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4Q24

# Long Island Office Market Overview



**NEWMARK**

# Market Observations

## Economy

- The Long Island labor market unemployment rate continued to track below the national average in the fourth quarter of 2024 as it declined 80 basis points from the previous quarter to 3.0%. Meanwhile, Long Island unemployment growth mirrored the national average at 1.4%.
- Leisure/hospitality, construction, education industries led the region in job growth over the past year. Despite positive employment growth overall on Long Island, office-using sectors including financial services, 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

- Long Island Power Authority signed the largest deal of the quarter, renewing 48,803 square feet on the fourth floor of 333 Earle Ovington Boulevard.
- Long Island recorded 496,376 square feet of leasing activity during the fourth quarter of 2024, an 8.2% decrease from the previous quarter.
- Recording 321,153 square feet of activity, Suffolk County accounted for 64.7% of leasing activity in the fourth quarter.
- With tenants adjusting to the new paradigm of the hybrid model and more employees returning to the office, more tenants committing to long-term deals.

## Leasing Market Fundamentals

- Following two consecutive quarters of negative absorption, the Long Island office market saw a rebound during the fourth quarter, bringing the annual total absorption to 97,564 square feet.
- Total available space decreased 53,929 square feet during the fourth quarter of 2024, as the availability rate fell to 13.4%, the market's lowest level since 2022.
- Asking rents continued to decline during the fourth quarter of 2024, falling \$0.06/SF from the previous quarter to \$28.44/SF. While 2024 asking rents were down 6.1% year-over-year, they remain 1.7% above the long-term average of \$27.96/SF.
- The fourth quarter of 2024 experienced a substantial decline in sublease asking rates due to significant removals at 1 Huntington Quadrangle. As a result, the rent spread between sublease and direct rates fell to their lowest levels since 2020.

## 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 fourth 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. Leasing Market Fundamentals
2. Economy

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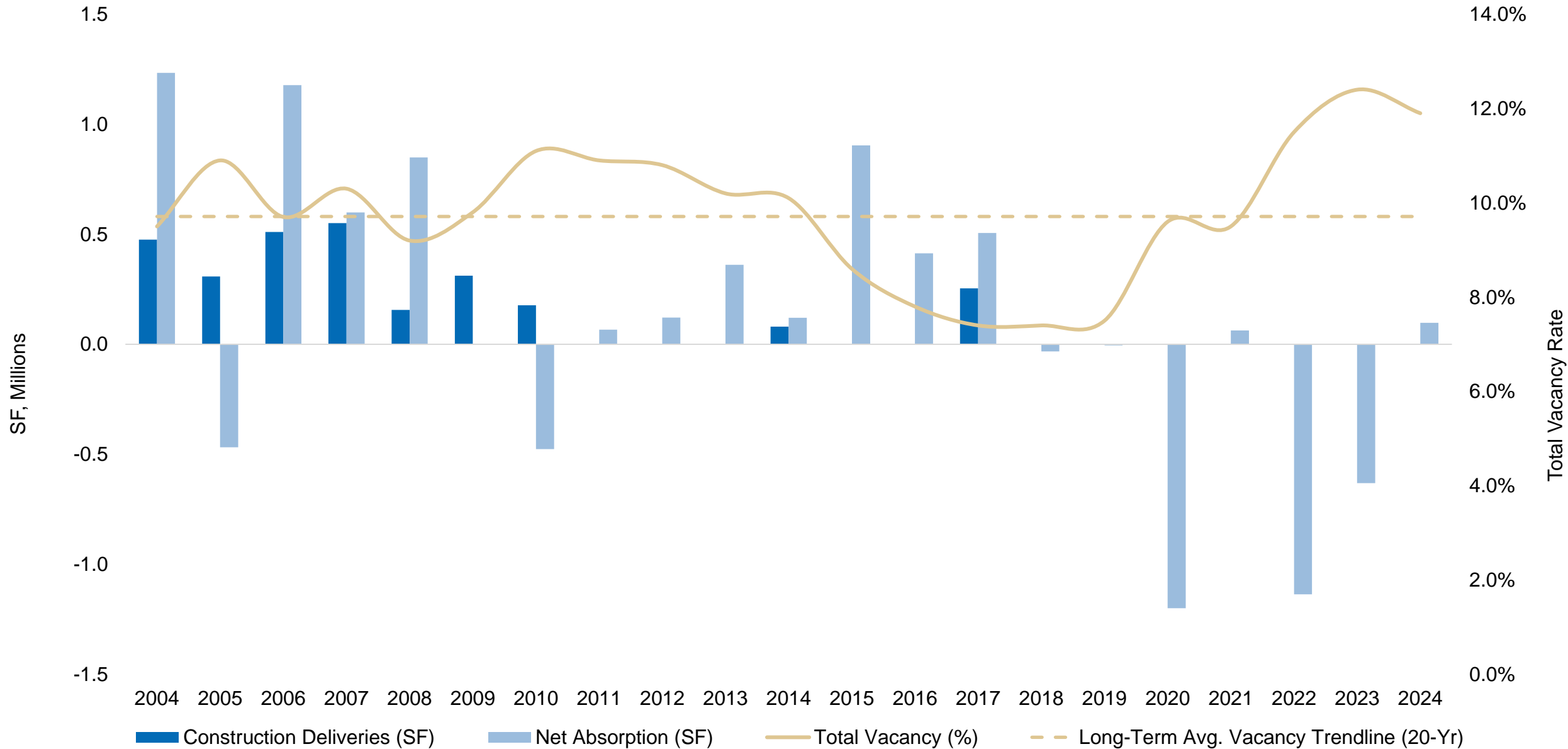
# Leasing Market Fundamentals



# Vacancy Begins to Fall With Positive Net Absorption

Following two consecutive quarters of negative absorption, the Long Island office market saw a rebound during the fourth quarter, bringing the annual total absorption to 97,564 square feet. While still elevated, the Long Island vacancy rate was 11.9% in 2024, a 150 basis points decline from its 20-year high in 2023.

