%, the market's highest level since August 2021. Despite this increase, the Long Island unemployment rate remains below the national average of 4.5%.
- Leisure/hospitality, education, and other services industries led the region in job growth over the past year. Despite positive employment growth on Long Island, office-using sectors including business and professional services, financial services, and information recorded negative 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

- Garfunkel Wild signed the largest deal of the quarter for 45,130 square feet on the fourth floor of 900 Stewart Avenue.
- Long Island recorded 578,710 square feet of leasing activity during the first quarter of 2025, a 16.6% increase from the previous quarter. Leasing activity for the first quarter of 2025 outperformed the first quarter of 2024 by 9.7%.
- At 314,630 square feet, Suffolk County accounted for 54.4% of first quarter leasing activity.
- 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.

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Leasing Market Fundamentals

- The Long Island vacancy rate remains elevated, totaling 11.7% during the first quarter of 2025. This comes as the market recorded 131,331 square feet of absorption during the quarter.
- Total available space decreased 208,860 square feet in the first quarter of 2025, bringing the availability rate to 13.1%, the market's lowest level since the second quarter of 2022.
- Asking rents increased \$1.15/SF to \$29.59/SF during the first quarter of 2025, the market's second-highest quarterly level over the past twenty years. First quarter asking rents increased to 5.4% above the long-term average of \$28.07/SF.
- Direct asking rates were higher than sublease rates in the first quarter of 2025 as direct rates increased 3.9% from the previous quarter to \$29.58/SF, while average sublease rates declined 1.4% to \$28.52/SF.

Outlook

- With looming economic tariffs, 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 first quarter of 2025 saw no office properties under construction in the Long Island market. With uncertainty surrounding the future of suburban office space, developers are turning their attention away from 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. Leasing Market Fundamentals
2. Economy

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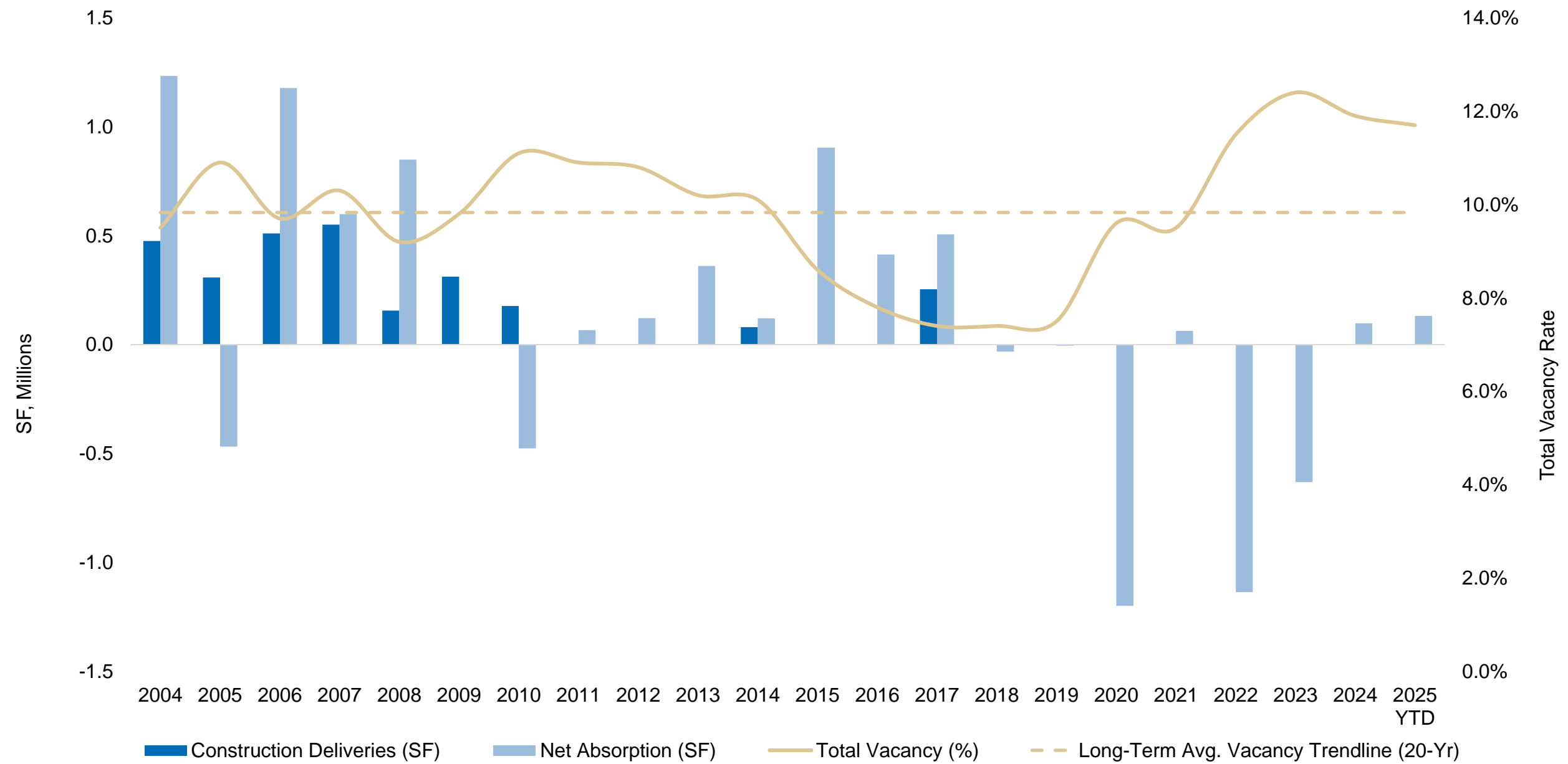
Leasing Market Fundamentals



Vacancy Begins to Fall With Positive Net Absorption

The Long Island vacancy rate remained elevated at 11.7% during the first quarter of 2025, down 80 basis points from its twenty-year high in 2023. This comes as the market recorded 131,331 square feet of absorption during the first quarter of 2025.

