
3Q24

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 an uptick during the third quarter of 2024. Meanwhile, at 1.2%, employment growth on Long Island remained positive during the third quarter of 2024.
- Construction, leisure/hospitality, and education industries led the region in job growth over the past year. Despite positive employment growth overall on Long Island, several office-using sectors including business and professional 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

- Bond, Schoeneck & King PLLC signed the largest deal of the quarter for 42,110 square feet at 68 South Service Road in Suffolk County.
- Long Island recorded 540,545 square feet of leasing activity in the third quarter of 2024, a 26.5% increase from the previous quarter.
- Recording 298,324 square feet of activity, Nassau County accounted for 55.2% of leasing activity in the third 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

- Despite positive absorption of 262,329 square feet during the first quarter, two consecutive quarters of negative absorption has brought the 2024 total to negative 35,443 square feet. The negative yearly absorption coincides with a heightened vacancy rate of 12.6%, a 20-year high.
- Total available space decreased 6,282 square feet during the third quarter of 2024 due to a decline in available sublease space.
- The Long Island average asking rent decreased 2.4% to \$28.50. Asking rents remain 5.4% above the long-term average of \$27.71.
- The third quarter of 2024 saw an elevated spread between sublet and direct rates. Sublease rates remain high as they have increased 9.6% from the previous year while direct rates have decreased 2.5%.

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 third quarter of 2024 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. Economy
2. Leasing Market Fundamentals

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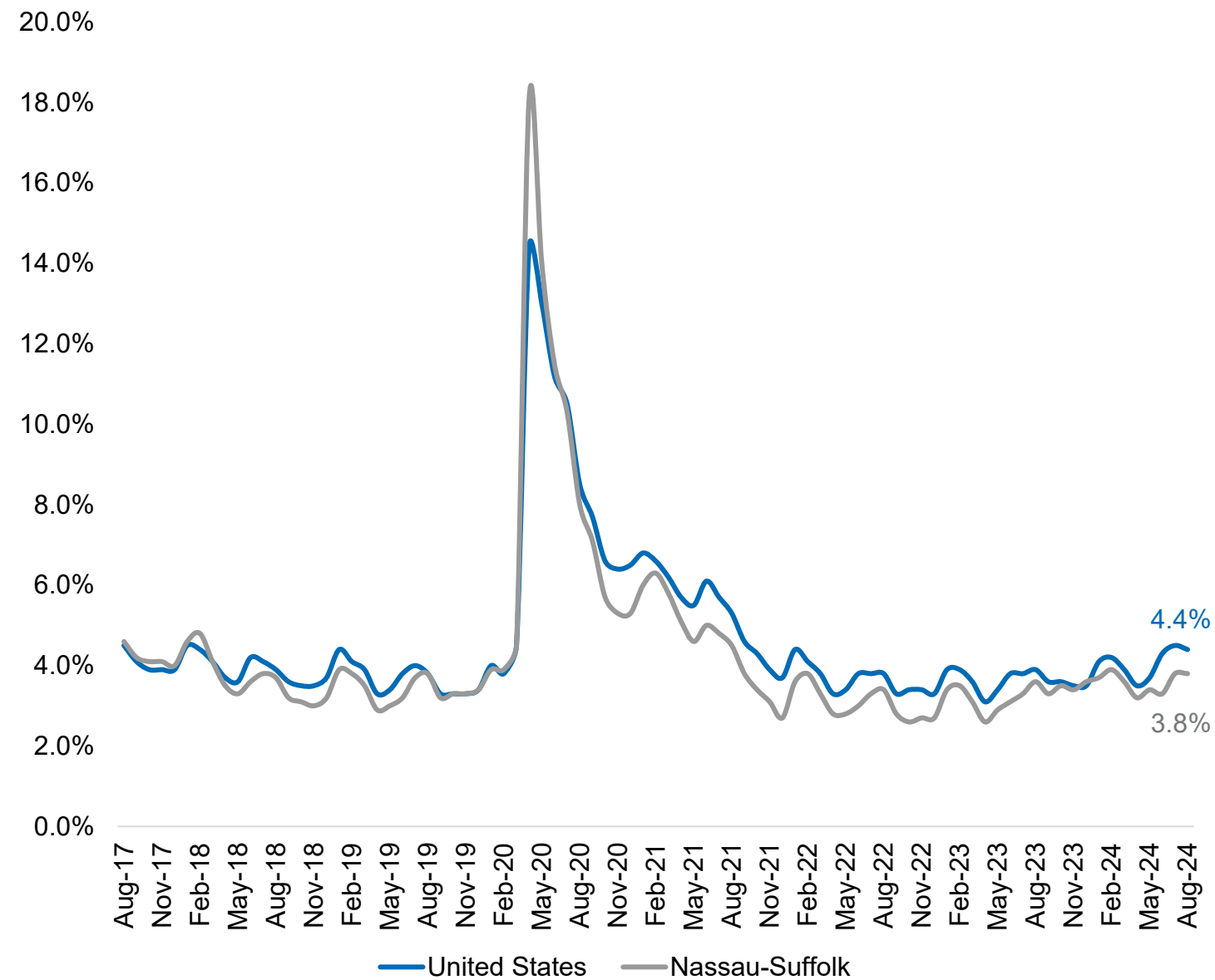
Economy