Historical Construction Deliveries, Net Absorption, and Vacancy

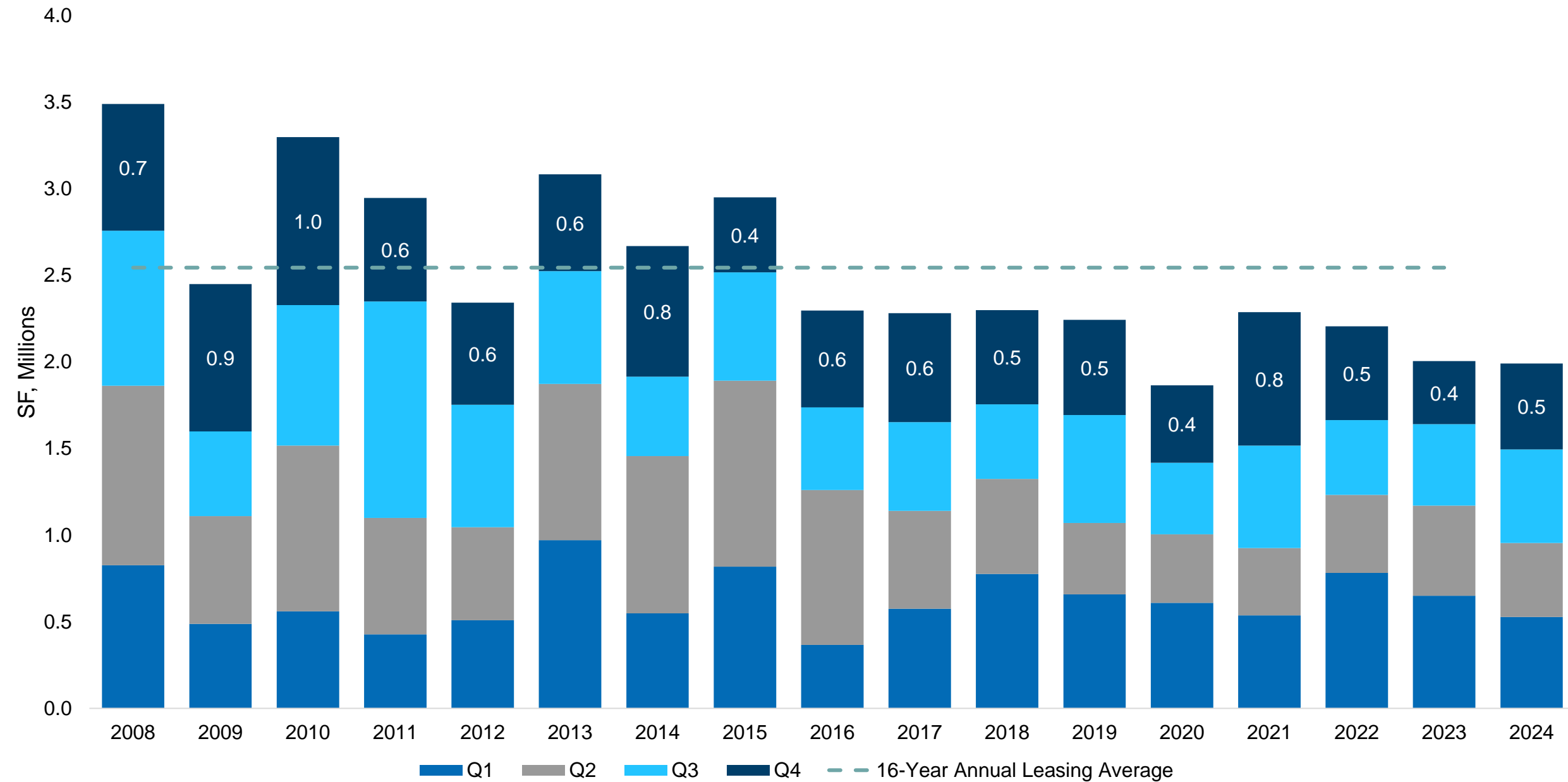


Source: Newmark Research, CoStar

# Leasing Activity Stays Consistent With 2023

Long Island recorded 496,376 square feet of leasing activity during the fourth quarter of 2024, an 8.2% decline from the previous quarter. At 2.0 million square feet, total leasing activity in 2024 was on par with 2023, decreasing just 0.6% from the previous year.