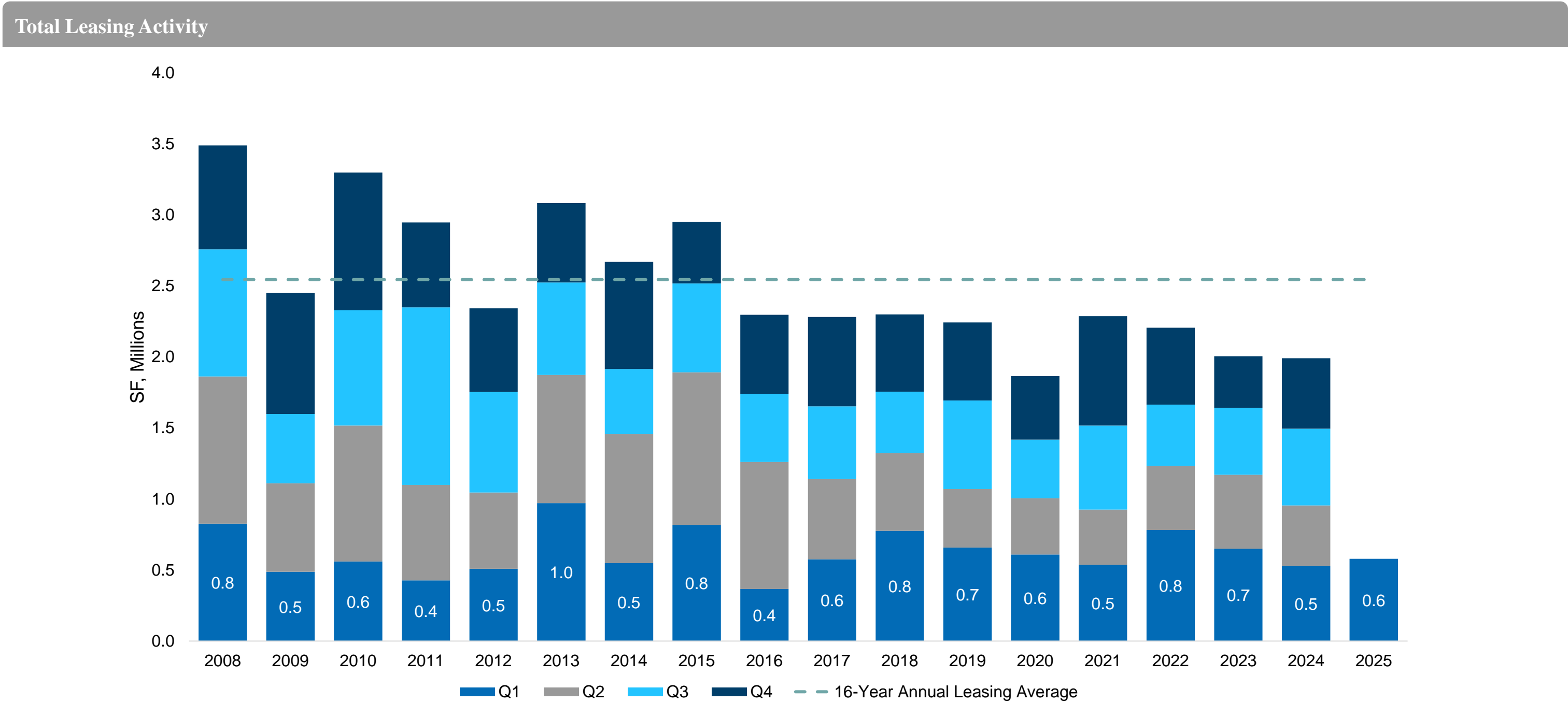
Historical Construction Deliveries, Net Absorption, and Vacancy



Source: Newmark Research, CoStar

Leasing Activity Outpaces 2024 Levels

Long Island recorded 578,710 square feet of leasing activity during the first quarter of 2025, a 16.6% increase from the previous quarter. Leasing activity for the first quarter of 2025 outperformed the first quarter of 2024 by 9.7% but remains 6.8% below the long-term first quarter average of 621,228 square feet.

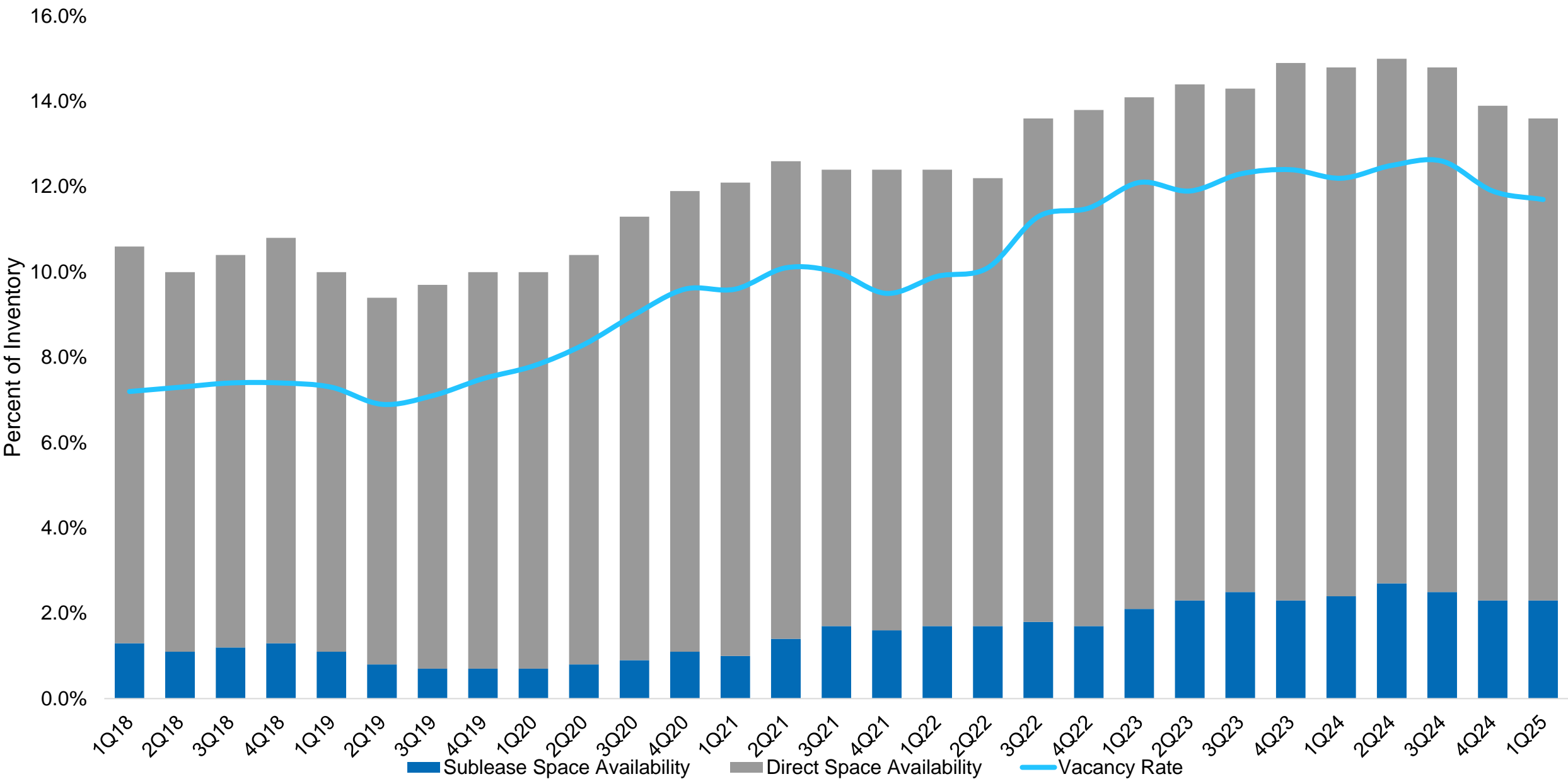


Source: Newmark Research, CoStar

Vacancy and Availability Falls

Total available space in the Long Island office market decreased 208,860 square feet in the first quarter of 2025, bringing the availability rate to 13.1%, the market’s lowest level since the second quarter of 2022. Available sublease space stayed consistent with the previous quarter while available direct space decreased 30 basis points.

