

MARKETBEAT

Long Island

Office Q3 2019



LONG ISLAND OFFICE

Economic Indicators

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

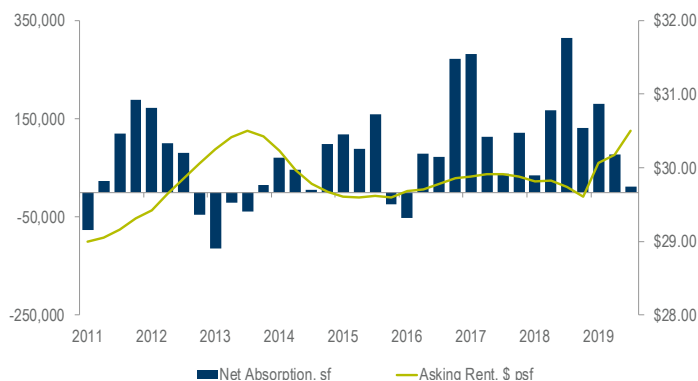
*Q3 2019 data based on the latest data available
Source: BLS, Moody's Analytics, Cushman & Wakefield Research

Market Indicators (Overall, All Classes)

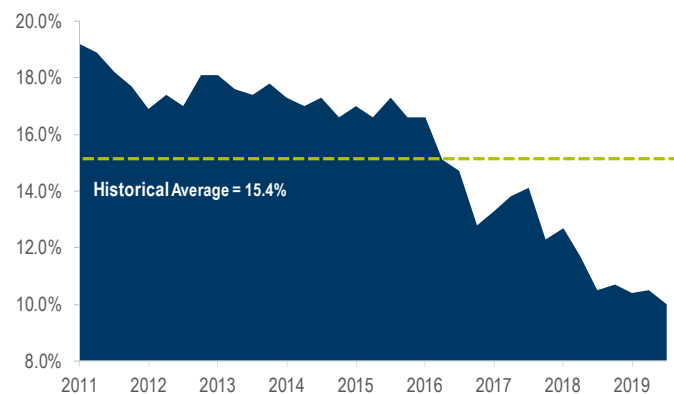
	Q3 18	Q3 19	12-Month Forecast
Vacancy	10.5%	10.0%	▲
YTD Net Absorption (sf)	626k	145k	▼
Under Construction (sf)	0	48k	▲
Average Asking Rent* (psf)	\$29.78	\$31.10	▲

*Rental rates reflect gross asking \$psf/year

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



Overall Vacancy



Economy

The Long Island economy sustained its performance from the second quarter, consolidating by 600 jobs. Total nonfarm employment edged downward to 1.36 million workers and was mainly impacted by the loss of 1,926 jobs within the education and healthcare sector. A modest 276 new jobs within office-using industries were added to the region during the same period, but the slight contribution did not provide enough support for overall job growth. In fact, the financial activities and professional & business services sectors were down 9,300 jobs from one year ago. The slight deceleration in the economy from the prior quarter led to an upward trajectory in unemployment. As a result, Long Island's jobless rate rose to 3.4%.

Market Overview

Long Island's office market continued to strengthen, keeping pace with the previous quarter, albeit at a tempered rate. Overall vacancy fell 50 basis points (bps) from both the second quarter and this time last year, down to 10.0%. Nassau County's vacancy rate dropped 80 bps and was driven by positive absorption amongst Class A assets in the Central Nassau County submarket, as well as the reduction of available direct Class B space. Suffolk County closed out the quarter at 11.2%, holding steady quarter-over-quarter. Though partially attributed to subtle quarterly alterations in direct space throughout the county, the main cause of the vacancy rate improvement was fewer sublease availabilities across asset classes. Suffolk County's vacancy rate decreased 250 bps year-over-year—200 bps more than Nassau during the same period.