## Total Leasing Activity

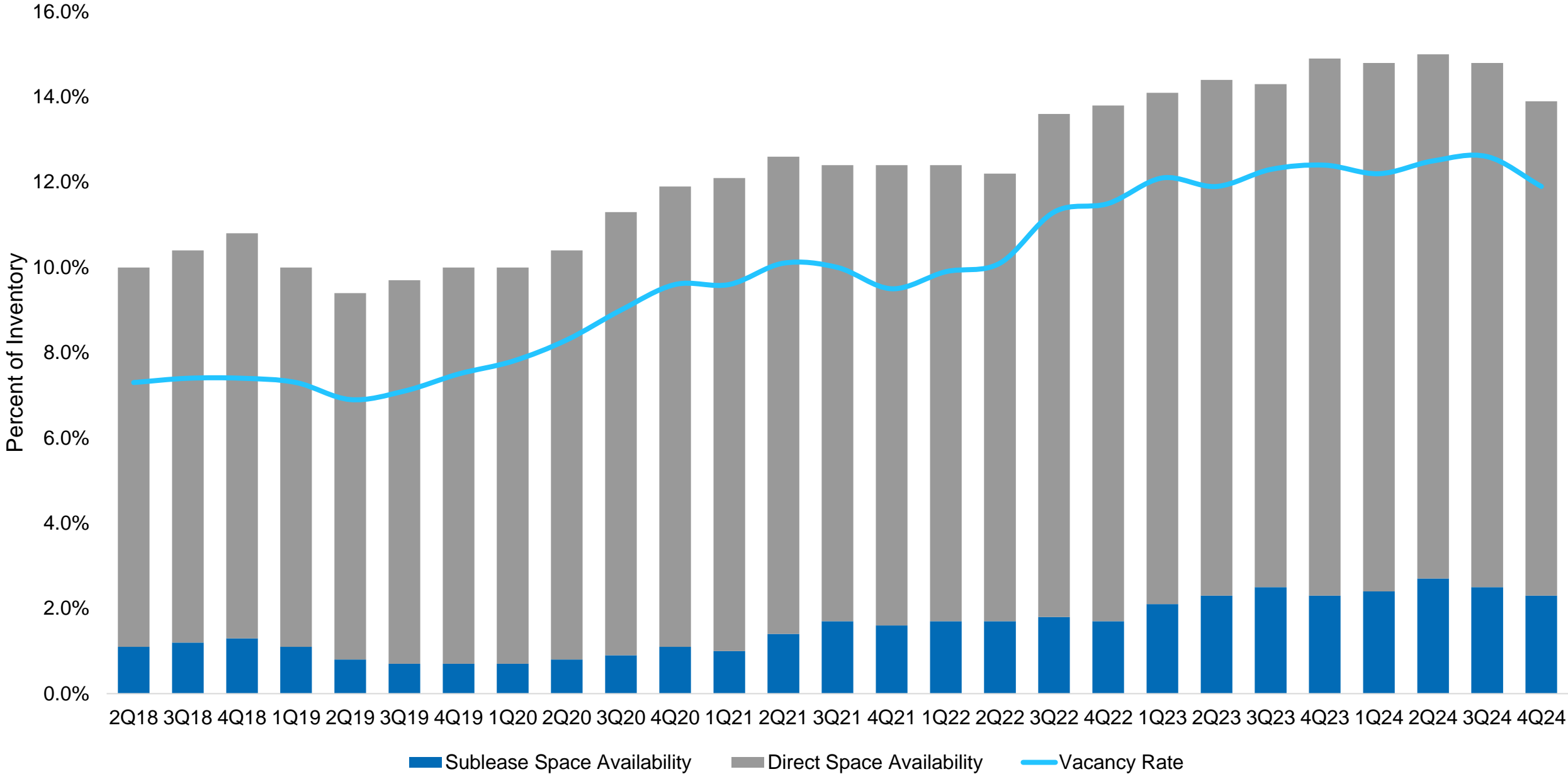


Source: Newmark Research, CoStar

# Vacancy and Availability Falls

Total available space decreased 53,929 square feet during the fourth quarter of 2024, bringing the total availability rate to 13.4%. Both direct and sublease availability decreased during the quarter, falling by 70 basis points and 20 basis points, respectively. The market's availability rate and vacancy rate both declined to their lowest levels since 2022.