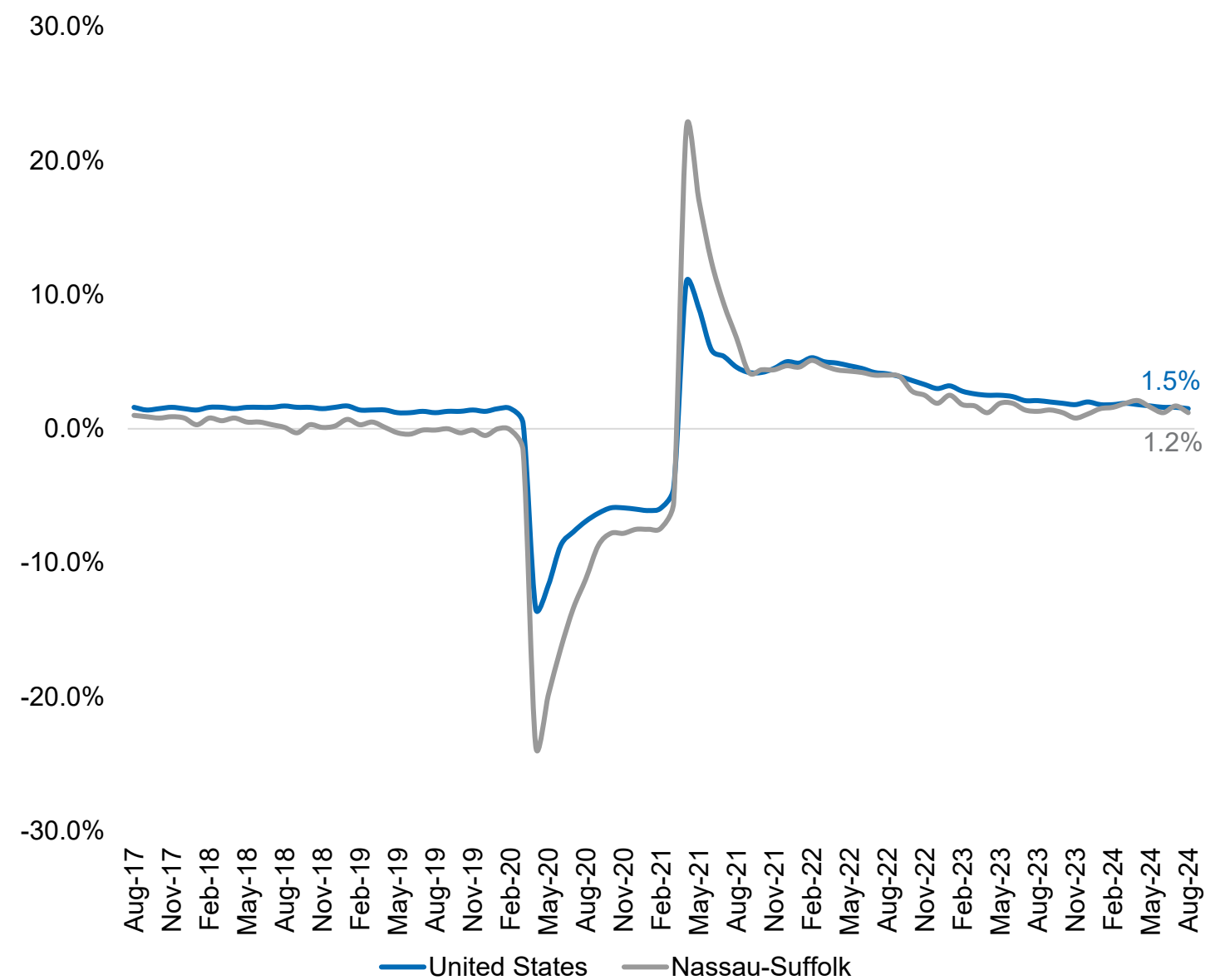
Employment Trends Return to Pre-Pandemic Levels

The Long Island labor market unemployment rate continued to track below the national average despite experiencing an uptick during the third quarter of 2024. Meanwhile, at 1.2%, employment growth on Long Island remained positive during the third quarter of 2024.

