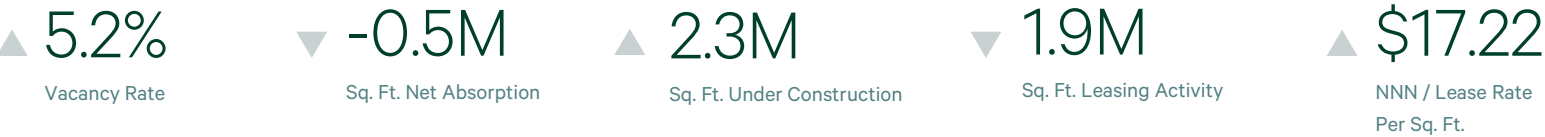


# VACANCY MODERATES AS THE LONG ISLAND MARKET RETURNS TO PRE-COVID NORMALCY

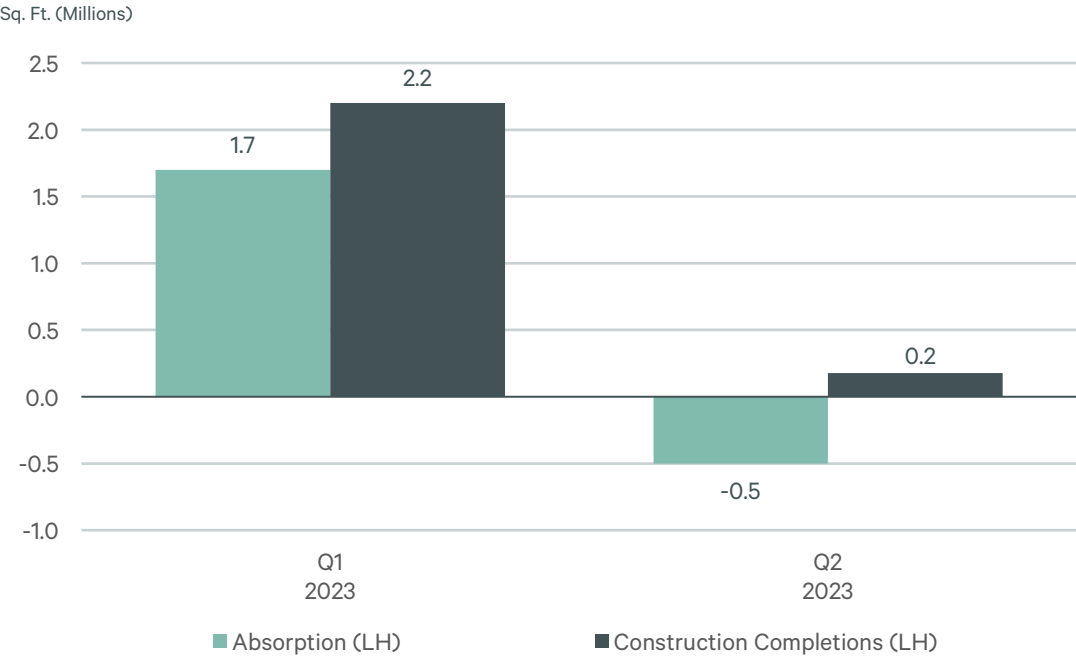


Note: Arrows indicate change from previous quarter.

## Market Overview

The Long Island industrial market began transitioning to normalcy after several years of strong occupancy and rent growth fueled by aggressive expansion by e-commerce and third-party logistics occupiers. As a result, the market saw vacancy slowly build in the market, especially in the larger size ranges. Overall vacancy increased 60 basis points (bps) quarter-over-quarter to 5.2% in Q2 2023. Asking rents increased modestly by 1.2% quarter-over-quarter to \$17.22 as owners became less aggressive with pricing on larger spaces. Leasing activity persisted near recent levels despite concerns over softening consumer and a slowdown in occupier expansions. New leases totaled 962,000 sq. ft. in Q2 2023, a decline of 1.8% quarter-over-quarter while representing a diverse mix of occupier industry types. Current demand trended closer to parity with pre-Covid market conditions where requirements were mostly driven by local and regional occupiers in the 50,000 to 100,000 square-foot (sq. ft.) range.