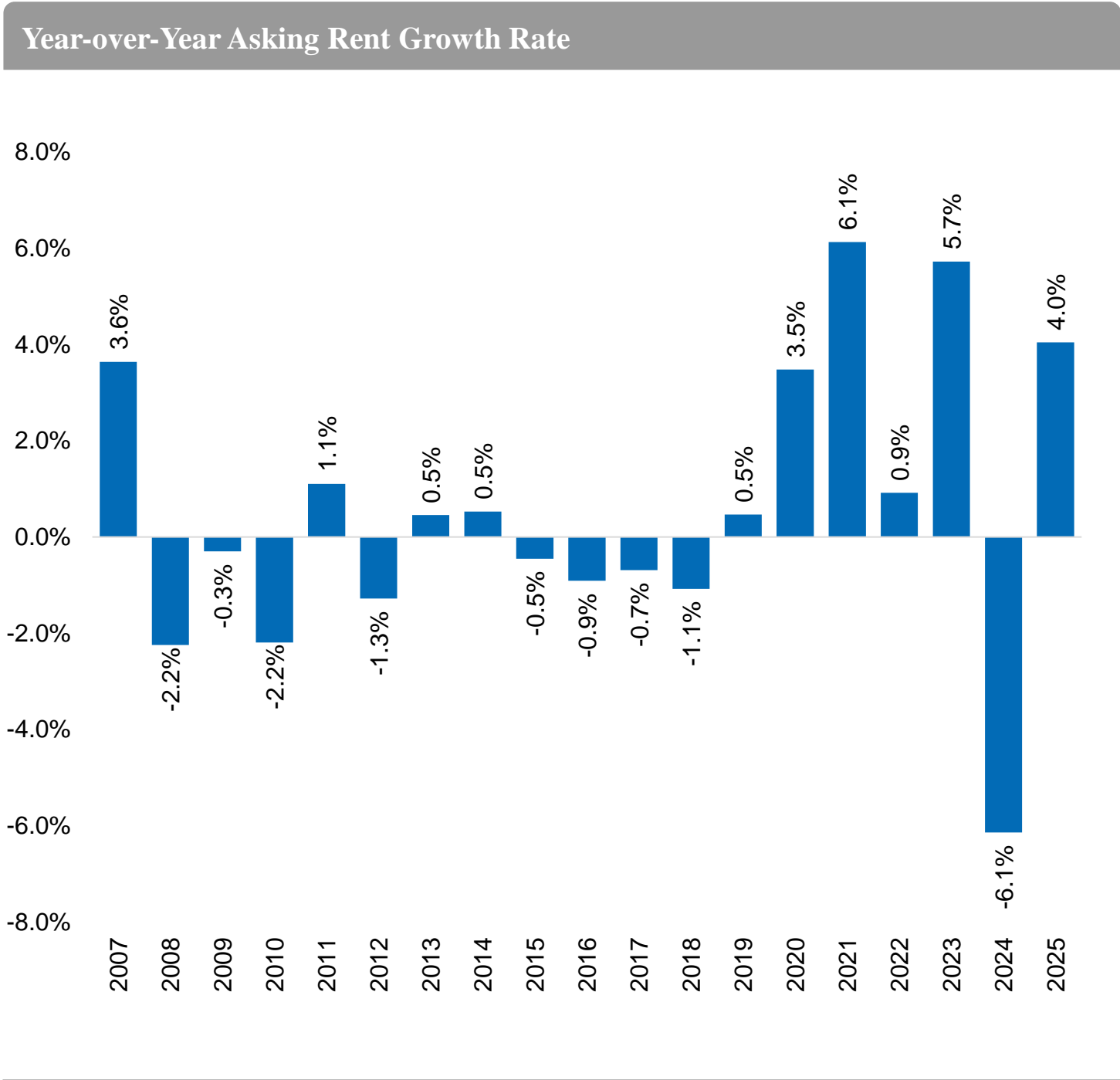
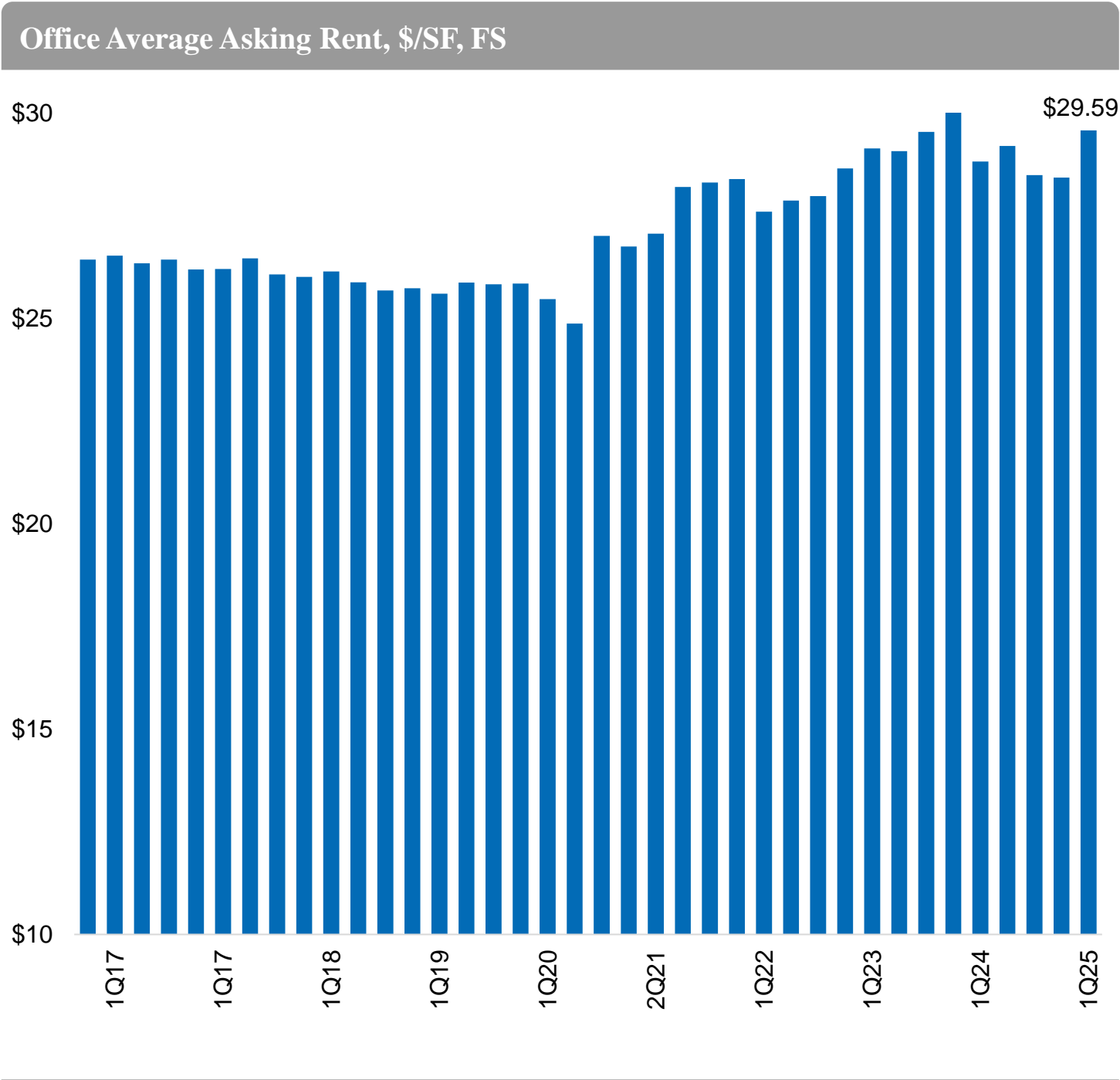
Available Space and Tenant Demand as Percent of Overall Market