Unemployment Rate, Non-Seasonally Adjusted



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

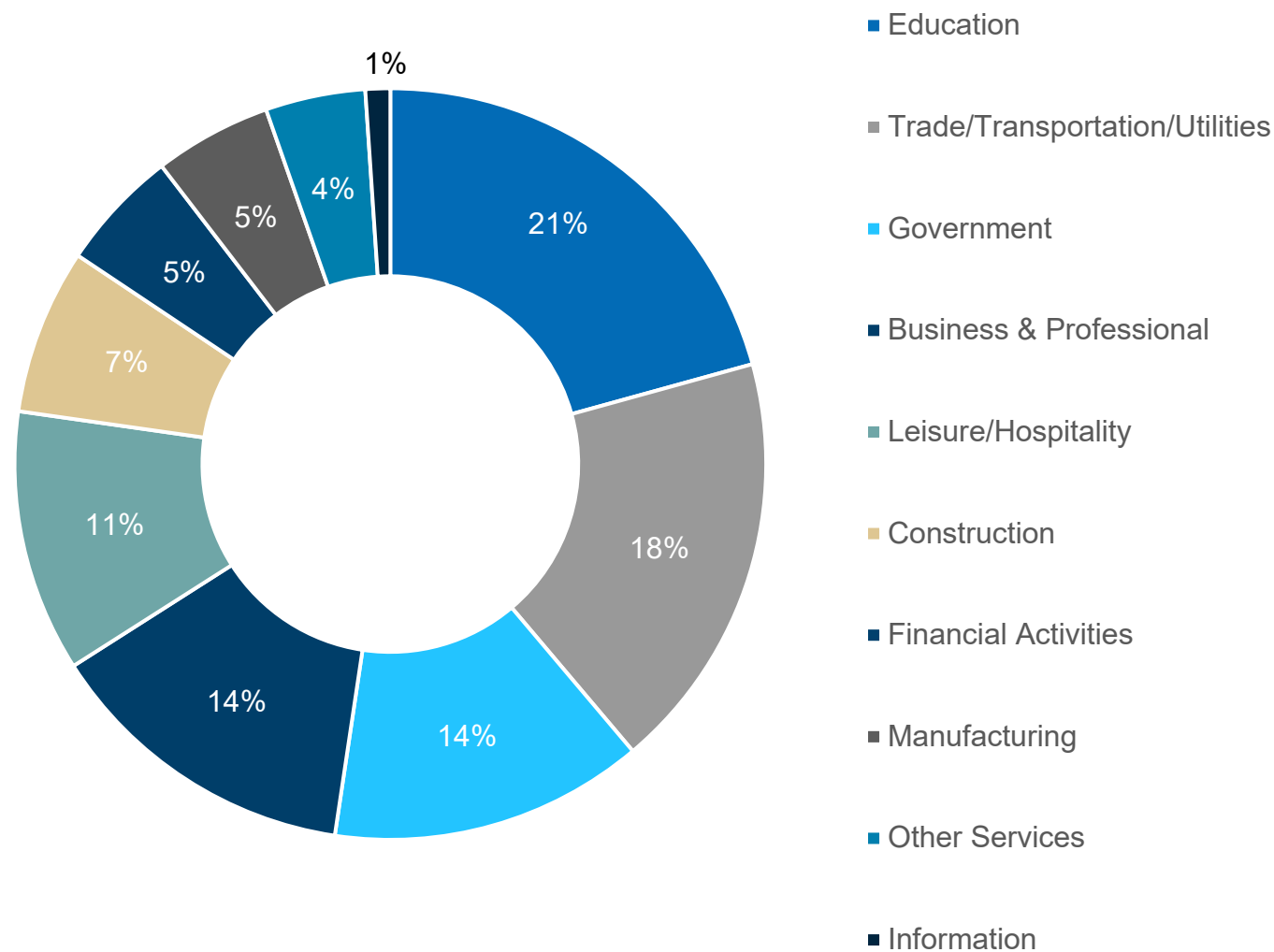


Source: U.S. Bureau of Labor Statistics, Nassau-Suffolk

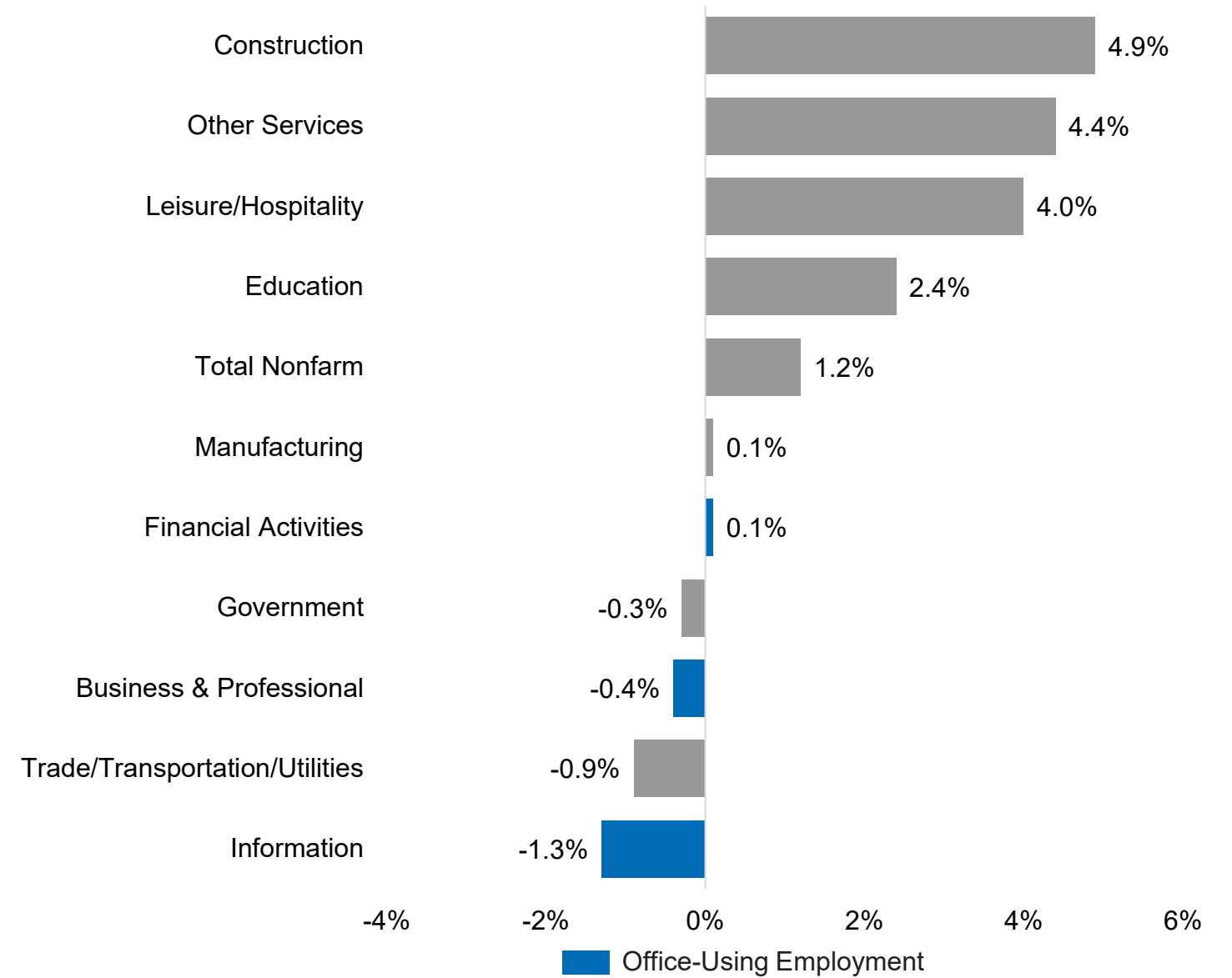
Office Using Sector Experiences Job Loss

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

Employment by Industry, August 2024



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

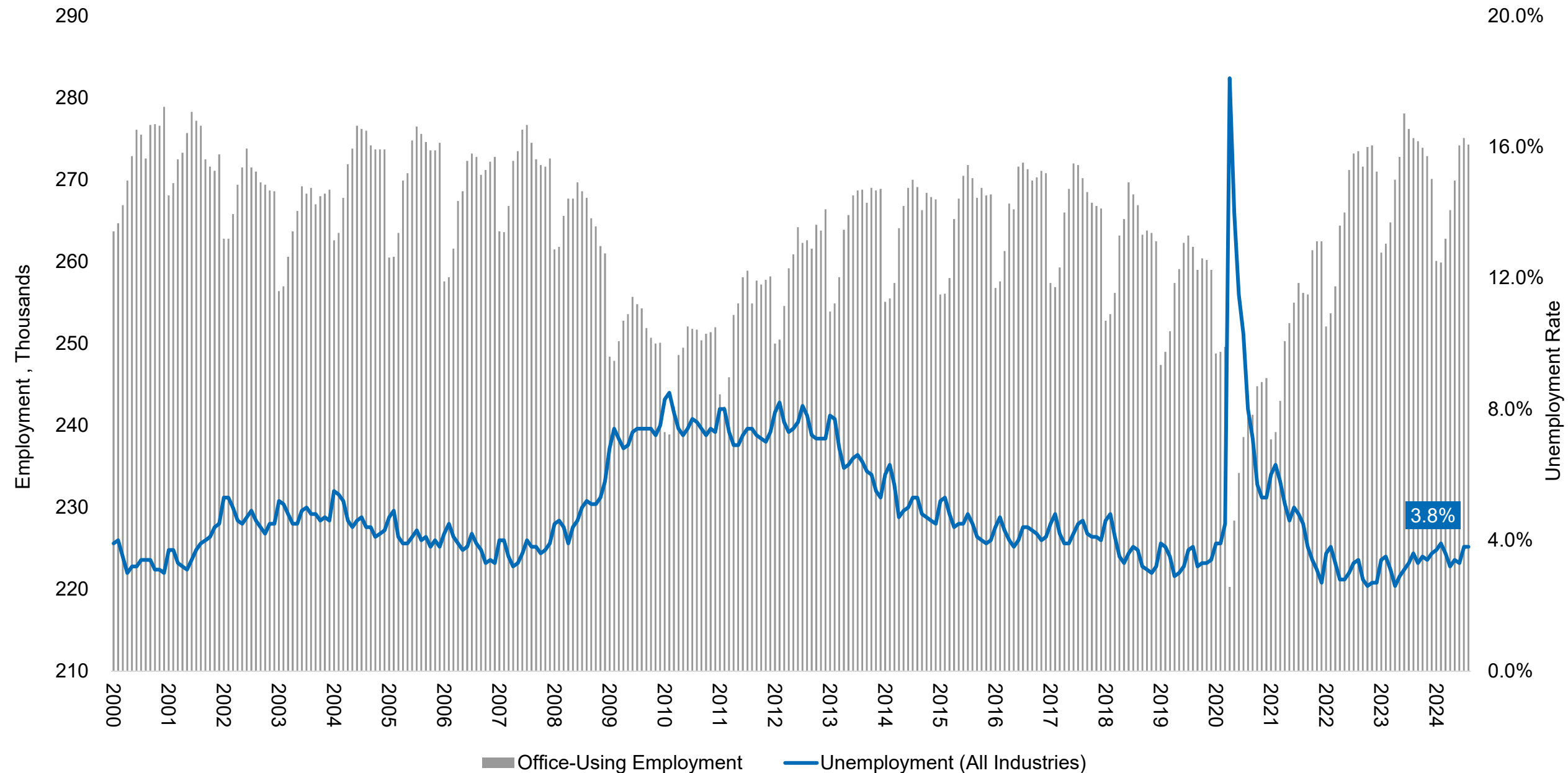


Source: U.S. Bureau of Labor Statistics, Nassau-Suffolk

Overall Office-Using Employment Aligns With Pre-Pandemic Levels

During the third quarter of 2024, the Long Island market experienced its cyclical increase in office-using employment, aligning with previous years. Despite this growth, office-using employment remains lower than 2023 levels as the unemployment rate increases to 3.8%, slightly higher than the rate of one year ago.