FIGURE 1: Absorption, Construction Completions, and Vacancy



Source: CBRE Research, Q2 2023

Demand

The Long Island industrial market in Q2 2023 posted leasing activity that was largely in-line with the previous quarter’s performance despite widespread concerns of a larger economic slowdown due to rising interest rates and weakening consumer demand. Leasing activity totaled 962,000 sq. ft. in Q2 2023, a quarter-over-quarter decline of 1.8% signaling that occupier expansion may be cooling but there has been no acute scale-back of current occupier footprints.

Suffolk County leasing activity totaled 804,000 sq. ft in Q2 2023. The Brentwood/Deer Park submarket recorded 511,000 sq. ft., the most for any of the county’s Submarkets. Ferraro Foods’ 231,000 sq. ft. lease at 80 Wilshire Blvd in Brentwood was Suffolk’s largest lease of the quarter followed by Duro Dyne’s 129,000 sq. ft. lease at 81 Spence St. in Bay Shore.

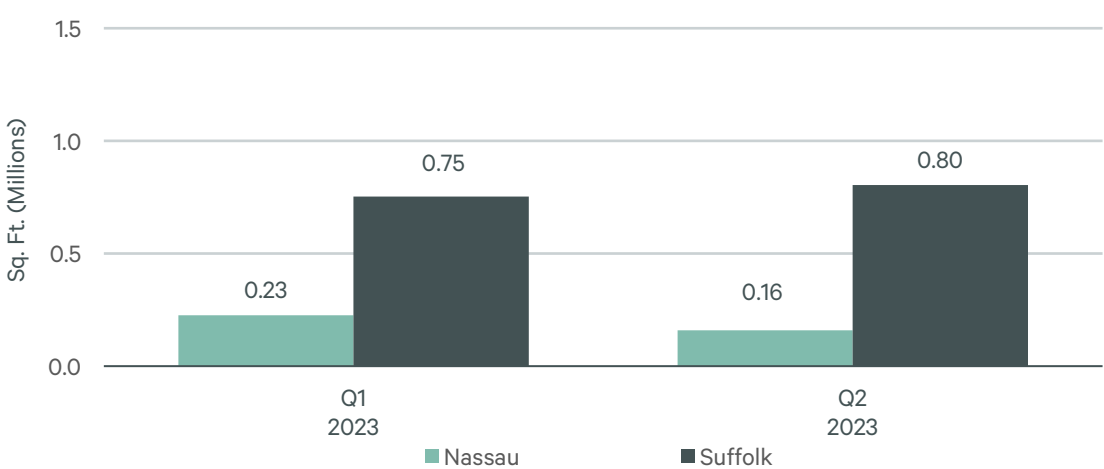
Nassau County leasing activity was 159,000 sq. ft. in Q2 2023, led by the East Nassau submarket which recorded 122,000 sq. ft. Leasing in the submarket was boosted by a 98,000 sq. ft. new lease by Arkwin Industries at 201 Grumman Rd. W and a 50,000 sq. ft. expansion by NBCUniversal at 999 S Oyster Bay Rd in Bethpage.

FIGURE 2: Notable Lease Transactions, Q2 2023

Size	Tenant	Address	City	Transaction Type
231,000	Ferraro Foods, Inc.	80 Wilshire Blvd	Brentwood	New Lease
180,000	U.S. Nonwovens Corp.	360 Moreland Rd	Commack	Renewal
128,600	Duro Dyne	81 Spence St	Bay Shore	New Lease
98,000	Arkwin Industries	201 Grumman Rd W	Bethpage	New Lease
93,000	Package All Corporation	95 Executive Dr	Edgewood	Renewal