Source: Newmark Research, CoStar

Rents Rebound Nearing Historic High

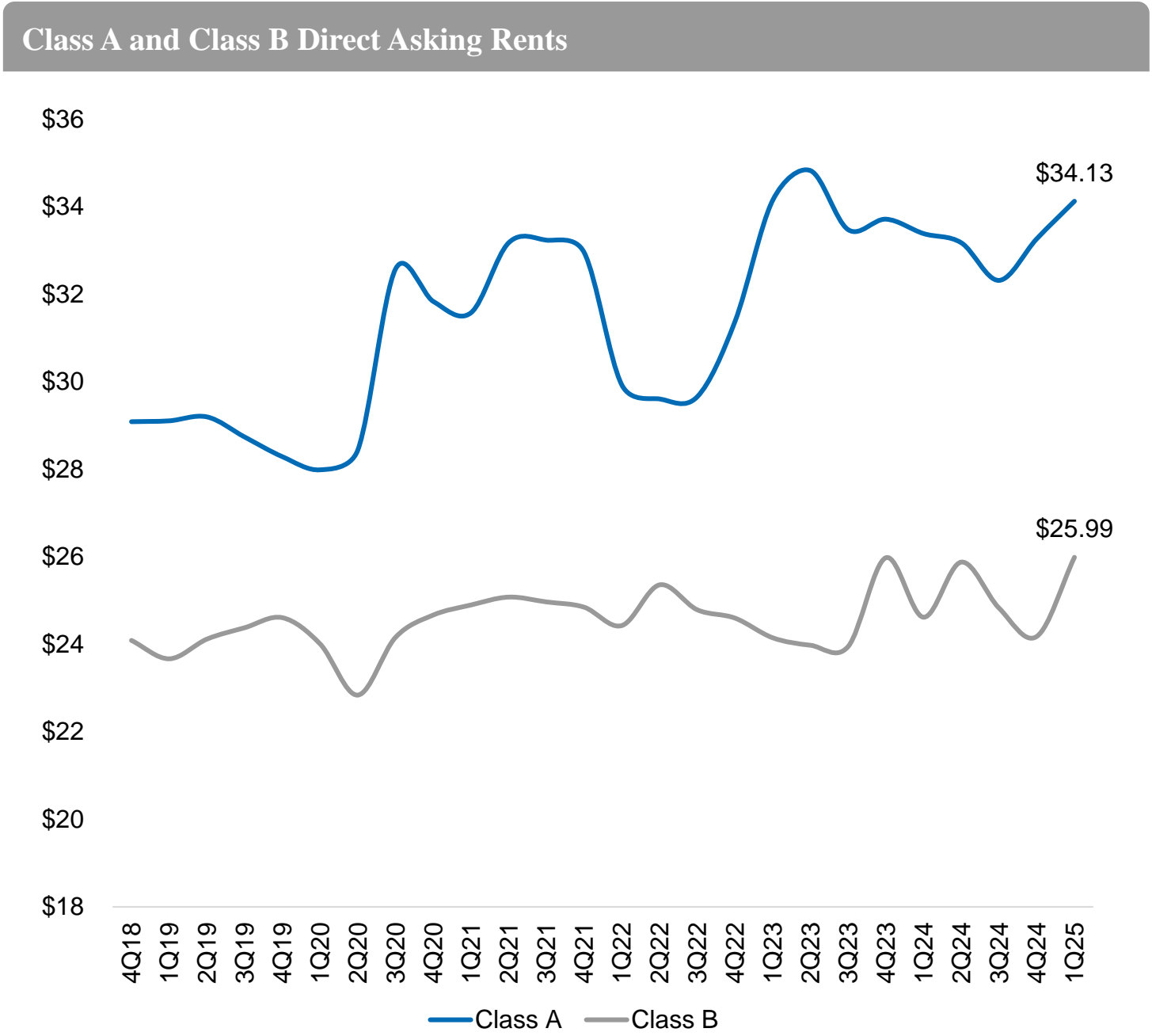
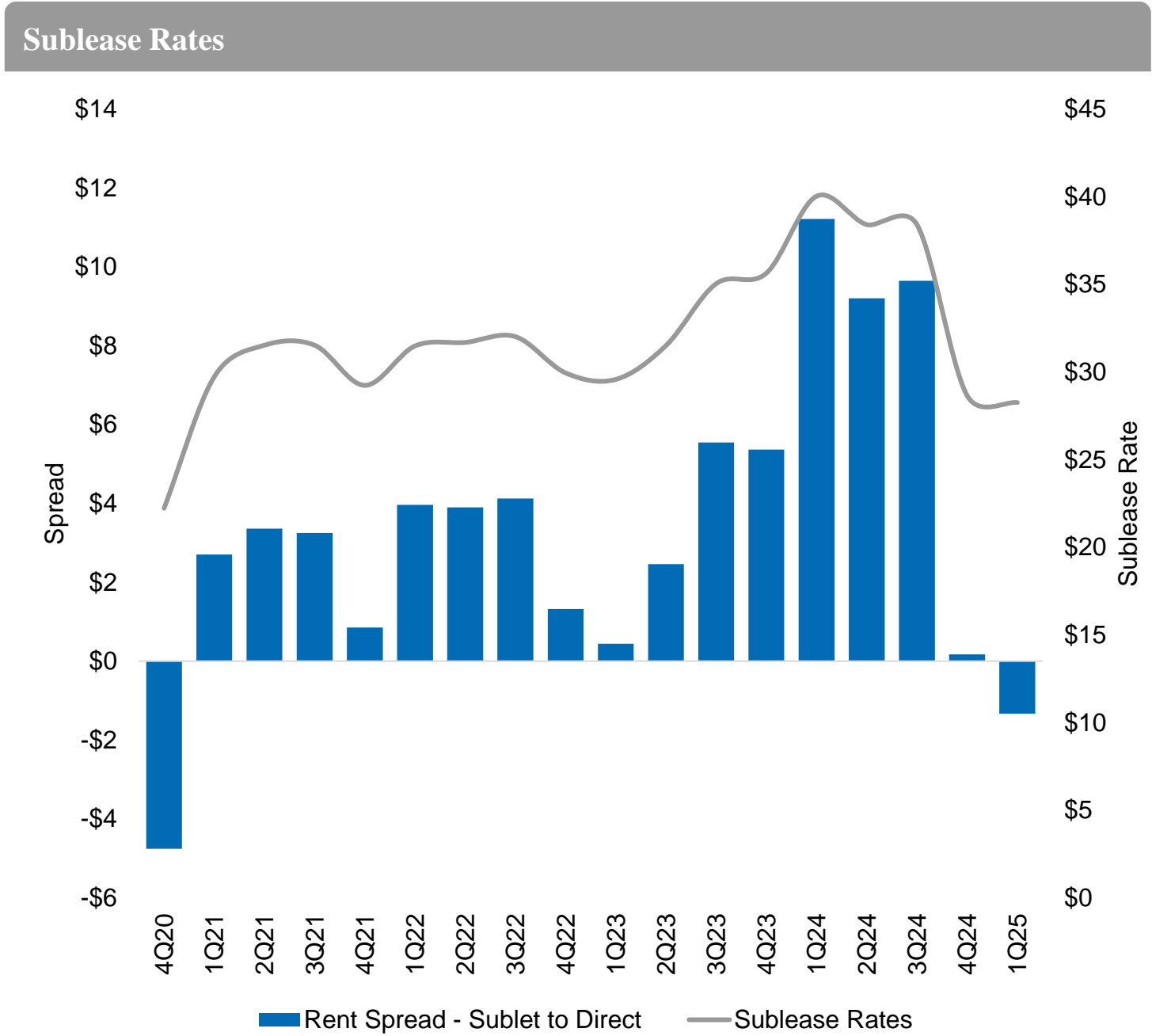
Asking rents increased \$1.15/SF to \$29.59/SF during the first quarter of 2025, Long Island’s second-highest quarterly level over the past twenty years. First quarter asking rents increased to 5.4% above the long-term average of \$28.07/SF.