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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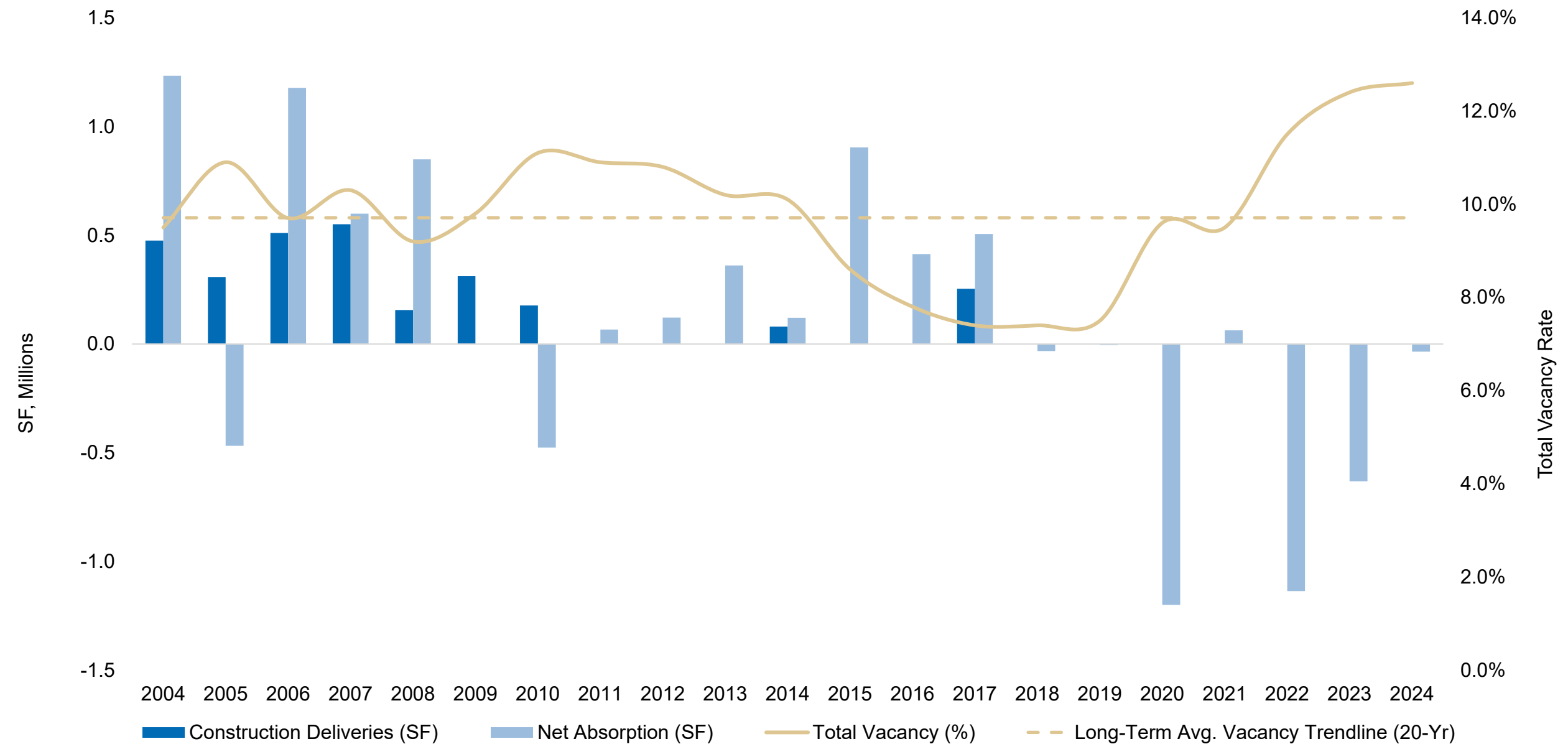
Leasing Market Fundamentals



Vacancy Rises With Negative Net Absorption

Despite positive absorption of 262,329 square feet during the first quarter, two consecutive quarters of negative absorption has brought the 2024 total to negative 35,443 square feet. The negative yearly absorption coincides with a heightened vacancy rate of 12.6%, a 20-year high.