Available Space and Tenant Demand as Percent of Overall Market

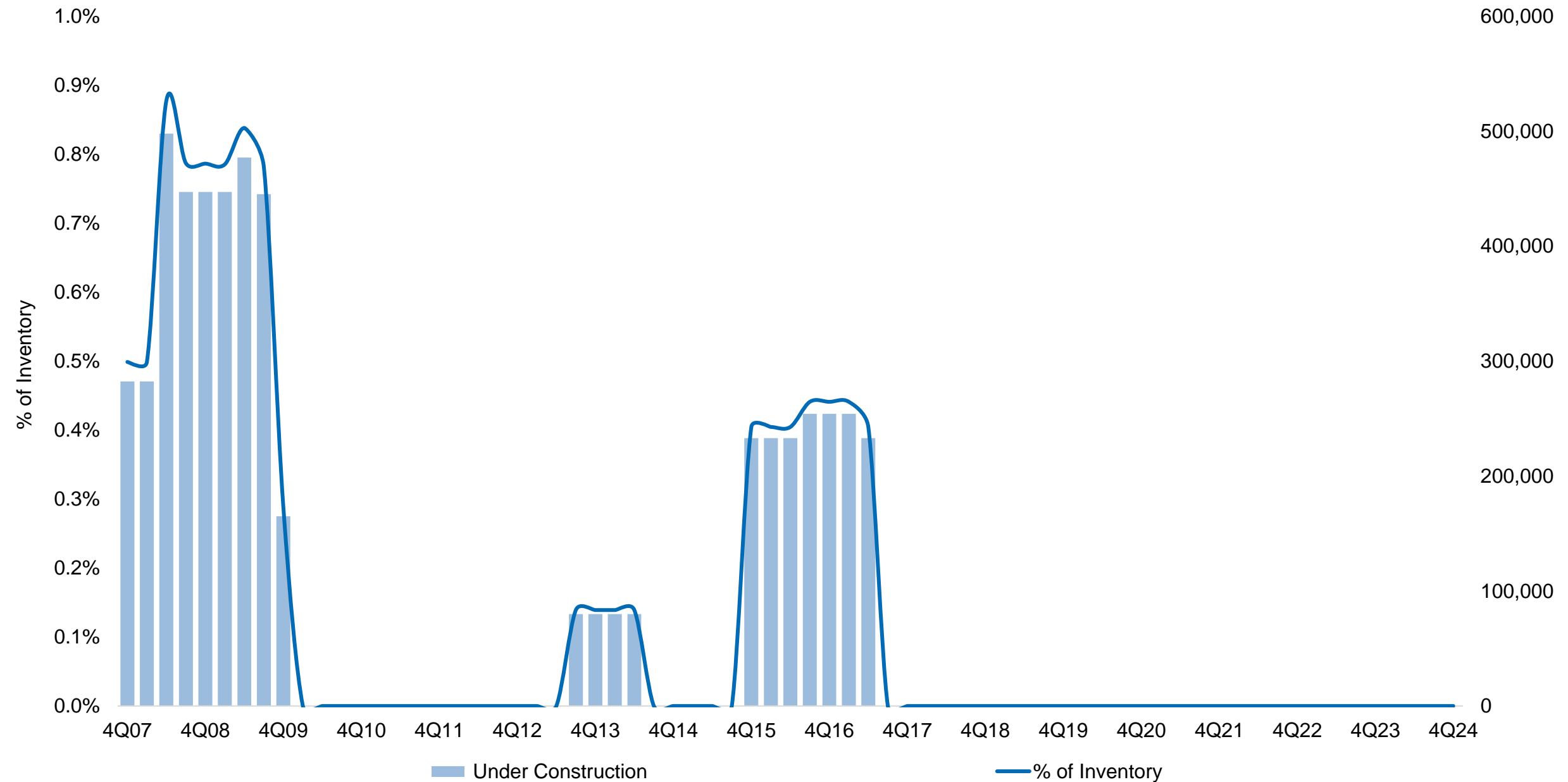


Source: Newmark Research, CoStar

# Construction Standstill Continues

The fourth 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



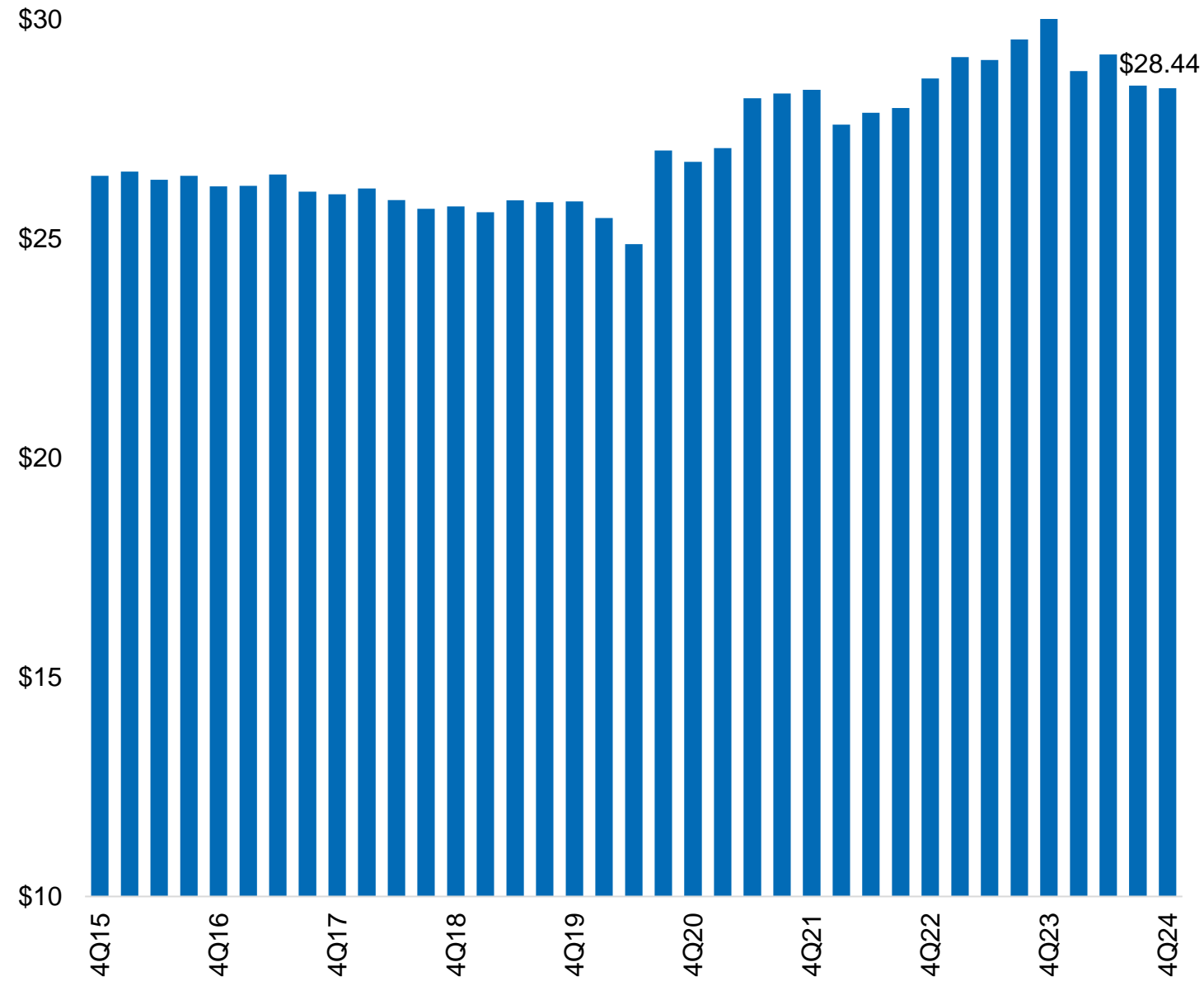
Source: Newmark Research, CoStar



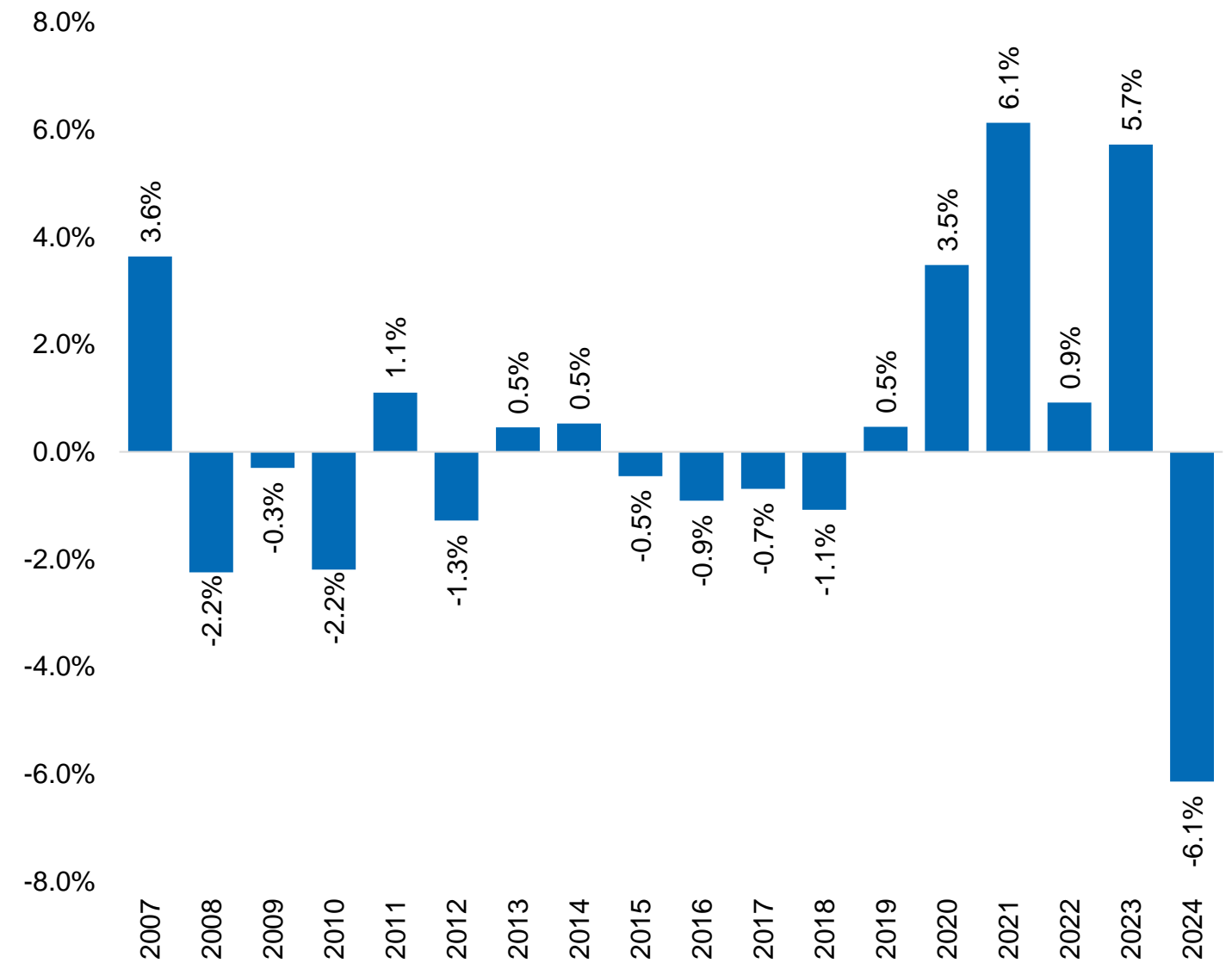
# Rents Revert Towards Long-Term Average

Asking rents continued to decline during the fourth quarter of 2024, falling \$0.06/SF from the previous quarter to \$28.44/SF. While 2024 asking rents were down 6.1% year-over-year, they remain 1.7% above the long-term average of \$27.96/SF.