Source: CBRE Research, Q2 2023

FIGURE 3: Industrial Leasing Activity by Market



Source: CBRE Research, Q2 2023

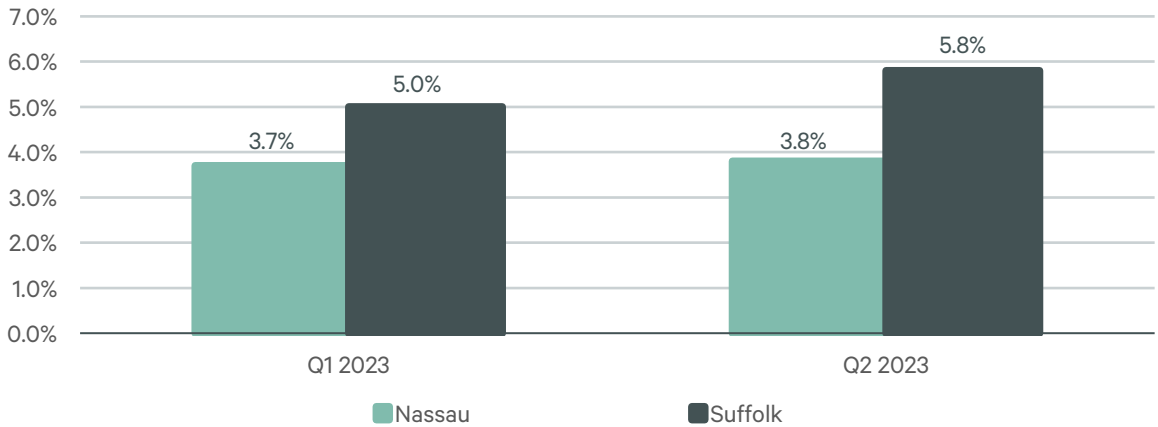
### Supply

The severe supply constraint that defined the Long Island industrial market during the past three years began to ease. New developments were increasingly delivered vacant more frequently causing the market’s vacancy rate to slowly climb.

Long Island’s vacancy rate increased 60 basis points to 5.2% in Q2 2023 with net absorption totaling -504,000 sq. ft. due to four new vacancies over 50,000 sq. ft. in Suffolk County. Newly delivered, unleased logistics space, not included in the negative net absorption total, was 178,000 sq. ft. with the completed construction of the Bristol Logistics Center at 49 Mall Dr in Commack. Three projects broke ground totaling 388,217 sq. ft. started construction this quarter, with the largest being the speculative development at 1 Media Crossways, Woodbury (Eastern Nassau/ NE Nassau submarkets.

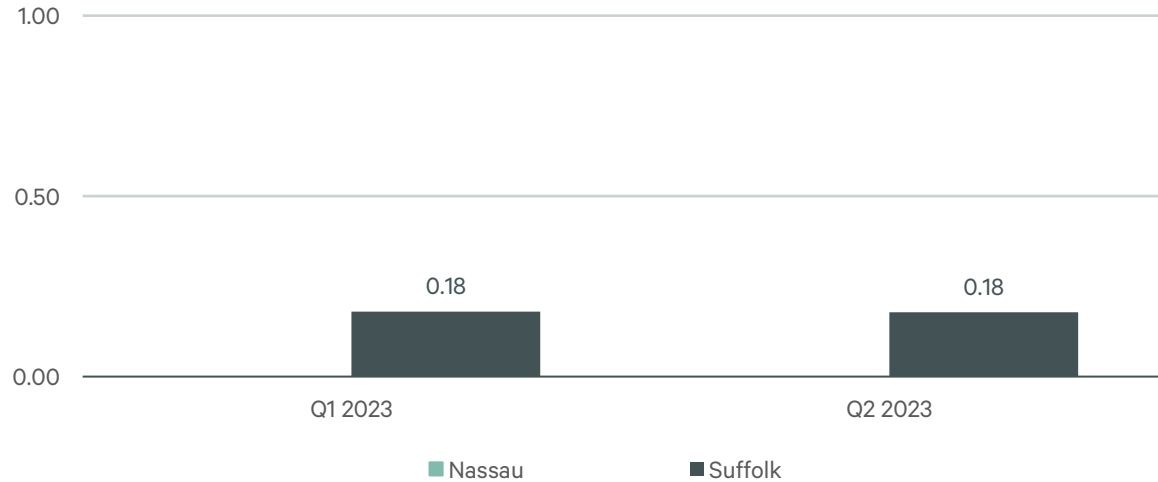
The gap between vacancy in Nassau and Suffolk counties remained. The vacancy rate in Nassau County increased 10 bps quarter-over-quarter to 3.8% and Suffolk County’s vacancy rate increased 80 bps quarter-over-quarter to 5.8%. This divergence was a function of Suffolk County’s recent proliferation of new developments with spaces over 100,00 sq. ft. and the concentration of demand returning to its pre-Covid norm for spaces under 100,000 sq. ft. Should this gap in vacancy continue to widen, there will be more pressure on owners to demise their larger spaces to suit occupier needs.