Historical Construction Deliveries, Net Absorption, and Vacancy

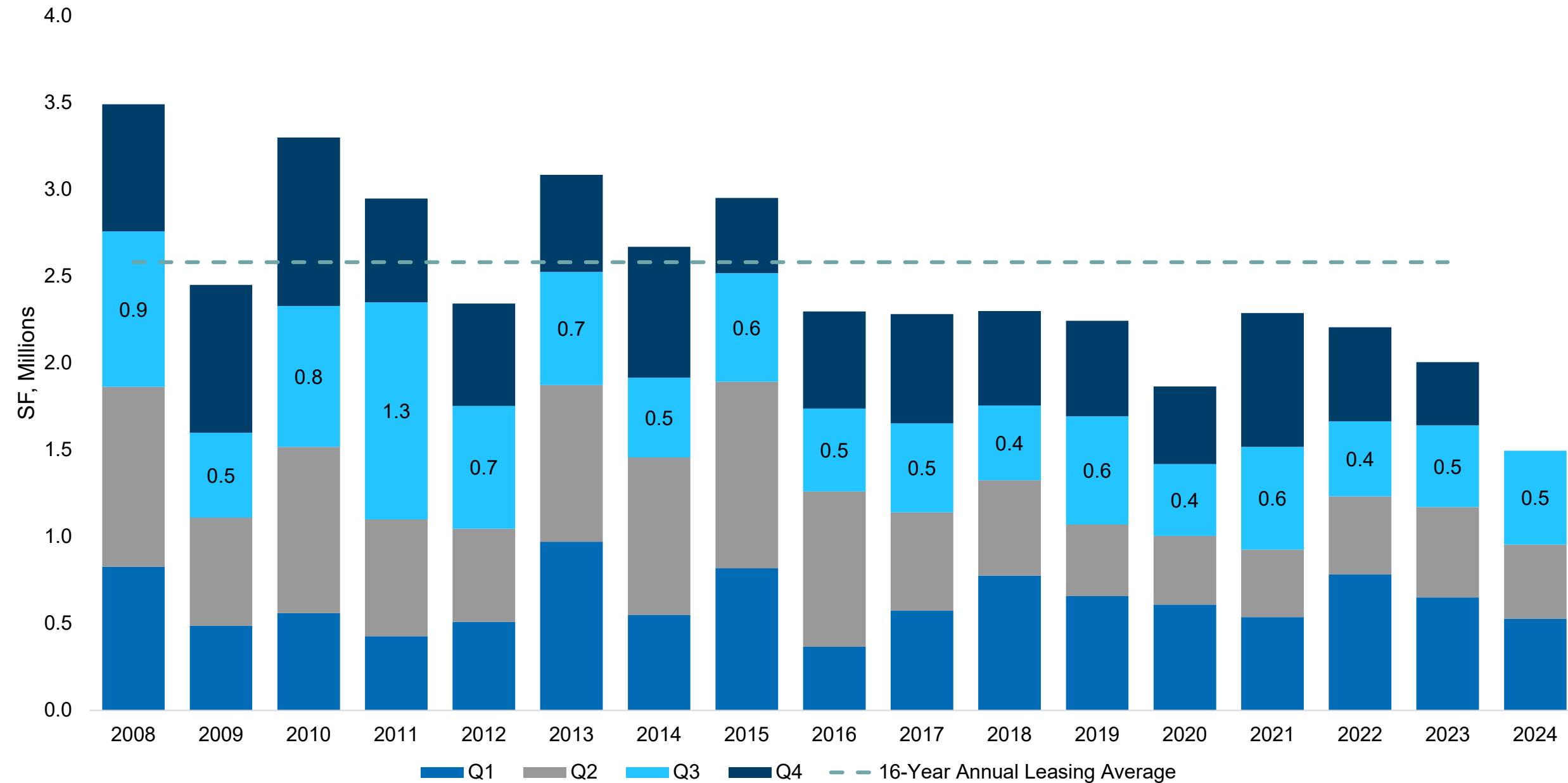


Source: Newmark Research, CoStar

Strong Quarterly Leasing Activity

Long Island recorded 540,545 square feet of leasing activity in the third quarter of 2024, a 26.5% increase from the previous quarter. Bond, Schoeneck & King PLLC signed the largest deal of the quarter for 42,110 square feet at 68 South Service Road.

Total Leasing Activity

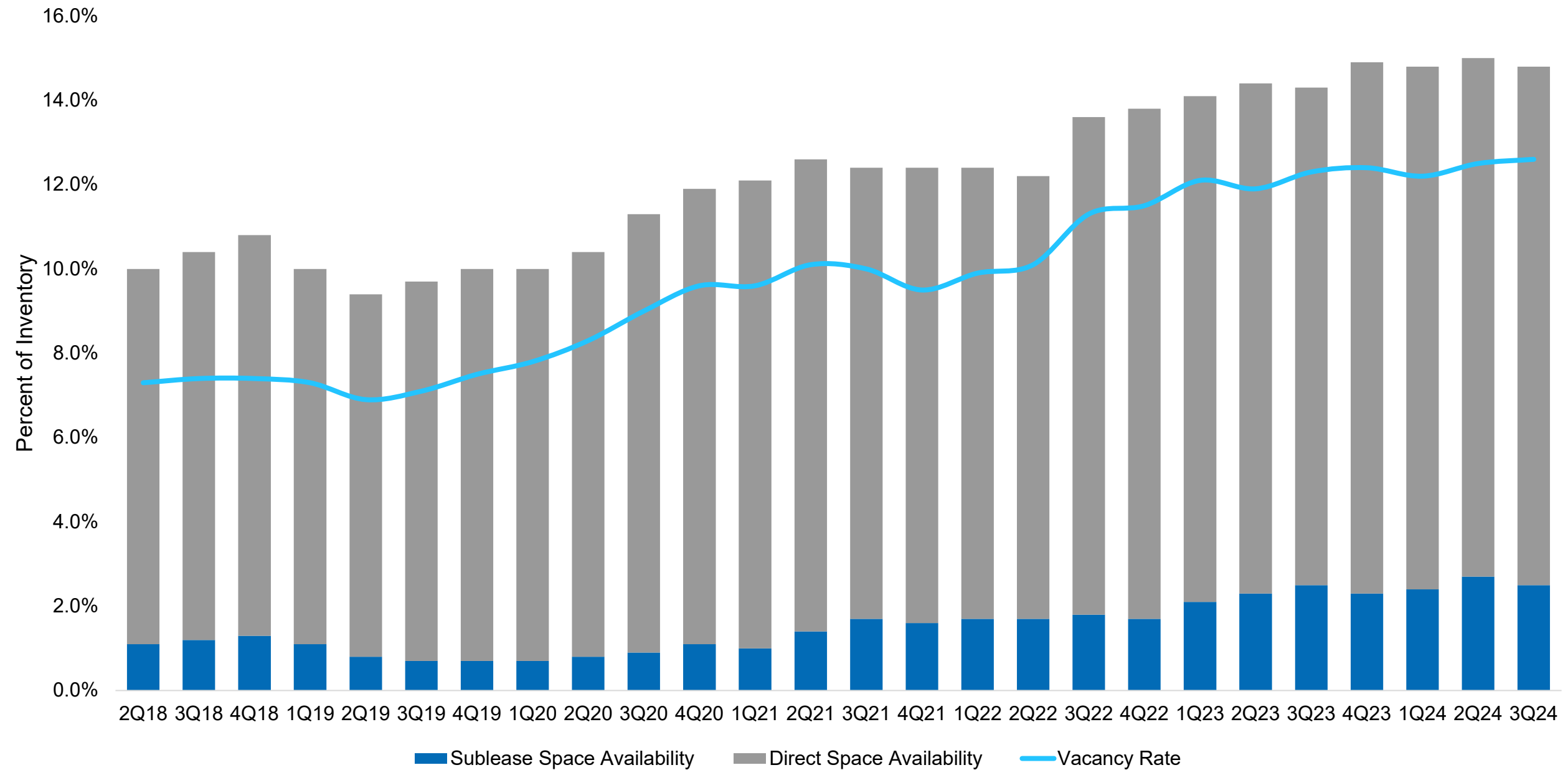


Source: Newmark Research, CoStar

Vacancy Rises Despite Decreasing Availability

Total available space decreased 6,282 square feet during the third quarter of 2024. This comes as available sublease space decreased 79,146 square feet while direct space increased 72,860 square feet. The region's vacancy rate marginally increased to 12.6% in the third quarter, its highest level in the last twenty years.