Office Average Asking Rent, \$/SF, FS



Year-over-Year Asking Rent Growth Rate

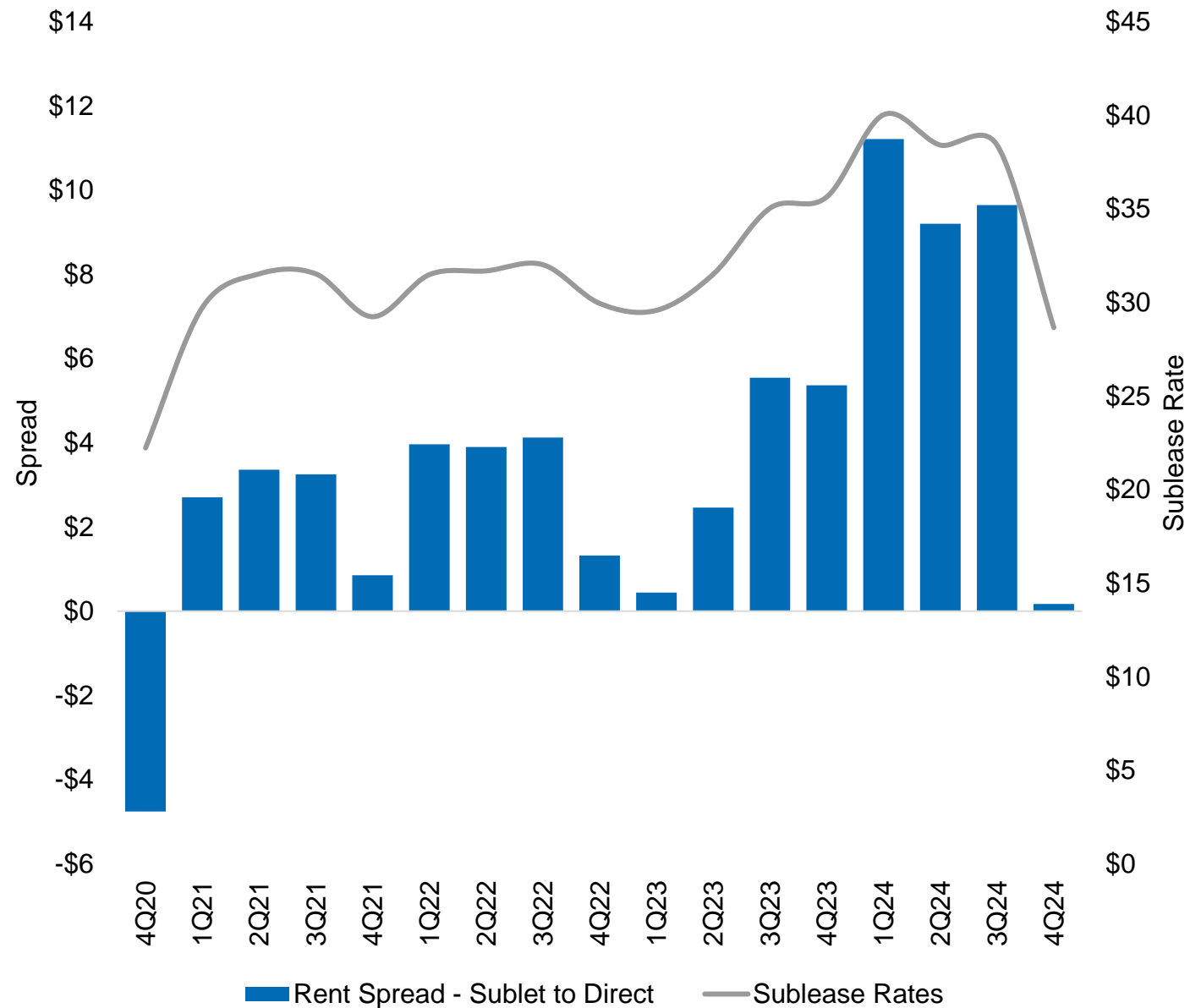


Source: Newmark Research, CoStar

# Sublease Asking Rates Decline

The fourth quarter of 2024 experienced a substantial decline in sublease asking rates due to significant removals at 1 Huntington Quadrangle. As a result, the rent spread between sublease and direct rates fell to their lowest levels since the fourth quarter of 2020. Meanwhile, class A and B asking rates diverged in the fourth quarter class A asking rates increased 2.9% and class B asking rates decreased 2.6% from the previous quarter.

**Sublease Rates**



**Class A and Class B Direct Asking Rents**



Source: Newmark Research, CoStar

# Notable Lease Transactions

Fourth quarter 2024 leasing recorded 496,376 square feet of activity, an 8.2% decrease from the previous quarter. With 321,153 square feet of activity, Suffolk County accounted for 64.7% of leasing activity in the fourth quarter.

## Notable 4Q24 Lease Transactions

| Tenant  | Building(s)                  | Submarket      | Type           | Square Feet |
|---|------------------------------|----------------|----------------|-------------|
| Long Island Power Authority   | 333 Earle Ovington Boulevard | Nassau County  | Direct Renewal | 48,803      |
| <i>Long Island Power Authority signed the largest deal of the quarter, renewing 48,803 square feet on the fourth floor of 333 Earle Ovington Boulevard.</i>         |                              |                |                |             |
| UL Solutions  | 175 Broadhollow Road         | Suffolk County | Direct Lease   | 48,636      |
| <i>Laboratory testing company UL Solutions signed 48,636 square feet on the first floor of 175 Broadhollow Road.</i>  |                              |                |                |             |
| U.S. Citizenship and Immigration Services   | 1600 Stewart Avenue          | Nassau County  | Direct Lease   | 47,405      |
| <i>The U.S. Citizenship and Immigration Services government agency signed 47,405 square feet for ten years on the fifth and sixth floor of 1600 Stewart Avenue.</i> |                              |                |                |             |
| Moritt Hock & Hamroff LLP   | 400 Garden City Plaza        | Nassau County  | Direct Renewal | 31,500      |
| <i>Law firm Moritt Hock &amp; Hamroff LLP renewed their 31,500 square foot lease on the second floor of 400 Garden City Plaza.</i>                                  |                              |                |                |             |
| U.S. Citizenship and Immigration Services   | 5000 Corporate Court         | Suffolk County | Direct Renewal | 29,000      |
| <i>U.S. Citizenship and Immigration Services renewed 29,000 square feet on the second floor of 5000 Corporate Court.</i>  |                              |                |                |             |