Source: Newmark Research, CoStar

Asking Rate Growth for Direct Space

For the first time since 2020, direct rates were higher than sublease rates during the first quarter of 2025. Average direct rates increased 3.9% from the previous quarter to \$29.58/SF, while average sublease rates declined 1.4% to \$28.52/SF. Meanwhile, class A and B both experienced asking rent growth during the first quarter of 2025. Class A asking rents increased 2.6% from the previous quarter while class B asking rents increased 7.5%.

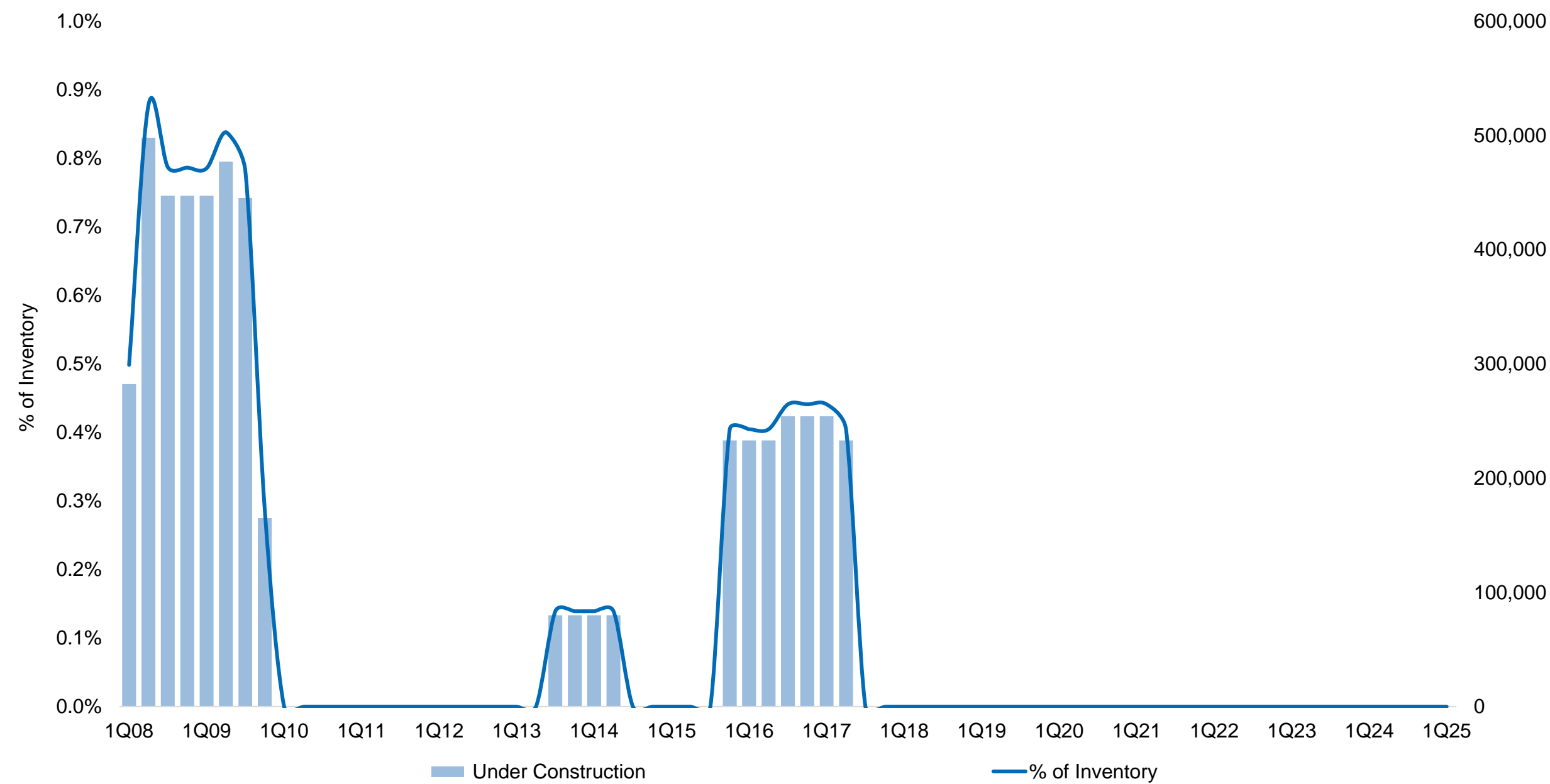


Source: Newmark Research, CoStar

Construction Standstill Continues

The first quarter of 2025 saw no office properties under construction in the Long Island market. With uncertainty surrounding the future of suburban office space, developers are turning their attention away from office projects.

Office Under Construction and % of Inventory



Source: Newmark Research, CoStar

Notable Lease Transactions

Long Island recorded 578,710 square feet of leasing activity during the first quarter of 2025, a 16.6% increase over the previous quarter. At 314,630 square feet, Suffolk County accounted for 54.4% of first quarter leasing activity, down from 64.7% of activity during the previous quarter.