Despite third quarter leasing falling slightly below its five-year average, persistent demand yielded net occupancy improvements and allowed the market to post the largest registered quarterly occupancy gains over the past 12 months. Occupancy gains throughout Class B product occurred in four out of the five submarkets, but larger losses amongst premium space in Eastern Nassau and Western Suffolk kept quarterly absorption in the red for those submarkets. Healthy leasing and absorption totals amongst premium

MARKETBEAT

Long Island

Office Q3 2019

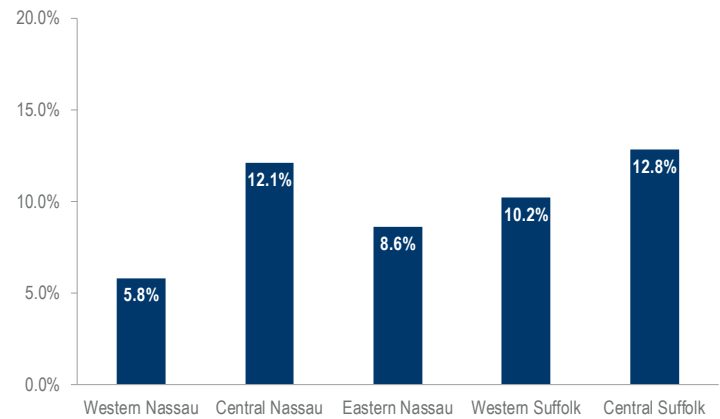


assets in the Central Nassau County submarket led to 181,175 square feet (sf) of net positive absorption and fueled much of the Class A gains across Long Island. Changes in occupancy resettled into the black at the close of the third quarter and yielded 172,935 sf of overall net positive absorption.

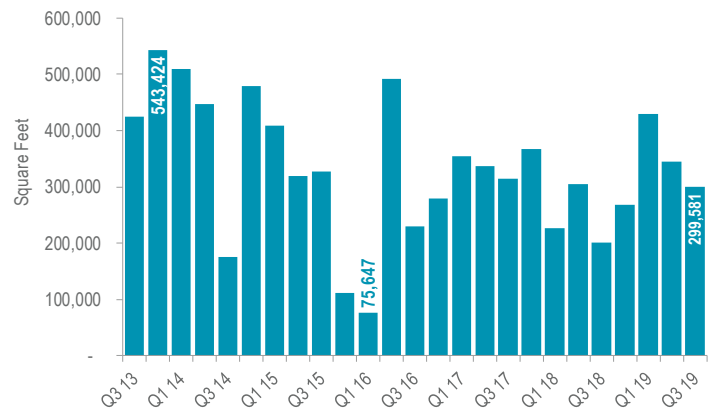
Leasing velocity for Long Island office space slowed from the second quarter. New leasing activity fell slightly, contracting by 13.2% to 299,581 sf, but a handful of lease transactions greater than 10,000 sf helped drive the market. The largest new transaction of the quarter took place in the Western Nassau submarket, as Morstan General Agency signed a 30,000-sf lease at 1985 Marcus Avenue in Lake Success. Additionally, more than 110,000 sf of lease renewals fueled leasing momentum and made up for the lack of new deal volume. Coworking conglomerate Regus PLC furthered its commitment to the Long Island region and executed two lease renewals at 68 S Service Road in Melville and 1 RXR Plaza in Uniondale, as well as renewing and expanding at 200 Broadhollow Road in Melville. In fact, Regus' activity this quarter totaled 87,200 sf and accounted for 79.1% of the renewals island-wide. At the close of the third quarter, year-to-date demand outpaced 2018 totals.

Long Island's overall asking rent rebounded slightly, increasing \$0.69 per square foot (psf) to \$31.10. The Western Nassau submarket recorded the largest quarterly rate hike, which was primarily attributed to landlord pricing adjustment amongst Class B properties. Additionally, Class A rents edged upwards by \$0.86 psf to \$35.17. The last time premium asset asking rents surpassed the \$35.00-psf threshold twice in one year was prior to the recession in 2007. Class B rental rates throughout all five Long Island submarkets recorded quarterly increases and finished the third quarter at \$27.97 psf. In a market that has endured prolonged periods of stagnancy, overall office asking rents have slowly ticked upward, rising 4.4% since one year ago.