FIGURE 4: Vacancy Rate by Market (%)



Source: CBRE Research, Q2 2023

FIGURE 5: Construction Completions by Market (Million Sq. Ft. )



Source: CBRE Research, Q2 2023

### Rent Trends

Like other markets in the region, Long Island landlords have become more flexible with concessions for newly completed Class A space as demand shifts to smaller size segments and additional space is scheduled to deliver in upcoming quarters. Owners of well-appointed Class B and C assets though, which usually have smaller footprints, have been more aggressive due to declining supply and consistent demand for that asset type.

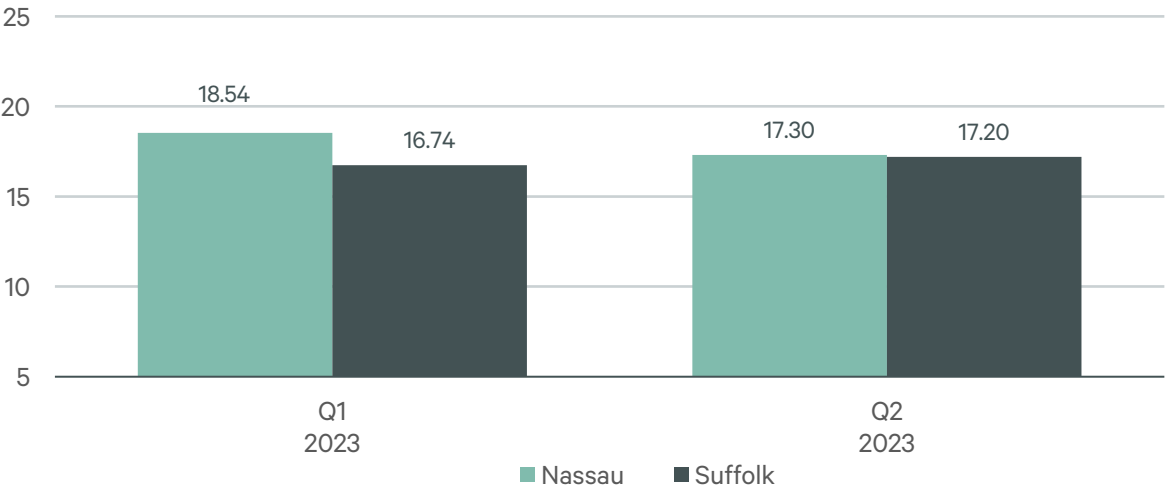
Overall Long Island asking rents increased 1.2% quarter-over-quarter to \$17.22 per sq. ft. in Q2 2023. Nassau County saw a decline of 7.2% in rents to \$17.30 as several cheaper vacated spaces came to the market in Northeast and East Nassau . Suffolk County saw a rise in asking rents of 2.7%, \$17.20 in Q2 2023 due to several smaller but more expensive properties became available in Hauppauge and West Suffolk.

### Economic Overview

Long Island’s employment landscape managed to notch modest gains in Q2 2023, picking up 1,400 new jobs since the end of Q1 2023, a quarter-over-quarter growth rate of 0.1%. The quarterly growth rate was much slower compared to the state’s year-over-year employment growth rate of 1.4% in Q2 2023.