Notable 1Q25 Lease Transactions				
Tenant	Building(s)	Submarket	Type	Square Feet
Garfunkel Wild	900 Stewart Avenue	Nassau County	Direct New	45,130
Garfunkel Wild signed the largest deal of the quarter, taking 45,130 square feet on the fourth floor of 900 Stewart Avenue.				
Broadcom	100 Baylis Road	Suffolk County	Direct Renewal	44,929
Semiconductor manufacturing company Broadcom Inc. renewed 44,929 square feet at 100 Baylis Road.				
Wasterman Ball Ederer Miller Zucker & Sharfstein, LLP	RXR Plaza	Nassau County	Direct Renewal	31,000
Law firm Wasterman Ball Ederer Miller Zucker & Sharfstein, LLP leased 31,000 square feet on the twelfth floor at RXR Plaza.				
Long Island Board of Realtors	1305 Walt Whitman Road	Suffolk County	Direct New	24,585
Long Island Board of Realtors signed a fifteen-year lease for 24,585 square feet on the third floor at 1305 Walt Whitman Road.				
Greenman-Pedersen, Inc.	175 Pinelawn Road	Suffolk County	Direct New	23,175
Engineering consulting company Greenman-Pedersen, Inc. signed a 23,175 square foot lease on the fourth floor of 175 Pinelawn Road.				

Source: Newmark Research, CoStar

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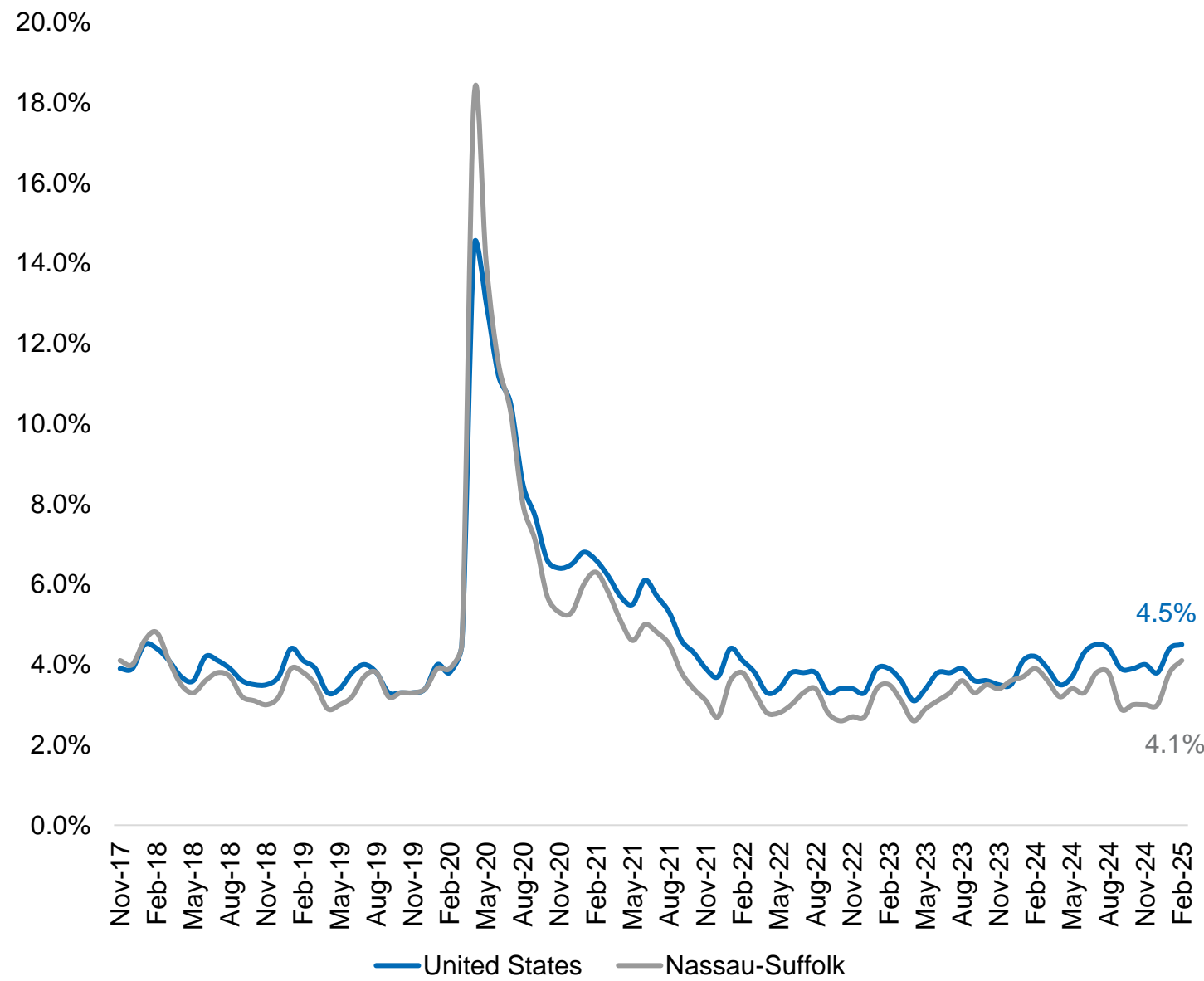
Economy