Overall Vacancy By Submarket



New Leasing Activity



Outlook

- The office market should remain relatively steady for the remainder of 2019, but overall sentiment may waiver due to additional slowed growth and economic uncertainties
- Job-softening and weary treasury yields could impact marketplace conditions and hamper growth long term growth

MARKETBEAT

Long Island

Office Q3 2019



SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)**	UNDER CNSTR (SF)	OVERALL AVERAGE ASKING RENT (ALL CLASSES)*	OVERALL AVERAGE ASKING RENT (CLASS A)*
Western Nassau	6,862,063	4,867	392,139	5.8%	5,050	14,666	75,806	0	\$37.35	\$37.11
Central Nassau	8,959,305	86,930	997,336	12.1%	219,769	(319,303)	247,402	0	\$32.06	\$35.57
Eastern Nassau	6,294,276	60,385	481,871	8.6%	(66,519)	83,632	210,173	0	\$31.66	\$37.83
NASSAU TOTALS	22,115,644	152,182	1,871,346	9.1%	158,300	(221,005)	533,381	0	\$32.60	\$36.48
Western Suffolk	8,438,871	88,228	775,660	10.2%	(26,994)	368,872	365,787	0	\$31.66	\$35.13
Central Suffolk	5,395,041	121,456	569,889	12.8%	41,629	(3,155)	174,703	48,000	\$25.64	\$28.81
SUFFOLK TOTALS	13,833,912	209,684	1,345,549	11.2%	14,635	365,717	540,490	48,000	\$29.27	\$33.34
LONG ISLAND TOTALS	35,949,556	361,866	3,216,895	10.0%	172,935	144,712	1,073,871	48,000	\$31.10	\$35.17

*Rental rates reflect gross asking \$psf/year
**Does not include renewals

	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	OVERALL AVERAGE ASKING RENT	DIRECT AVERAGE ASKING RENT
Class A	17,829,079	249,220	1,484,355	9.7%	122,967	78,102	458,720	0	\$35.17	\$35.19
Class B	18,120,477	112,646	1,732,540	10.2%	49,968	66,610	615,151	48,000	\$27.97	\$28.04

Key Lease Transactions Q3 2019

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
68 S Service Road, Melville	35,500	Regus PLC	Renewal	Western Suffolk
1 RXR Plaza, Uniondale	31,500	Regus PLC	Renewal	Central Nassau
1985 Marcus Avenue, Lake Success	30,000	Morstan General Agency	New	Western Suffolk