Available Space and Tenant Demand as Percent of Overall Market

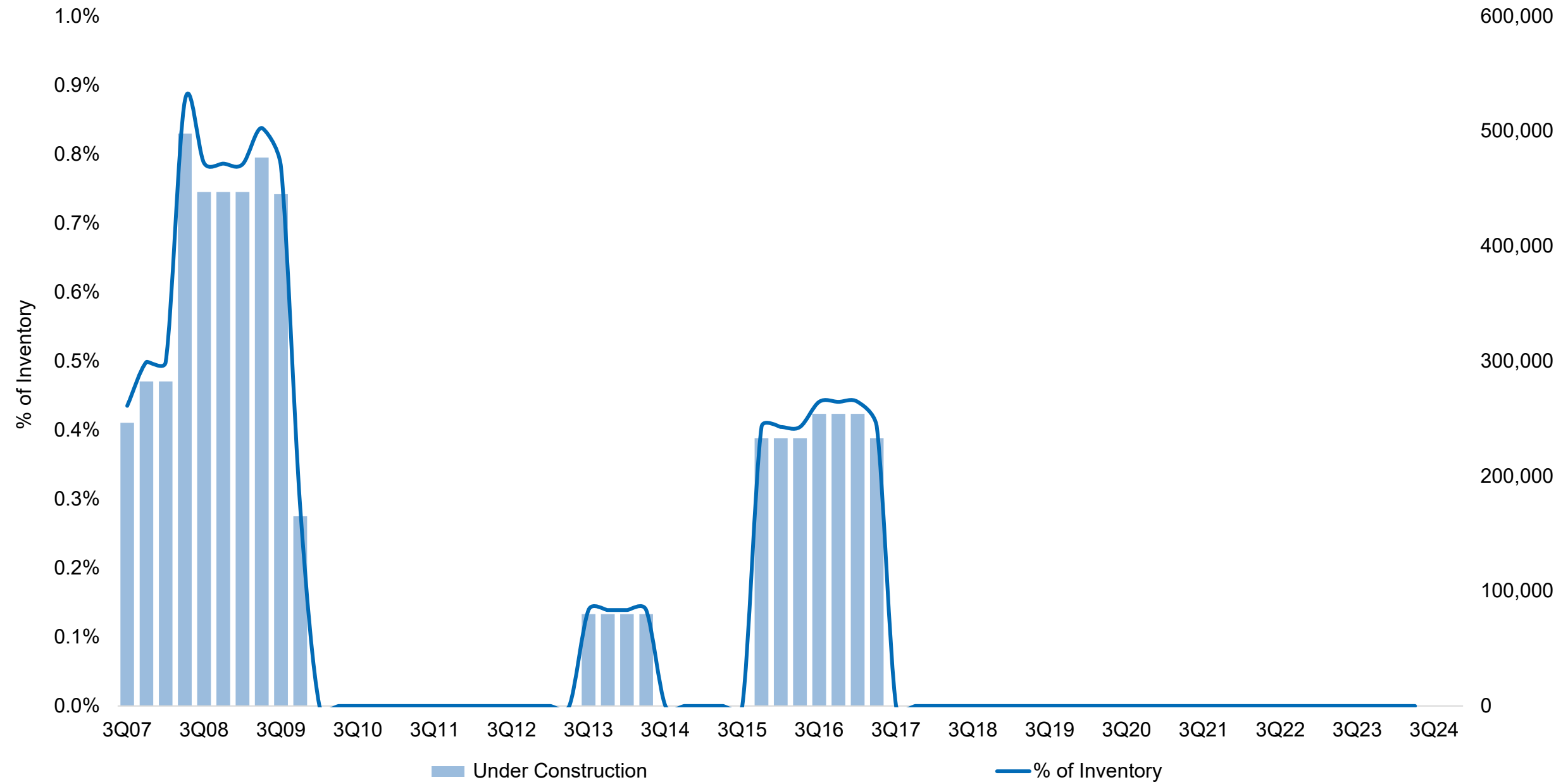


Source: Newmark Research, CoStar

Construction Standstill Continues

The third quarter of 2024 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

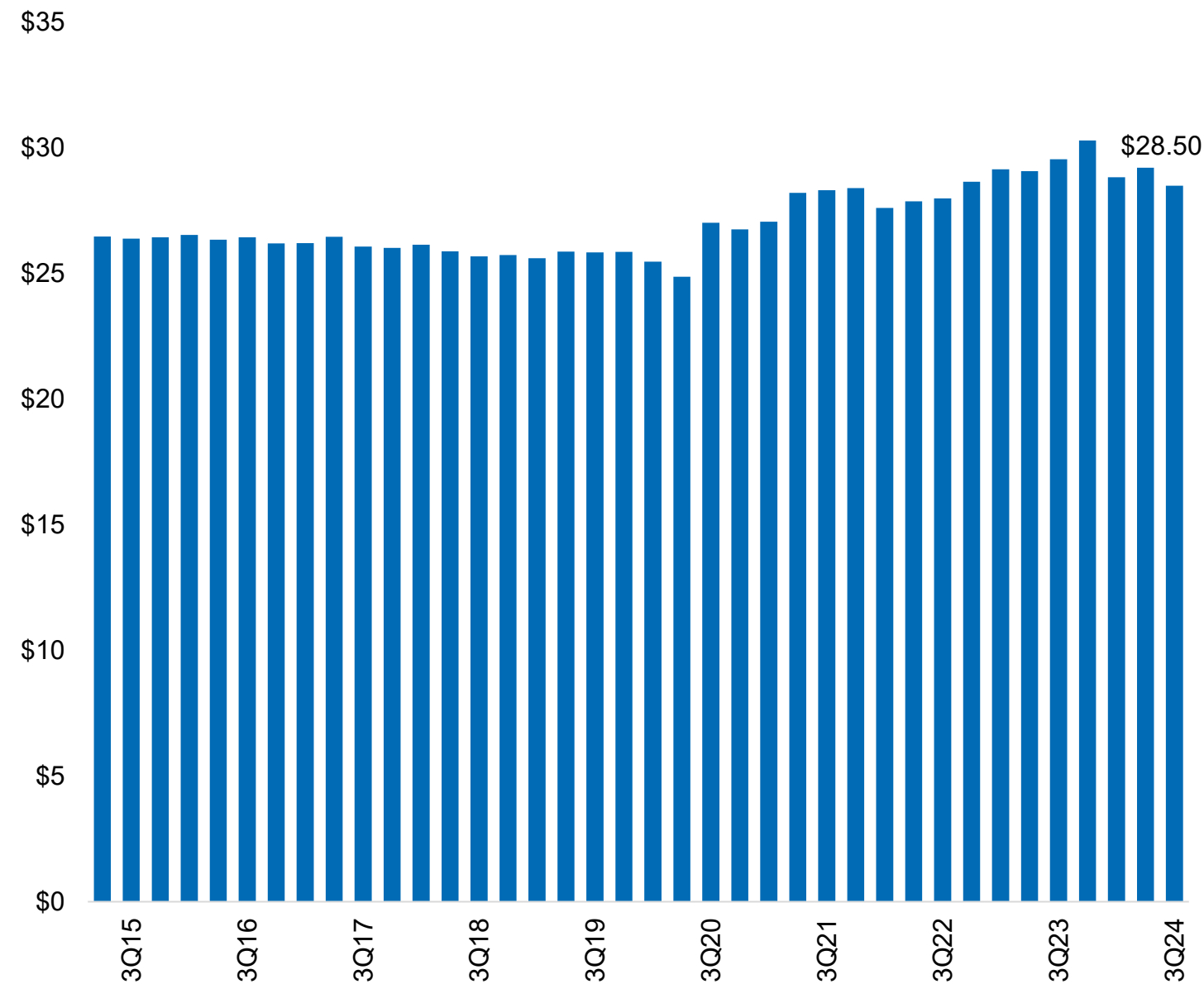


Source: Newmark Research, CoStar

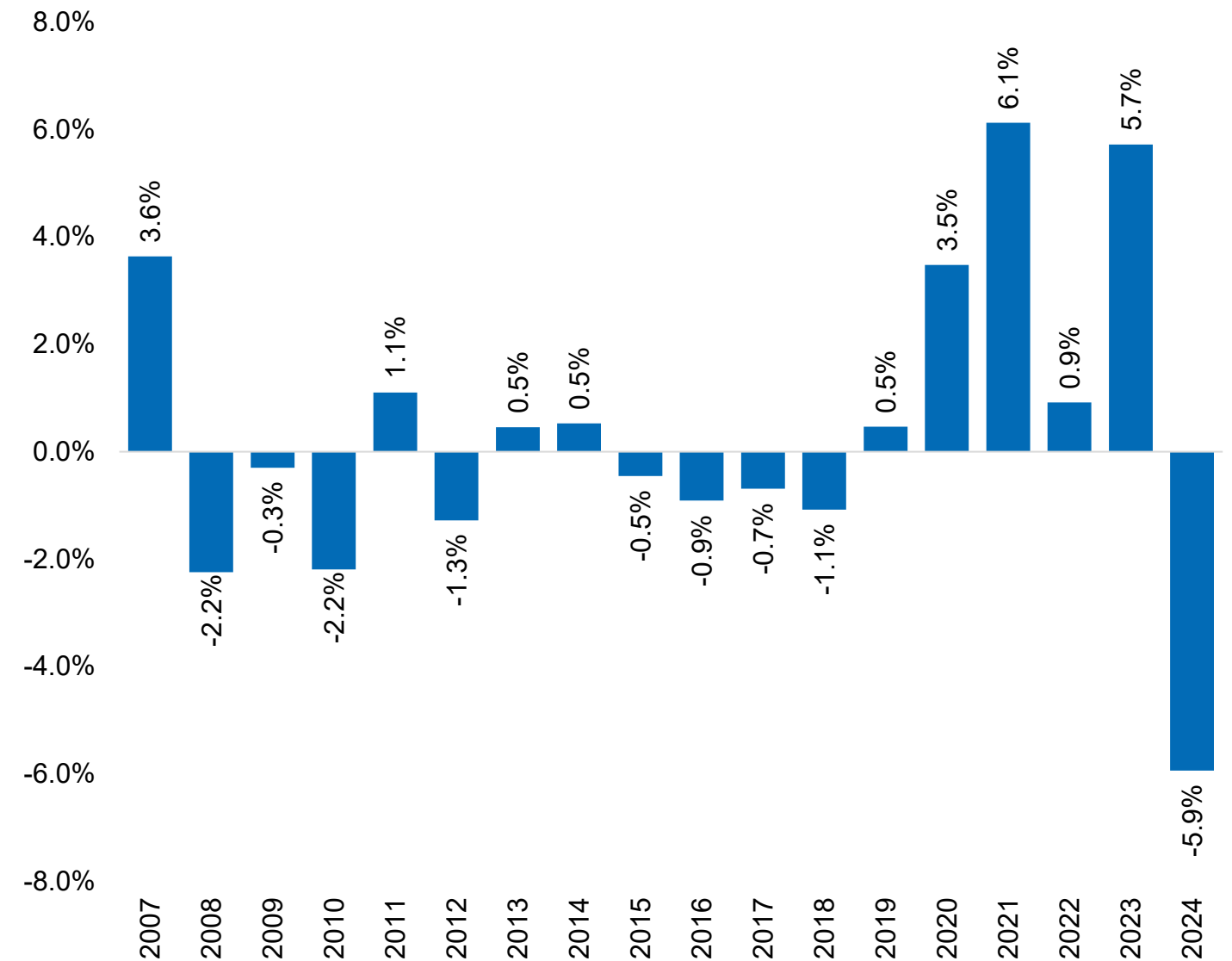
Rents Revert Towards Long-Term Average

During the third quarter of 2024, the Long Island average asking rent decreased 2.4% to \$28.50. Despite this decrease, asking rents remain 5.4% above the long-term average of \$27.71.