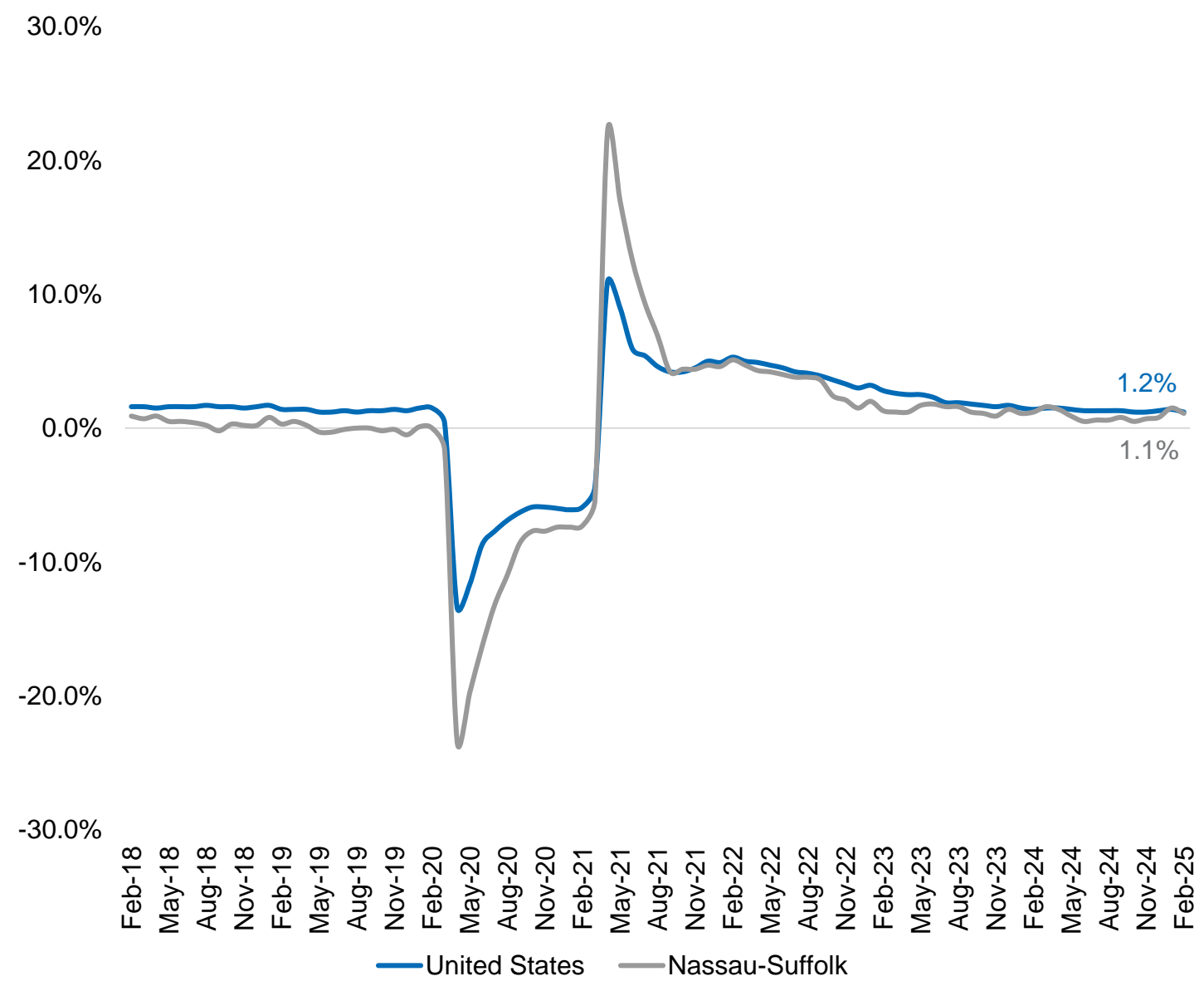
Uptick in Unemployment

The Long Island unemployment rate experienced a sharp uptick during the first quarter of 2025, increasing 110 basis points to 4.1%, the market’s highest level since August 2021. Despite this increase, Long Island unemployment remains below the national average of 4.5%. Meanwhile, at 1.1%, Long Island employment growth remained slightly shy of the national average in the first quarter of 2025.