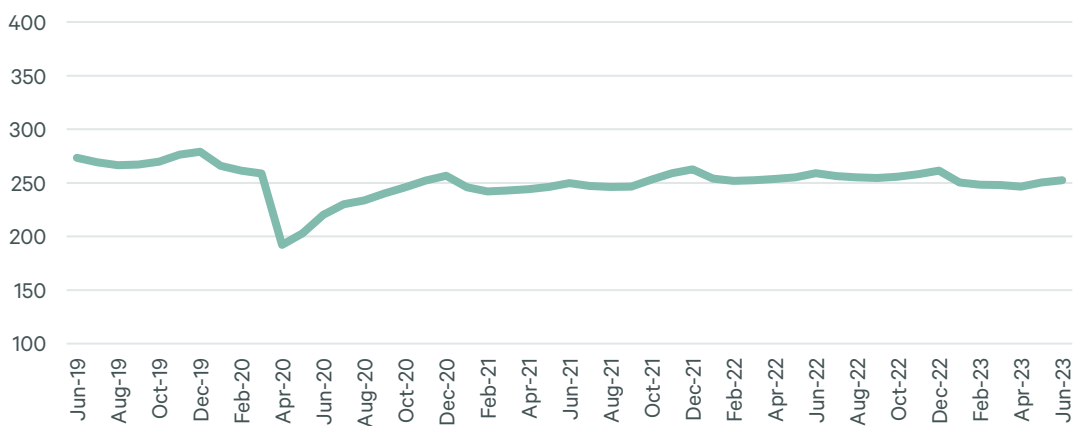
Long Island’s industrial employment was a mixed picture in Q2 2023 with manufacturing shedding 500 positions (-0.7%) quarter-over-quarter and trade, transportation, and utilities – a sector which includes logistics and fulfillment center employment – essentially unchanged. Employment in Long Island’s industrial occupying sectors remains 3.3% below the pre-pandemic level.

FIGURE 6: LI Historical Industrial Asking Rents (\$/ Per Sq. Ft.)



Source: CBRE Research, Q2 2023

FIGURE 7: LI Trade, Transportation, and Utilities Employment (Thousands)



