

MARKETBEAT

Long Island

Industrial Q3 2019



LONG ISLAND INDUSTRIAL

Economic Indicators

	Q3 18	Q3 19*	12-Month Forecast
Long Island Employment	1.3M	1.4M	▲
Long Island Unemployment	3.5%	3.4%	▲
U.S. Unemployment	3.8%	3.7%	▲

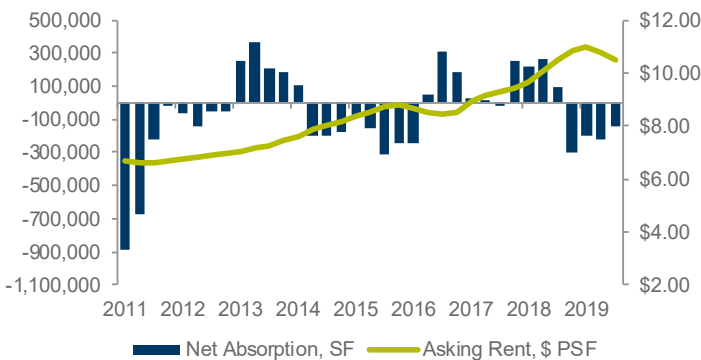
*Q3 2019 data based on the latest data available
Sources: BLS, Moody's Analytics, Cushman & Wakefield Research

Market Indicators (Overall, All Product Types)

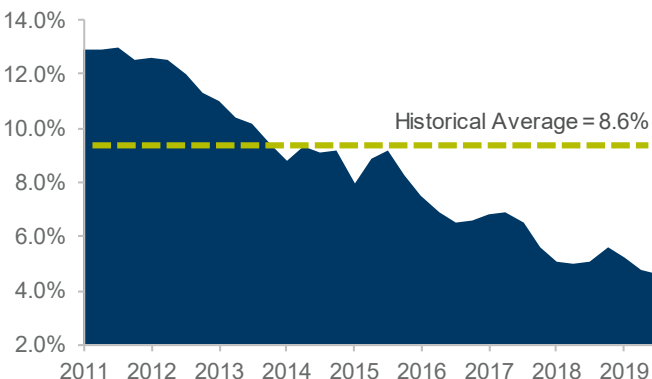
	Q3 18	Q3 19	12-Month Forecast
Vacancy	5.1%	4.6%	▲
YTD Net Absorption (sf)	-647k	144k	■
Under Construction (sf)	469k	1.0M	▼
Average Asking Rent* (psf)	\$10.81	\$9.81	■

*Rental rates reflect net asking \$psf/year

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



Overall Vacancy



Economy

Long Island economic fundamentals slightly weakened since the second quarter, showing signs of tempered employment levels. Total nonfarm employment has slowly dropped each quarter this year, down 600 jobs to 1.36 million in the third quarter. Industrial-related employment in the manufacturing and trade, transportation & utilities sectors shed 2,106 jobs combined since midyear, predominantly driven by a decline in warehousing jobs. The quarterly occupational loss helped to slightly shift overall unemployment up to 3.4%.

Market Overview

Long Island's industrial vacancy rate fell for the third consecutive quarter to 4.6%, its lowest point in recent history. Healthy demand fueled the momentum, as the market recorded 710,630 square feet (sf) of newly completed deals. The third quarter total propelled year-to-date demand, resulting in a 54.3% annual improvement. At 2.8 million square feet (msf) leased, tenant demand surpassed the annual totals recorded over the past three years. Despite the market's sustained quarterly leasing velocity, overall activity fell 29.8% from the second quarter and could be a precursor for decelerated momentum. Nine mid-sized lease transactions between 20,000 to 60,000 sf accounted for 43.4% of all completed deals, a third of which took place in the Western Suffolk County submarket. Global Foil & Tissue Group, Inc. signed a 125,250-sf short-term lease at 45 Ranick Road in Hauppauge, the largest-sized documented lease transaction in both the quarter and within the Hauppauge Business Park in four years. The healthy leasing activity throughout Suffolk County outweighed Nassau's quarterly total by more than 168,000 sf.

