

MARKETBEAT

Long Island

Industrial Q1 2019



LONG ISLAND INDUSTRIAL

Economic Indicators

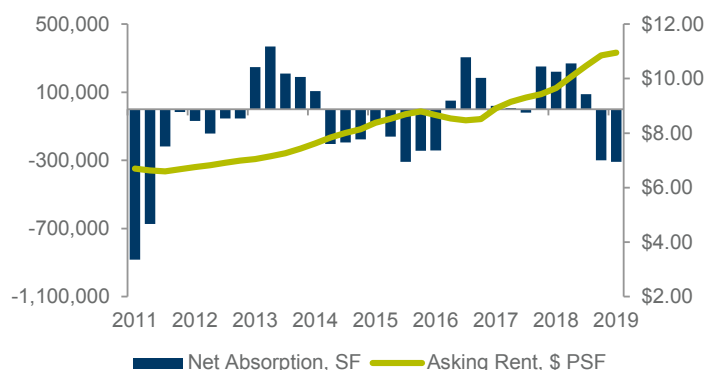
	Q1 18	Q1 19	12-Month Forecast
Long Island Employment	1.3M	1.4M	▲
Long Island Unemployment	4.5%	3.2%	▲
U.S. Unemployment	4.1%	3.8%	▲

Market Indicators (Overall, All Product Types)

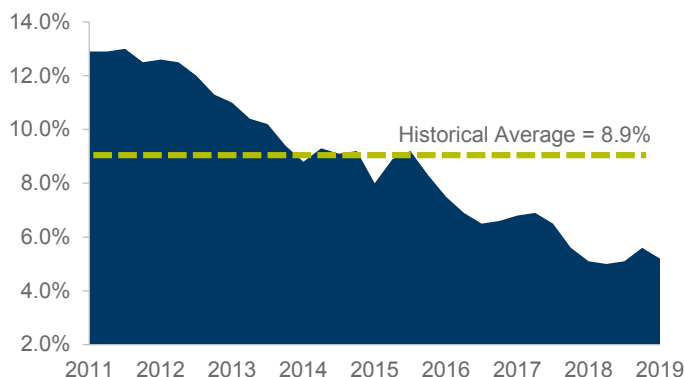
	Q1 18	Q1 19	12-Month Forecast
Vacancy	5.1%	5.2%	▲
YTD Net Absorption (sf)	-284k	-316k	▲
Under Construction (sf)	138k	994k	▲
Average Asking Rent* (psf)	\$10.68	\$11.05	▲

*Rental rates reflect net asking \$psf/year

Overall Net Absorption/Overall Asking Rent 4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

Long Island economic fundamentals continued to strengthen throughout the first quarter. Non-farm employment surged with 10,400 jobs added from November 2018 through February 2019, and 3,400 jobs since one year ago. The Long Island labor market consists of 1.4 million jobs and has an unemployment rate of 3.2%, boasting one of the healthiest-performing economies in the Tri-State. Meanwhile, industrial related employment grew from the prior quarter. The trade, transportation & warehousing related employment increased by 1.1% while the manufacturing sector recorded a decline of 872 jobs.

Market Overview

Long Island's industrial vacancy rate fell 40 basis points (bps) in the first quarter to 5.2%, slightly higher than the market's recent historical low set in mid-2018. The modest improvement came from space withdrawals coupled with steady demand. Most submarkets logged nominal vacancy rate improvements from the prior quarter. Eastern Suffolk documented the largest quarterly vacancy rate decline, falling 290 bps to 6.9%, while Western Nassau County was the only submarket to record occupancy losses.

The Long Island industrial market had one of the strongest starts to a year for demand since 2015. With 1.1 million square feet (msf) leased, activity exceeded totals from the previous quarter, while also recording a 62.3% hike from first quarter 2018. Although Eastern Nassau and Western Suffolk posted quarterly transaction volume declines, heightened leasing activity in Central and Eastern Suffolk boosted overall demand. Intercounty Appliance Co. entered into a 308,577-square foot (-sf) sale/leaseback at National Boulevard in Medford, marking the largest deal on Long Island in more than three years. However, strong first quarter demand was not enough to prevent negative 315,616 sf of absorption. More than 10 mid-sized blocks of space coupled with several availabilities greater than 100,000 sf returned to the market and offset occupancy gains.