Unemployment Rate, Non-Seasonally Adjusted



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

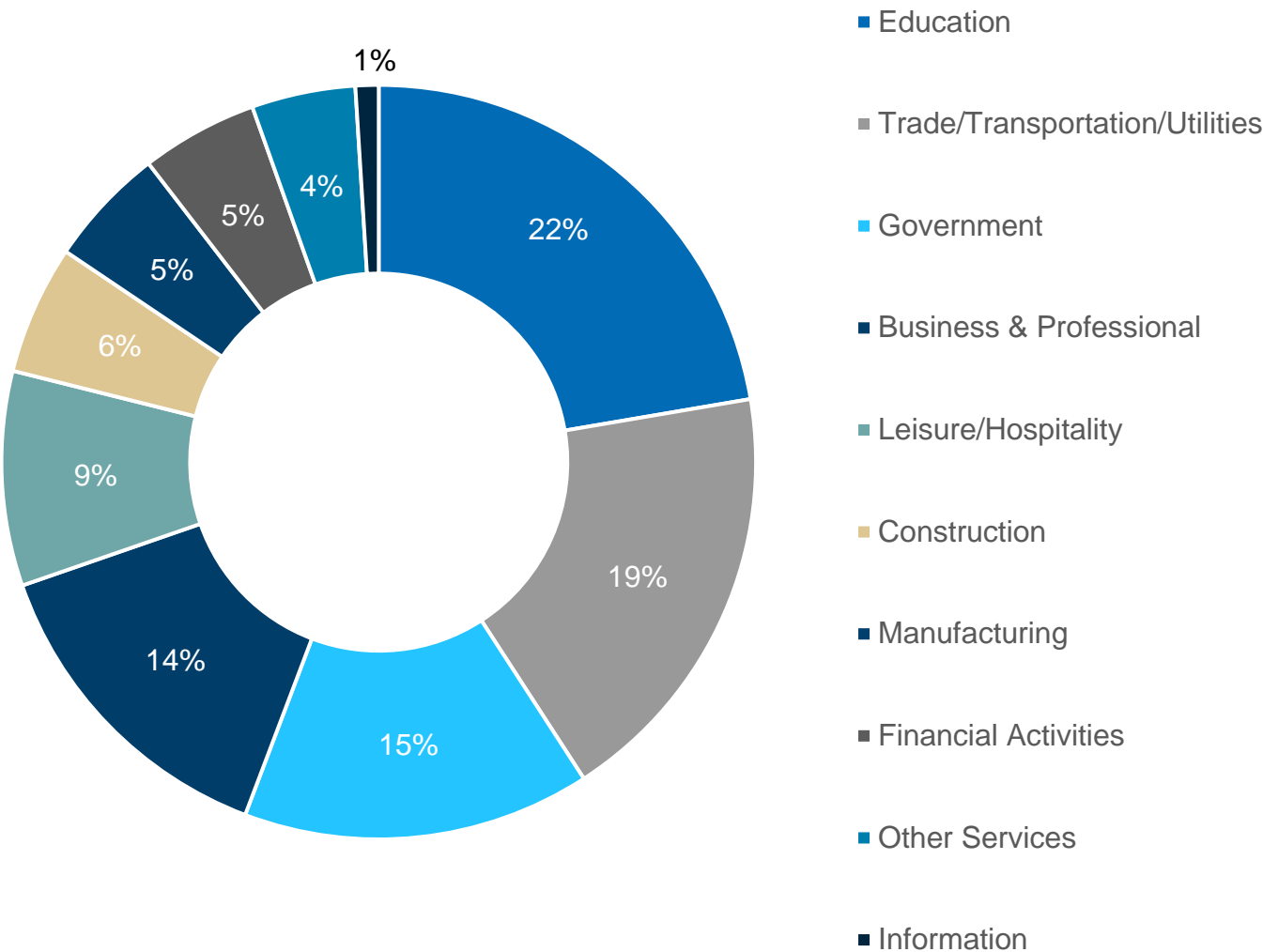


Source: U.S. Bureau of Labor Statistics, Nassau-Suffolk

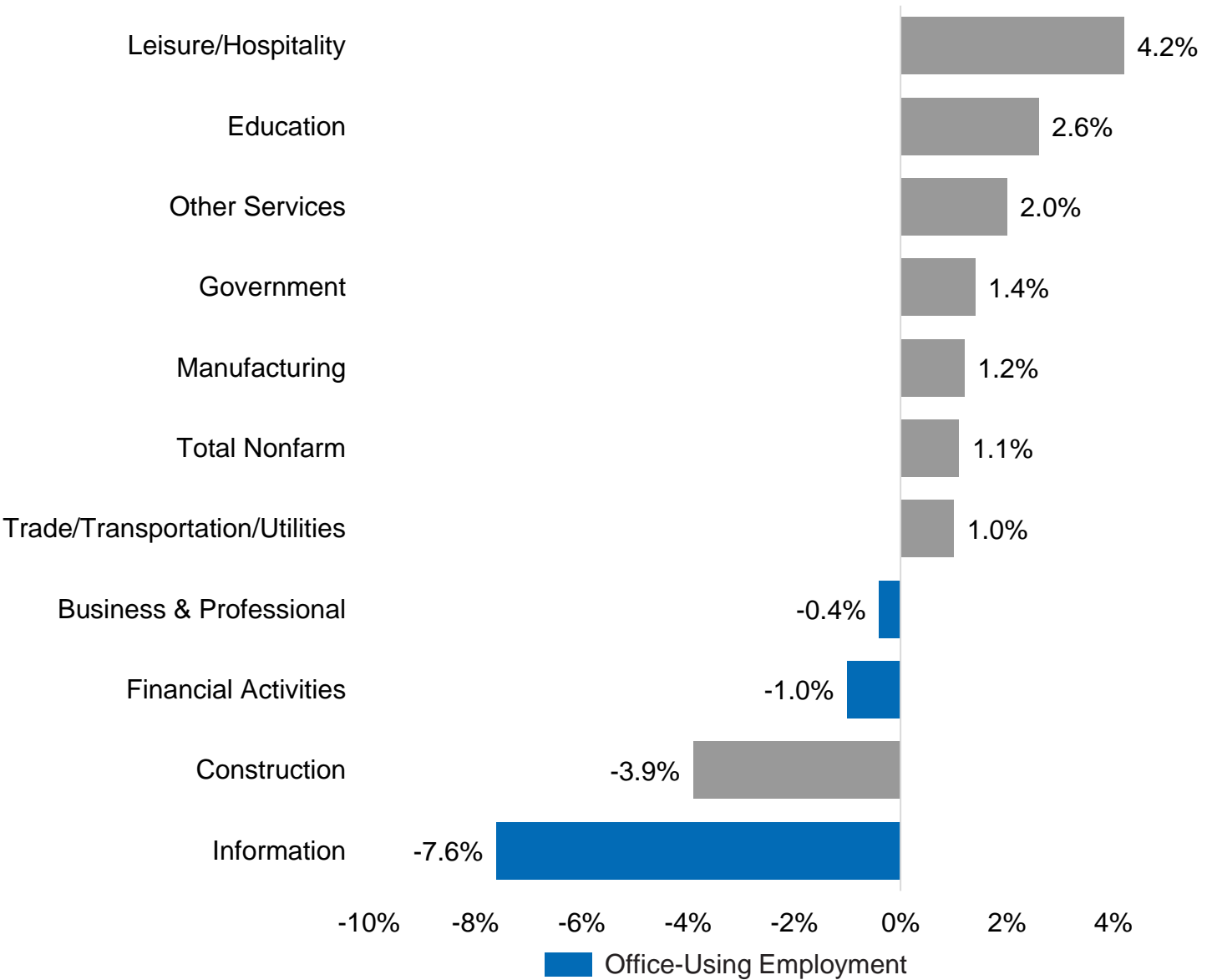
Varying Job Growth for Industrial Sector

Leisure/hospitality, education, and other services industries led the region in job growth over the past year. Despite positive employment growth on Long Island, office-using sectors including business and professional services, financial services, and information recorded negative employment growth.

Employment by Industry, February 2025



Employment Growth by Industry, 12-Month % Change, February 2025

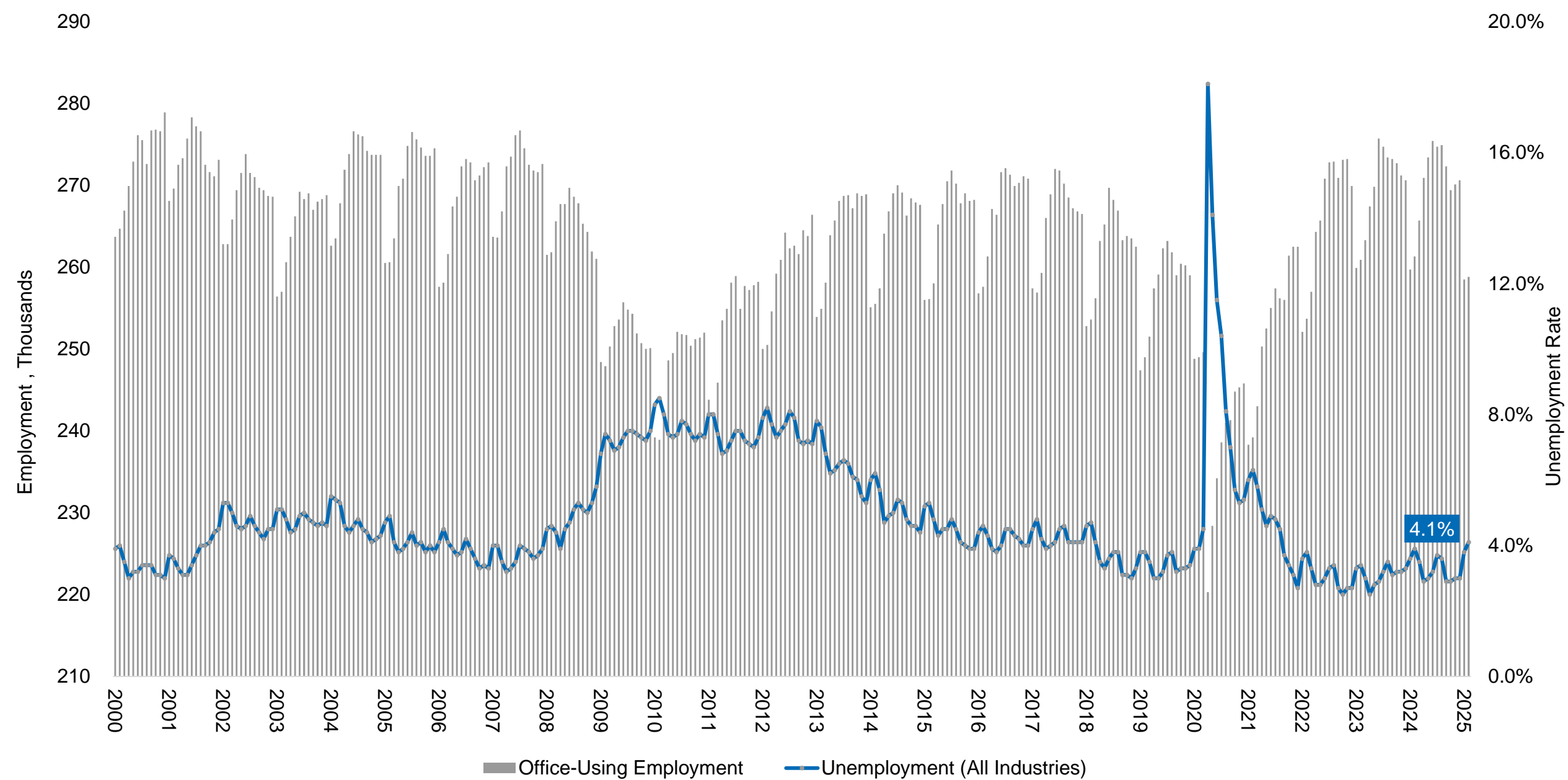


Source: U.S. Bureau of Labor Statistics, Nassau-Suffolk

Office-Using Employment Declines But Still Outpaces Pre-Pandemic Levels

During the first quarter of 2025, the Long Island market experienced its cyclical decrease in office-using employment. Office-using employment is down 1.0% year-over-year in the first quarter due to the rising overall unemployment rate. Despite this, office-using employment remains 2.9% above pre-pandemic employment levels.

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.

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