Overall asking rents decreased for the second consecutive quarter, closing out the third quarter at \$9.81 per square foot (psf). Warehouse/distribution rental rates remained virtually unchanged from the prior quarter but asking rents across high-technology and manufacturing product availability edged downward, falling \$0.47 psf to \$12.38 and \$1.06 psf to \$10.94, respectively. The continual lack of quality space has attributed to the successive quarterly rental rate decreases. In turn, overall industrial asking rents dropped 9.3% year-over-year.

The investment sales market persisted throughout the quarter, as industrial transaction volume reached \$81.4 million and remained on par with one year ago. Out-of-state buyers have had a recent impact on overall investments, which fueled acquisitions over the past quarter. New Jersey-based Woodland Properties purchased the vacant 130,565-sf flex property at 100 Precision Drive in Shirley, highlighting the strong quarter of investment activity.

Outlook

Robust underlying market fundamentals have helped the Long Island Industrial market flourish throughout 2019, but several precursory indicators may point to a slower-moving market in 2020. Asking rents declined since midyear and several additional vacancies pushed net absorption into the red for the first time this year. With more than 1.0 msf of product under development, new industrial deliveries should alleviate supply shortages for quality space. However, the trade war with China at the forefront coupled with economic headwinds could impede tenant demand next year, potentially shifting the Long Island vacancy rate slightly higher.

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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	16,340,504	225,891	138,873	6.1%	171,081	0	\$14.36	\$11.14	\$11.23	\$11.33
Central Nassau	9,067,671	95,599	21,500	2.0%	86,846	0	\$13.50	\$10.89	\$10.27	\$10.93
Eastern Nassau	19,053,210	423,344	246,272	4.1%	-68,566	440,110	\$10.92	\$14.46	\$10.81	\$11.22
Western Suffolk	30,982,169	644,954	206,034	3.8%	53,799	0	\$14.45	\$10.00	\$9.73	\$10.48
Central Suffolk	41,700,883	1,013,059	449,778	4.2%	-120,312	525,000	\$10.28	\$9.02	\$8.33	\$8.54
Eastern Suffolk	13,496,682	437,121	138,459	8.1%	21,565	50,845	\$10.99	\$18.25	\$7.74	\$8.40
LONG ISLAND TOTALS	130,641,119	2,839,968	1,200,916	4.6%	144,413	1,015,955	\$12.33	\$10.94	\$9.35	\$9.81

*Rental rates reflect net asking \$psf/year

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

Key Lease Transactions Q3 2019

PROPERTY	SF	TENANT	PROPERTY TYPE	SUBMARKET
45 Ranick Road, Hauppauge	125,250	Global Foil & Tissue Group, Inc.	Warehouse/Distribution	Central Suffolk
260 Spagnoli Road, Melville	59,850	Time-Cap Laboratories, Inc.	Warehouse/Distribution	Western Suffolk
55 Harbor Park Road, Port Washington	56,745	The Mekkatti Group, LLC	Warehouse/Distribution	Western Nassau

Key Sales Transactions Q3 2019

PROPERTY	SF	SELLER/BUYER	PROPERTY TYPE	PRICE / \$PSF	SUBMARKET
100 Precision Drive, Shirley	130,565	Starwood Capital Operations, LLC/ Woodland Properties	Flex	\$9M/\$69	Eastern Suffolk
81-83 Harbor Road, Port Washington	82,037	KBH Port Washington Realty, LLC/ Tonsa Automotive Inc.	Manufacturing	\$12M/\$150	Western Nassau
225 W Main Street, Patchogue	72,022	Swezey Real Estate Development LLC/ Kalmon Dolgin Affiliates, LLC	Flex	\$22M/\$310	Eastern Suffolk

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