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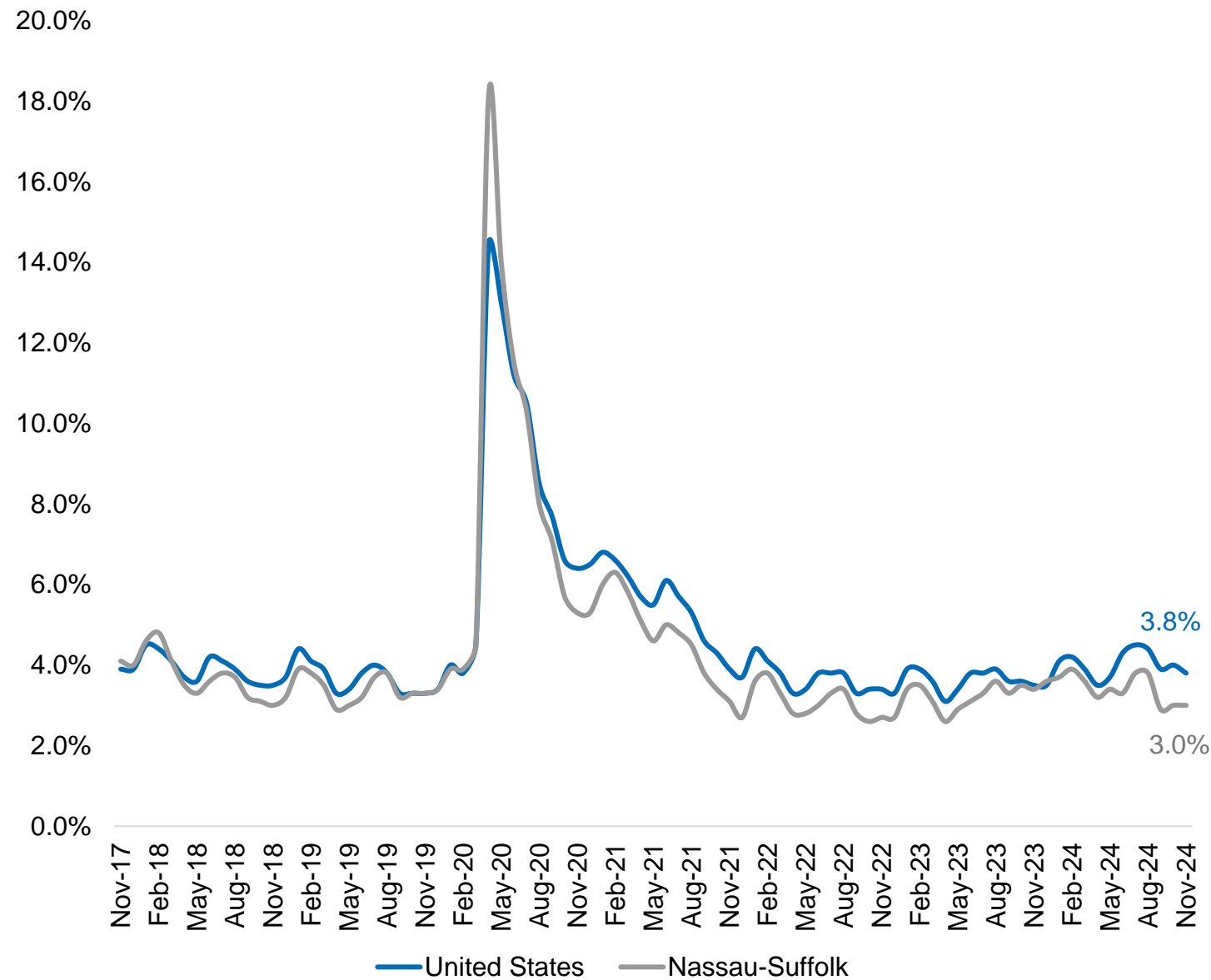
# Economy



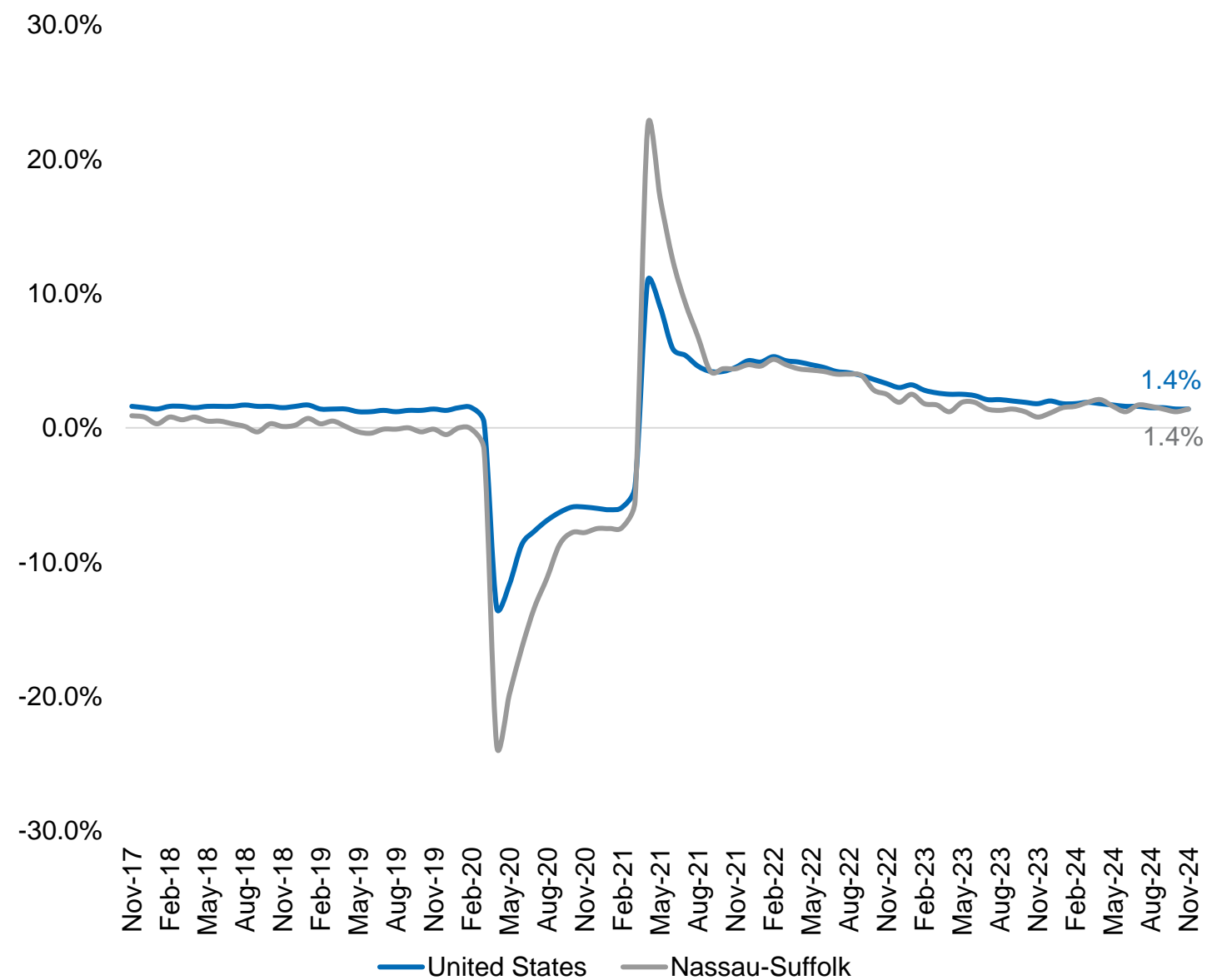
# Employment Trends Return to Pre-Pandemic Levels

