

13.0%
Vacancy Rate



-566K
Net Abs. YTD, SF



\$32.06
Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS Q2 2022

1.3M
Long Island Employment



3.1%
Long Island Unemployment Rate



3.6%
U.S. Unemployment Rate



Source: BLS

ECONOMY: Long Island Unemployment Rate Hits Lowest Point Since 2000

Long Island's unemployment rate hit its lowest point in 22 years, just two years after peaking at 18.6% at the start of the pandemic. The rate decreased by 50 basis points (bps) from the first quarter to 3.1%. Despite quarterly additions in total nonfarm employment, office-using employment—the key driver of the office market—had the most significant decrease out of the major sectors. Increases occurred in education and healthcare, as well as in trade, transportation, and utilities.

SUPPLY AND PRICING: Market Conditions Worsen as More Space Enters the Market

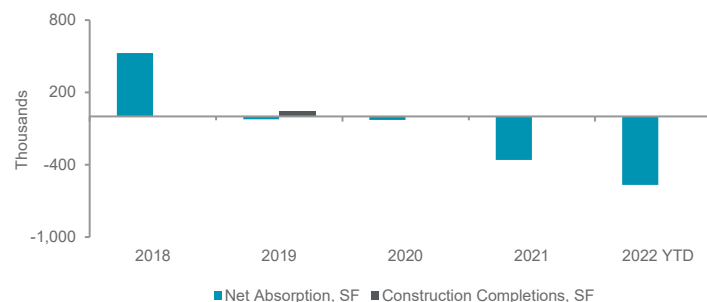
The overall vacancy rate edged up by 30 bps from the first quarter of 2022 to 13.0%. This increase resulted from more than 260,000 square feet (sf) of direct and sublease space entering Nassau County alone. While vacant sublease space has declined compared to previous periods, it still represents over 20% of all vacancy within the market, well above historical levels. Year-to-date (YTD) net absorption of negative 566,000 sf continued its downward spiral after several large blocks of space entered the market at 1 Old Country Road and 50 Jericho Quadrangle. This led supply to outweigh demand for the 11th quarter in a row—pre-dating the pandemic. However, the Western Suffolk submarket posted positive quarterly absorption of 123,000 sf—the only submarket to do so.

Overall asking rents rebounded from the previous quarter's dip, rising by \$0.26 per square foot (psf) to \$32.06 psf. Slight increases were seen across the board, with the biggest year-over-year (YOY) growth occurring in the Central Suffolk submarket's Class A rents by 11.8%. As market conditions continue to favor the tenant, landlords reassess their pricing to fill vacancies.

DEMAND: Trophy Buildings Attract New Tenants as Leasing Activity Climbs

Second-quarter leasing remained robust across the market, with an even split between Nassau and Suffolk County. More noteworthy, this was the highest second-quarter deal volume since 2016, with YTD total activity over 800,000 sf and up 34.4% YOY. This boost was due to two significant leases inked this quarter—one by Signature bank with 152,000 sf at 68 South Service Road and the other by an undisclosed tenant with 92,000 sf at 615 Merrick Ave. Other notable transactions included Velocity signing a new lease at 576 Broadhollow Road for 29,000 sf and Focus Financial Partners signing at 3333 New Hyde Park Road for 22,000 sf. Flight-to-quality continues to hold as approximately 600,000 sf was signed in Class A buildings compared to Class B at 212,000 sf, nearly two-thirds less in volume. As companies re-evaluate their needs, trophy buildings with significant amenities lead the charge in attracting new tenants.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	DIRECT VACANT (SF)	SUBLET VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY** (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
Western Nassau	7,090,513	340,468	156,478	7.0%	-10,111	-34,431	114,630	0	\$37.09	\$36.92
Central Nassau	9,060,037	1,295,225	163,998	16.1%	-191,051	-244,854	214,794	0	\$34.14	\$36.44
Eastern Nassau	6,583,349	557,259	113,377	10.2%	-84,981	-176,125	46,081	0	\$30.31	\$38.40
NASSAU TOTALS	22,733,899	2,192,952	433,853	11.6%	-286,143	-455,410	375,505	0	\$33.79	\$36.79
Western Suffolk	8,473,087	1,132,104	201,992	15.8%	123,274	-60,603	310,638	0	\$31.03	\$33.89
Central Suffolk	5,630,724	621,392	190,549	14.4%	-22,387	-49,976	122,430	0	\$26.11	\$32.74
SUFFOLK TOTALS	14,103,811	1,753,496	392,541	15.2%	100,887	-110,579	433,068	0	\$29.55	\$33.80
LONG ISLAND TOTALS	36,837,710	3,946,448	826,394	13.0%	-185,256	-565,989	808,573	0	\$32.06	\$35.76

	INVENTORY (SF)	DIRECT VACANT (SF)	SUBLET VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT*	DIRECT AVG ASKING RENT*
Class A	18,073,207	1,674,427	537,032	12.2%	-101,855	-268,996	596,204	0	\$35.76	\$35.85
Class B	18,764,503	2,272,021	289,362	13.7%	-83,401	-296,993	212,369	0	\$29.46	\$29.46

*Rental rates reflect gross asking \$psf/year

**Does not include renewals

KEY LEASE TRANSACTIONS Q2 2022

PROPERTY	TENANT	SIZE	LEASE TYPE	SUBMARKET
68 South Service Road, Melville	Signature Bank	152,000	New Lease	Western Suffolk
615 Merrick Avenue, Westbury	Undisclosed Tenant	92,000	New Lease	Central Nassau
576 Broadhollow Road, Melville	Velocity	29,134	New Lease	Western Suffolk
3333 New Hyde Park Road, New Hyde Park	Focus Financial Partners	22,205	New Lease	Western Nassau

KEY SALES TRANSACTIONS Q2 2022

PROPERTY	SELLER/BUYER	SIZE	PRICE / \$ PSF	SUBMARKET
5000 Corporate Court, Holtsville	Office Properties Income Trust / Northpath Investments	264,482	\$28.5M / \$108	Central Suffolk
49 Wireless Boulevard, Hauppauge	TRITEC / Venture One Real Estate	85,000	\$21.0M / \$245	Central Suffolk
907 Northern Boulevard, Great Neck	Wharton Properties / Jeff Levine	9,763	\$13.0M / \$1,332	Western Nassau
615 Merrick Avenue, Westbury	Cammeby's International Ltd / Milvado Property Group	92,000	\$12.3M / \$134	Central Nassau

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