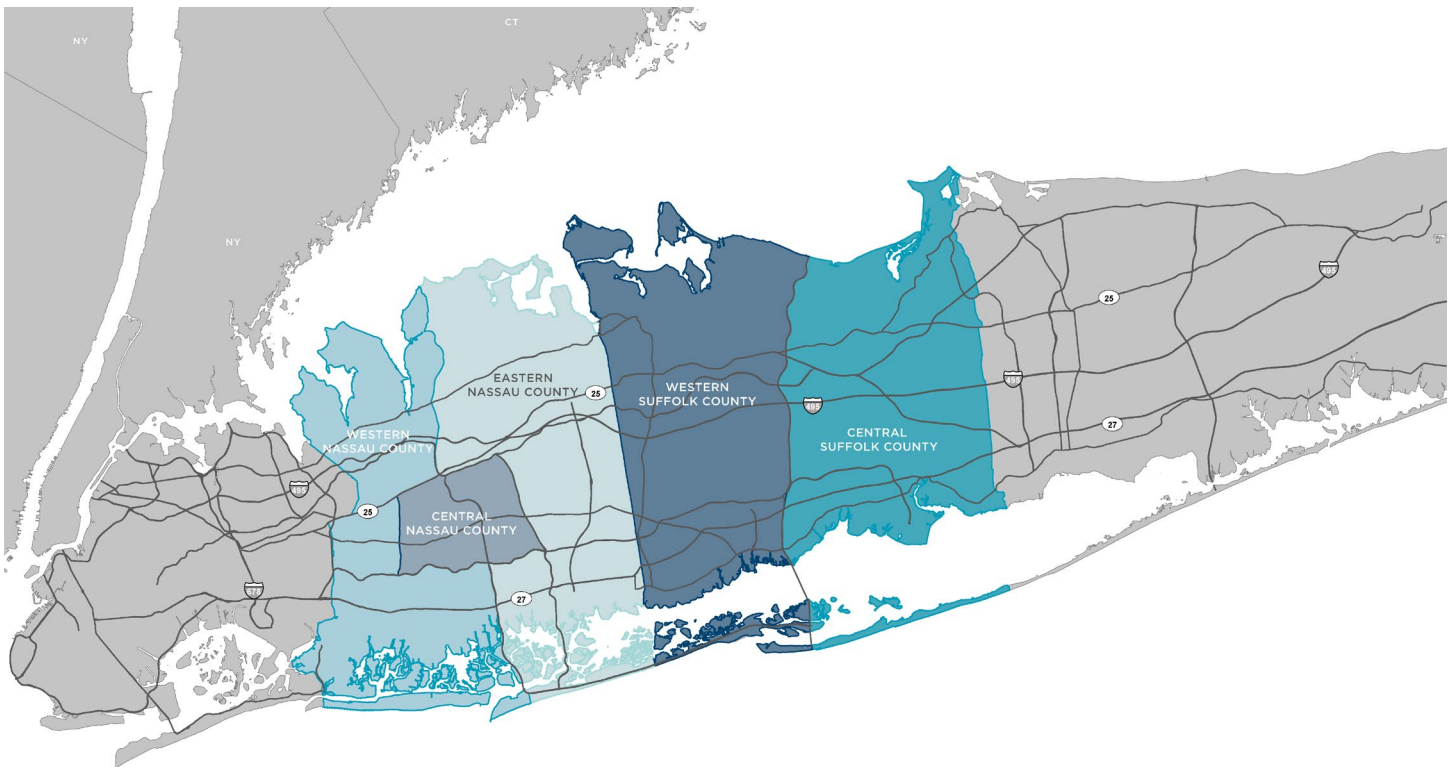
Key Sales Transactions Q3 2019

PROPERTY	SF	SELLER / BUYER	PRICE / \$PSF	SUBMARKET
900 & 990 Stewart Avenue, Garden City	473,000	Onyx Equities, LLC/ JFR Global Investments, LLC	\$91M/\$192	Central Nassau
6801 & 6901 Jericho Turnpike, Syosset	226,000	Rosmarin Family/Milvado Property Group	\$19M/\$83	Eastern Nassau
7600 Jericho Turnpike, Woodbury	61,600	RXR Realty/URS Capital Partners NY, LLC	\$12M/\$192	Eastern Nassau

MARKETBEAT

Long Island

Office Q3 2019



Cushman & Wakefield
401 Broadhollow Road
Suite 301
Melville, NY 11747
cushmanwakefield.com

For more information, contact:
Jason Price, *Director*
Tel: +1 201 508 5208
jason.price@cushwake.com

Austin Mandell, *Analyst*
Tel: +1 631 425 1205
austin.mandell@cushwake.com

About Cushman & Wakefield

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with approximately 51,000 employees in 400 offices and 70 countries. In 2018, the firm had revenue of \$8.2 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services. To learn more, visit www.cushmanwakefield.com or follow @CushWake on Twitter.

©2019 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.