Overall asking rents logged nominal quarterly improvements, trending up \$0.06 per square foot (psf) to \$11.05 and growing 3.5% year-over-year. Due to the relatively tight market conditions, steady demand, and a prolonged industrial growth cycle, asking rents have now trended upward for the past 10 quarters. Healthy user and investment sales activity persisted throughout the first quarter, totaling 558,945 sf and 397,729 sf, respectively. The increase in user activity was predominantly due to the \$8.6 million sale at 425 Underhill Boulevard in Syosset, as Southern Glazer's Wine and Spirits, LLC purchased the property for occupancy. Investment activity slid from fourth quarter 2018 in terms of transacted square feet, but due to the aforementioned \$30.0 million sale/leaseback by Intercounty Appliance Co., dollar volume was above the region's recent quarterly average.

Outlook

As the market recorded robust demand and sales activity during the first quarter, market conditions on Long Island are projected to remain healthy for the remainder of 2019. An uptick in pharmaceutical companies seeking warehouse/distribution and manufacturing facilities and the continued influx of Outer Boroughs users seeking more affordable alternatives on Long Island are expected to drive demand the rest of the year. The 3.0 msf of new construction in the development pipeline should aid a market currently in need of available, quality inventory. While supplemental industrial projects are expected to break ground in the coming quarters, anticipate nearly 1.0 msf of new supply to deliver over the next 12 months.

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SUBMARKET	INVENTORY (SF)	YTD LEASING ACTIVITY (SF)	YTD USER SALES ACTIVITY (SF)	OVERALL VACANCY RATE	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	OVERALL WEIGHTED AVG. NET RENT (HT)*	OVERALL WEIGHTED AVG. NET RENT (MF)*	OVERALL WEIGHTED AVG. NET RENT (W/D)*	OVERALL WEIGHTED AVG. NET RENT*
Western Nassau	16,229,917	79,960	0	7.8%	-61,146	485,110	\$18.14	\$11.27	\$12.11	\$12.14
Central Nassau	9,398,002	45,200	0	4.0%	16,998	0	\$23.50	N/A	\$12.12	\$13.11
Eastern Nassau	18,949,596	70,979	80,000	5.0%	-109,847	0	\$13.72	\$8.95	\$13.30	\$12.65
Western Suffolk	31,054,986	174,779	125,880	3.8%	-32,687	0	\$18.48	\$10.00	\$10.83	\$12.15
Central Suffolk	41,701,659	412,710	244,606	5.0%	-75,340	240,000	\$11.04	\$9.43	\$9.39	\$9.51
Eastern Suffolk	13,008,168	332,739	108,459	6.9%	-53,594	268,757	\$10.55	\$18.25	\$6.80	\$7.69
LONG ISLAND TOTALS	130,342,328	1,116,367	558,945	5.2%	-315,616	993,867	\$15.87	\$10.53	\$10.63	\$11.05

*Rental rates reflect net asking \$psf/year

HT = High Tech/Flex MF = Manufacturing OS = Office Service/Flex W/D = Warehouse/Distribution

Key Lease Transactions Q1 2019

PROPERTY	SF	TENANT	PROPERTY TYPE	SUBMARKET
10 National Boulevard, Medford*	308,577	Intercounty Appliance Corp.	Warehouse/Distribution	Eastern Suffolk
585 Johnson Avenue, Bohemia	94,489	Cobham PLC	Warehouse/Distribution	Central Suffolk
555 Wireless Boulevard, Hauppauge	70,000	Chembio Diagnostics, Inc.	Manufacturing	Central Suffolk

*Sale/Leaseback

Key Sales Transactions Q1 2019

PROPERTY	SF	SELLER/BUYER	PROPERTY TYPE	PRICE / \$PSF	SUBMARKET
10 National Boulevard, Medford	308,577	Intercounty Appliance Corp. / The Feil Organization Inc.	Warehouse/Distribution	\$30M/\$97	Eastern Suffolk
425 Underhill Boulevard, Syosset	80,000	Star Industries / Southern Glazer's Wine and Spirits, LLC	Warehouse/Distribution	\$8.6M/\$108	Eastern Nassau
35 Engineers Road, Hauppauge	59,000	35 ER Realty, LLC / 35 Eng Road, LLC	Warehouse/Distribution	\$6.3M/\$106	Central Suffolk

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