Office Average Asking Rent, \$/SF, FS



Year-over-Year Asking Rent Growth Rate

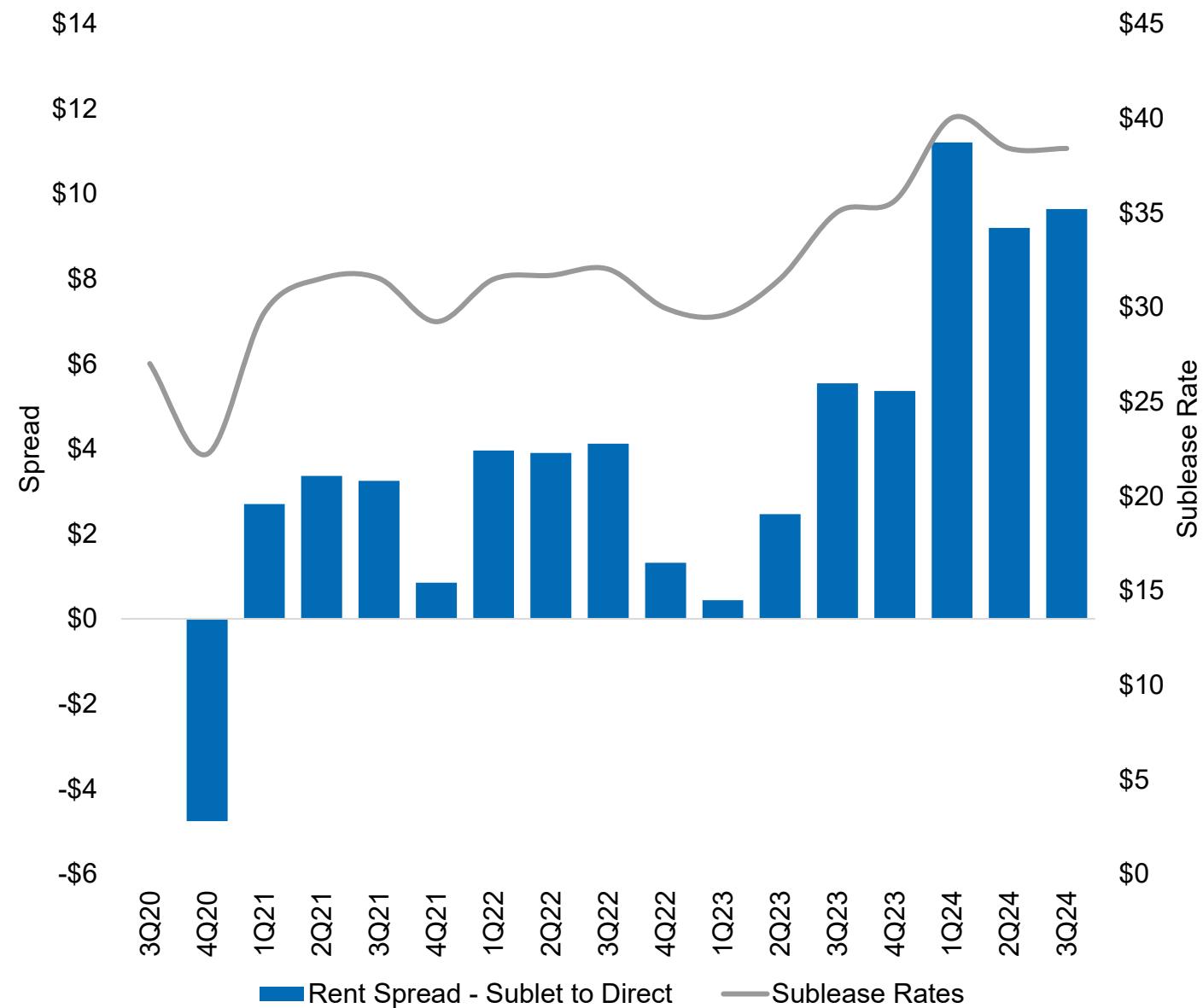


Source: Newmark Research, CoStar

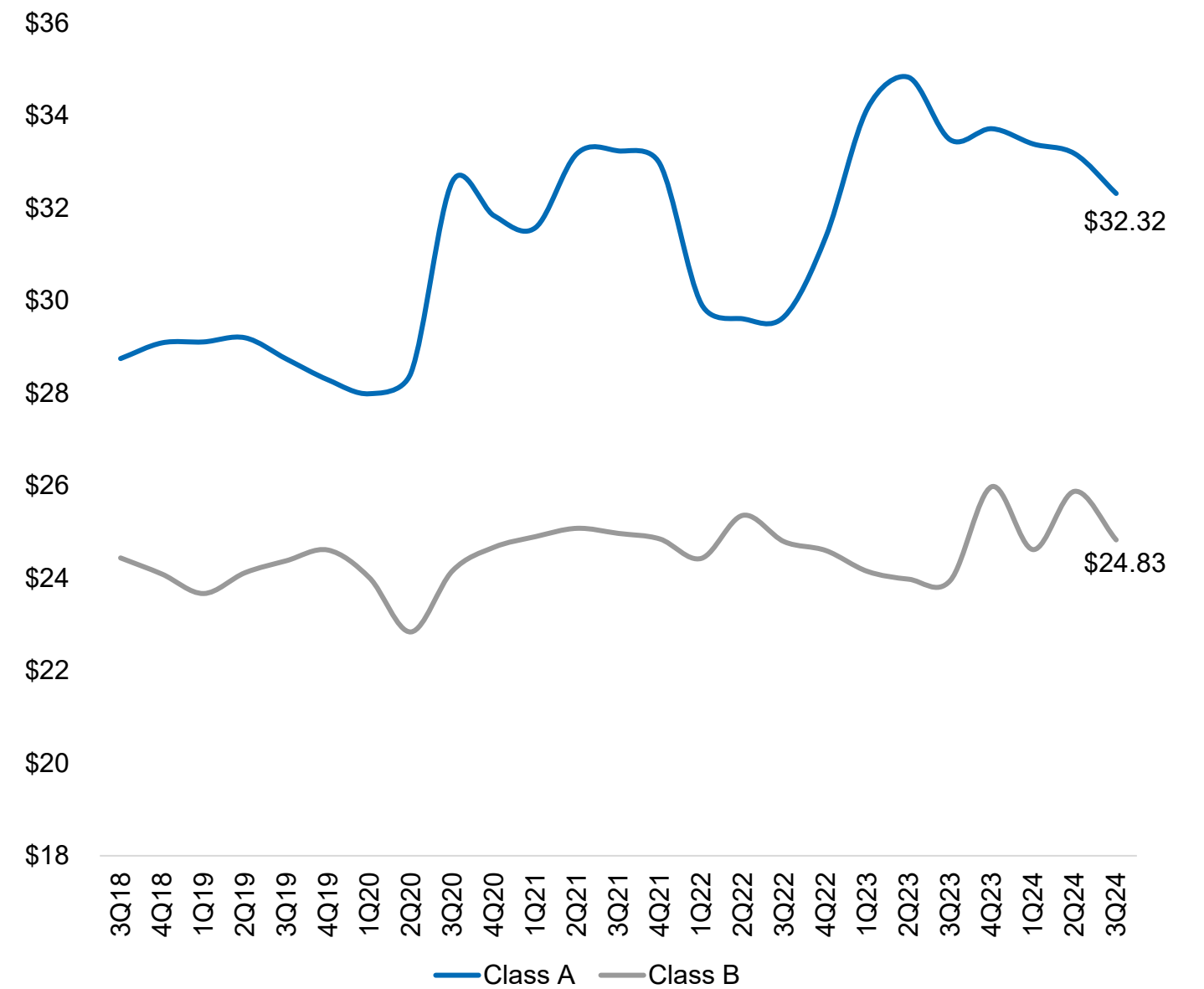
Heightened Sublease Rates Persist

The third quarter of 2024 continues to see an elevated spread between sublet and direct rates. Sublease rates remain high as they increased 9.6% from the previous year while direct rates decreased 2.5%. Meanwhile, direct asking rents for class A and B properties both declined in the third quarter, resulting in a consistent spread.

Sublease Rates



Class A and Class B Direct Asking Rents



Source: Newmark Research, CoStar

Notable Lease Transactions

Third quarter 2024 leasing recorded 540,545 square feet of activity, a 26.5% increase from the previous quarter. With 298,324 square feet of activity, Nassau County accounted for 55.2% of leasing activity in the third quarter.

Notable 3Q24 Lease Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
Bond, Schoeneck & King PLLC	68 South Service Road	Suffolk County	Direct Lease	42,110
<i>Law firm Bond, Schoeneck & King PLLC leased 42,110 square feet on part of the fourth floor at 68 South Service Road.</i>				
Stony Brook University Medical Center	31 Research Way	Suffolk County	Direct Renewal	35,100
<i>Stony brook University Medical Center renewed the entire 35,100 square feet of 31 Research Way.</i>				
Milber Makris Plousadis & Seiden, LLP	1000 Woodbury Road	Nassau County	Direct Expansion	28,000
<i>Law firm Milber Makris Plousadis & Seiden, LLP signed an expansion of 28,000 square feet on the fourth floor of 1000 Woodbury Road.</i>				
Orthopedic Associates of Long Island	6 Technology Drive	Suffolk County	Direct Renewal	24,409
<i>Orthopedic Associates of Long Island signed a ten-year lease renewal for 24,409 square feet on the first floor of 6 Technology Drive.</i>				
Nassau County Government	1001 Franklin Avenue	Nassau County	Direct Lease	21,000
<i>The Nassau County Government signed a five-year lease for 21,000 square feet at 1001 Franklin Avenue.</i>				

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