Declining 80 basis points from the previous quarter to 3.0%, the Long Island labor market unemployment rate continued to track below the national average in the fourth quarter of 2024. Meanwhile, Long Island unemployment growth mirrored the national average at 1.4%.

Unemployment Rate, Non-Seasonally Adjusted



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

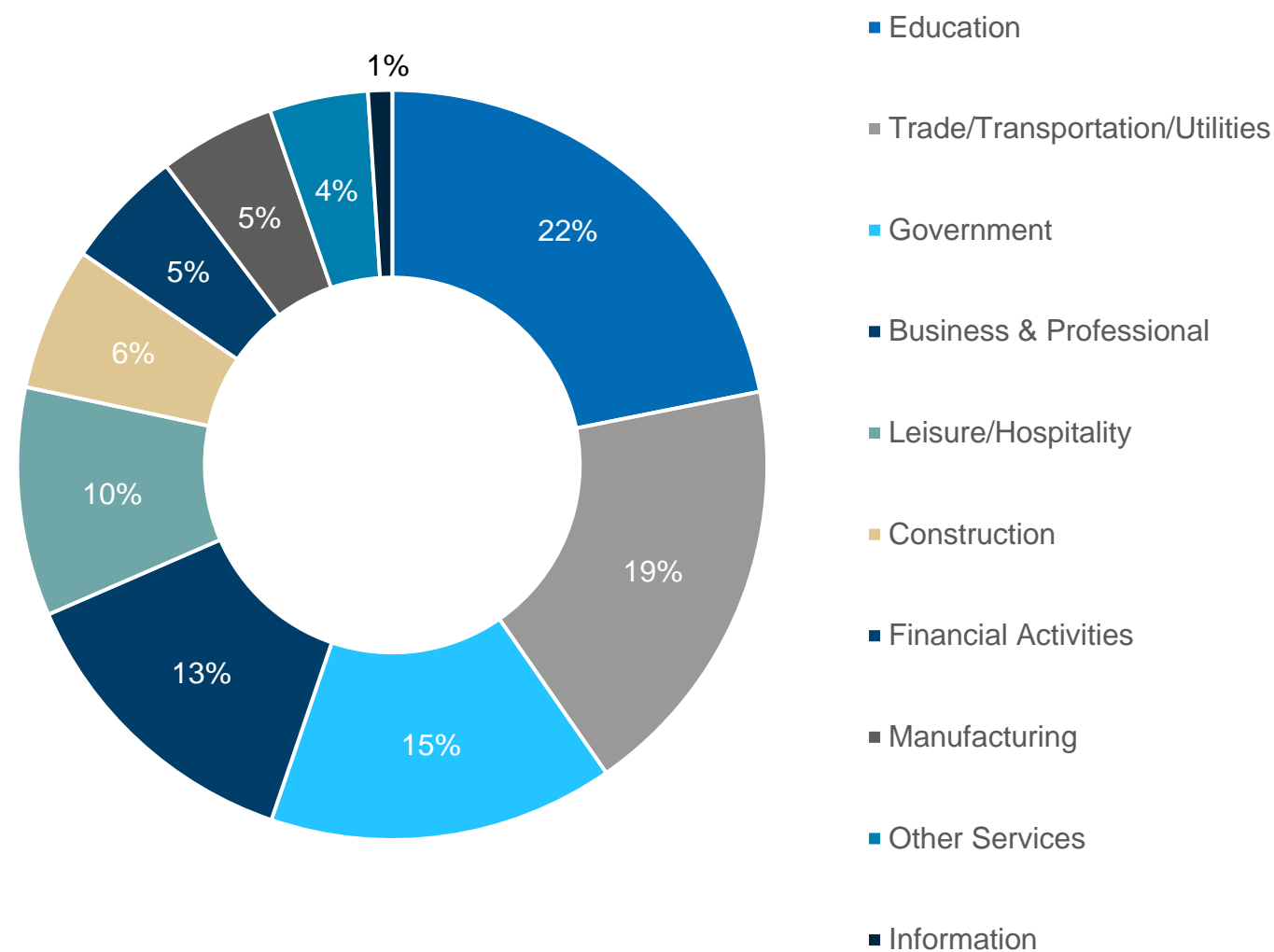


Source: U.S. Bureau of Labor Statistics, Nassau-Suffolk

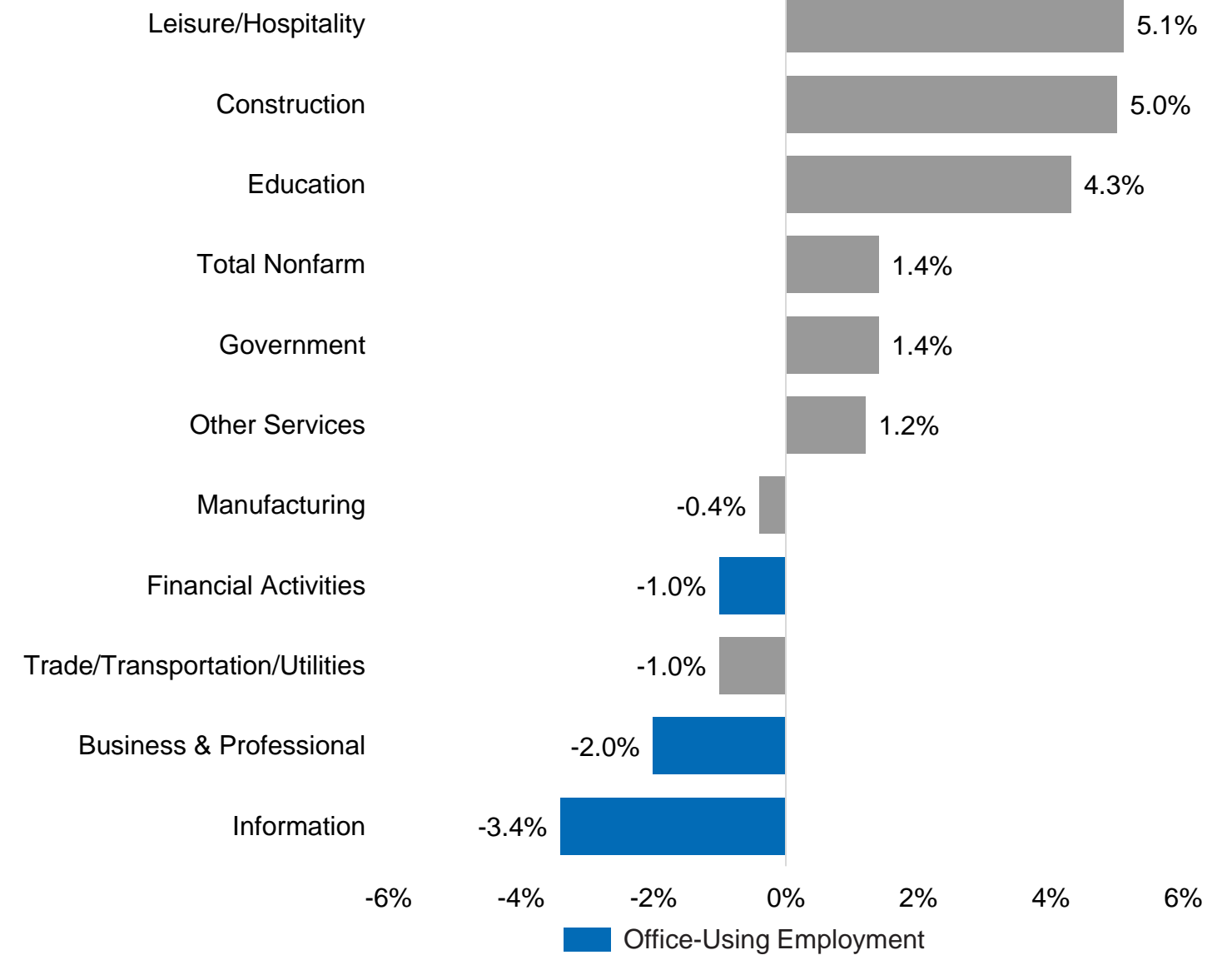
# Office Using Sector Experiences Job Loss

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

Employment by Industry, November 2024



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

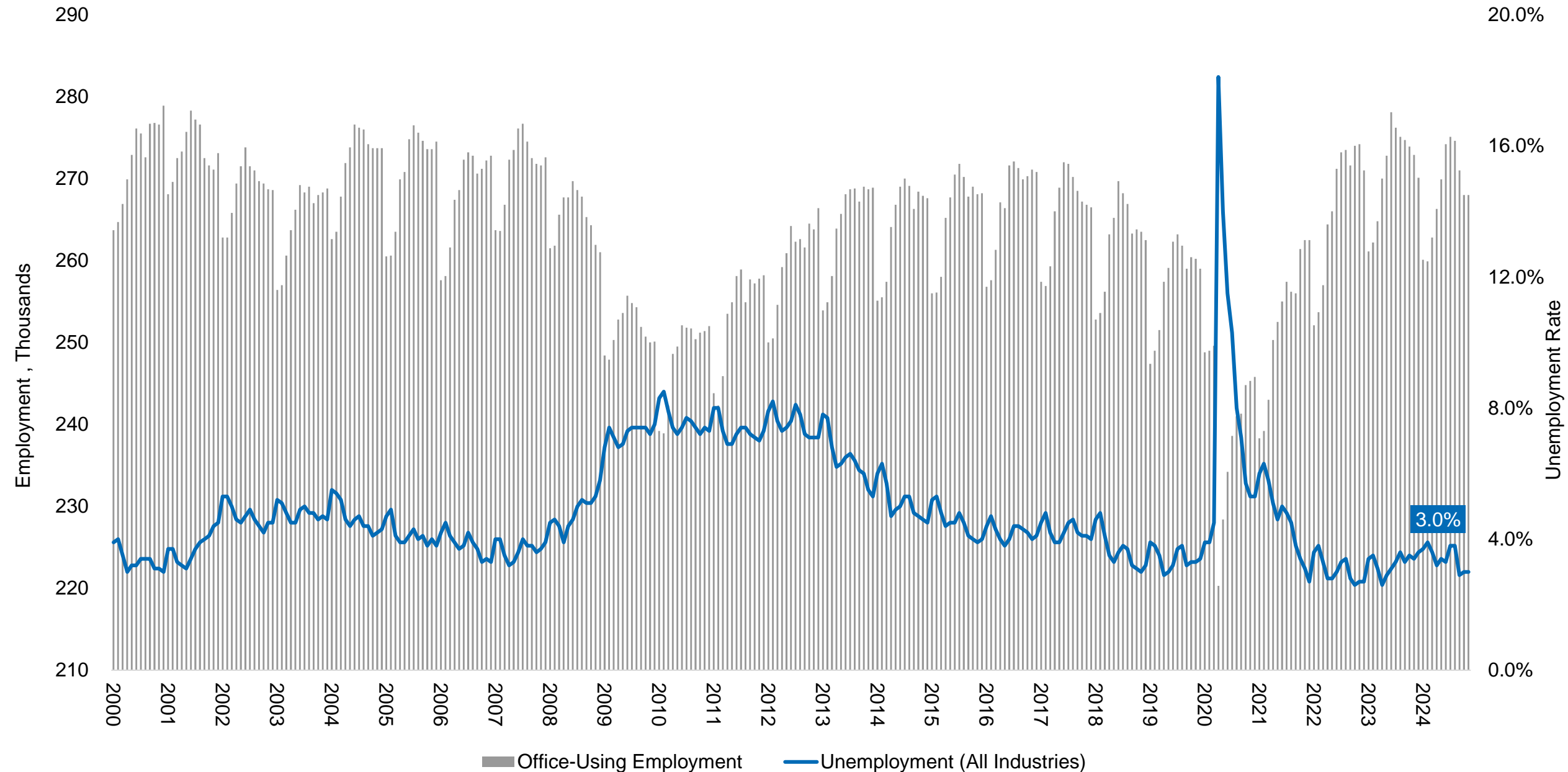


Source: U.S. Bureau of Labor Statistics, Nassau-Suffolk

# Overall Office-Using Employment Outpaces Pre-Pandemic Levels

During the fourth quarter of 2024, the Long Island market experienced its cyclical decrease in office-using employment, aligning with previous years. While office-using employment in 2024 fell short of 2023's totals, it continued to exceed pre-pandemic 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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