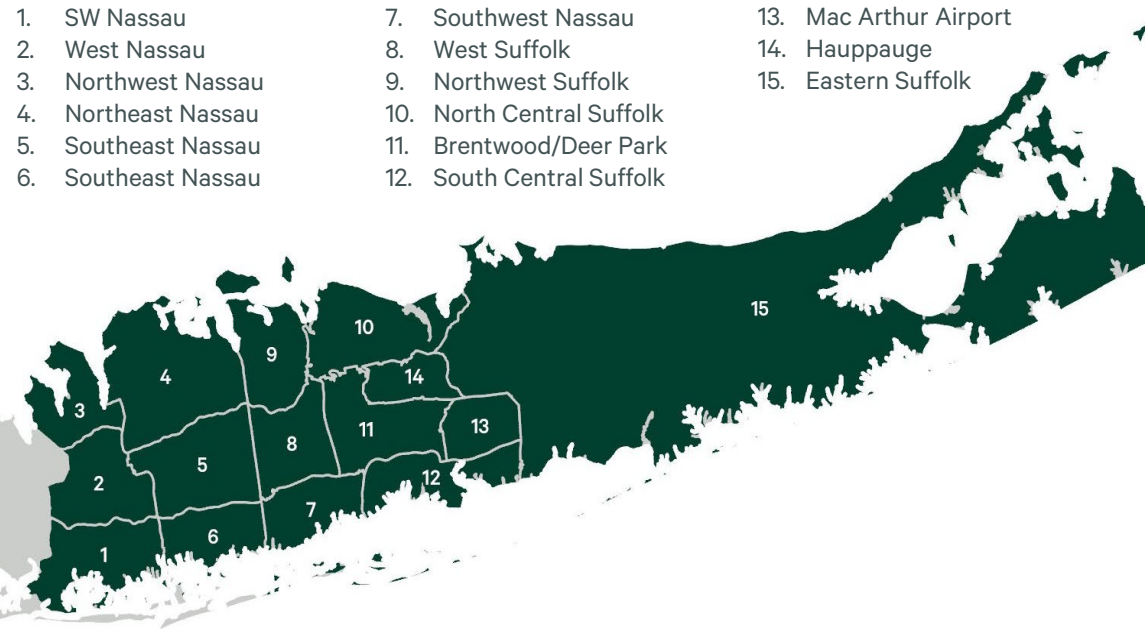
Source: BLS

FIGURE 8: Submarket Statistics

Submarket	Inventory (Million Sq. Ft.)	Vacancy Rate (% )	All Space Avg. Asking Rent (\$/Sq. Ft.)	Leasing Activity (Thousand Sq. Ft.)	Net Absorption (Thousand Sq. Ft.)	Under Construction (Thousand Sq. Ft.)
East Nassau	13.4	3.4	19.32	122.4	229.2	0.0
NE Nassau	5.4	6.0	19.50	21.2	-117.1	145.2
NW Nassau	3.8	1.8	-	0.0	-0.6	0.0
SE Nassau	0.3	0.0	-	0.0	0.0	0.0
SW Nassau	3.2	4.6	13.00	7.0	-14.6	0.0
West Nassau	5.8	3.7	19.50	8.0	4.5	102.1
<b>NASSAU</b>	<b>32.0</b>	<b>3.8</b>	<b>17.30</b>	<b>158.6</b>	<b>101.5</b>	<b>247.3</b>
Brentwood/Deer Park	16.3	7.4	19.77	511.2	-163.2	0.0
Eastern Suffolk	8.7	4.1	14.13	70.4	-21.5	1,132.4
Hauppauge	12.1	6.3	15.54	96.6	-135.1	646.1
Mac Arthur Airport	9.6	5.4	13.35	40.7	-90.8	121.3
North Central Suffolk	0.1	0.0	-	0.0	8.2	0.0
NW Suffolk	1.0	3.6	-	0.0	0	0.0
South Central Suffolk	0.9	0.6	-	0.0	-5.3	0.0
SW Suffolk	5.1	7.4	14.90	20.2	-130.7	0.0
West Suffolk	14.7	5.0	18.36	150.7	-66.8	103.5
<b>SUFFOLK</b>	<b>68.4</b>	<b>5.8</b>	<b>17.20</b>	<b>803.5</b>	<b>-605.3</b>	<b>1,899.8</b>
<b>LI Total</b>	<b>100.4</b>	<b>5.2</b>	<b>17.22</b>	<b>962.1</b>	<b>-503.8</b>	<b>2,147.1</b>

Source: CBRE Research, Q2 2023,  
- Indicates no direct space available for rent analysis

Market Area Overview



DEFINITIONS

- Asking Rent: Weighted average asking rent.
- Availability Rate: The amount of space currently being marketed for lease, divided by the total current inventory of built space in the market, expressed as a percentage.
- Leasing Activity: Total amount of sq. ft. leased within a specified period of time, including new deals, expansions, and pre-leasing, but excluding renewals.
- Leasing Velocity: Total amount of sq. ft. leased within a specified period of time, including new deals, expansions, and pre-leasing and renewals.
- Net Absorption: The change in the amount of occupied sq. ft. within a specified period of time.
- Taking Rent: Actual, initial base rent in a lease agreement.
- Vacancy: Unoccupied space available for lease

Contacts

Nicole LaRusso

Head of US Field Research &  
Data Intelligence  
+1 212 984 7188  
Nicole.LaRusso@cbre.com

Joe Gibson

Director, Research  
+1 610 727 5922  
Joseph.Gibson@cbre.com

Brian Klimas

Field Research Manager  
+1 201 712 5633  
Brian.Klimas@cbre.com

Anna Schaeffer

Senior Field Research Analyst  
+1 212 984 6653  
Anna.Schaeffer@cbre.com

Cezar Camilo-Eloufir

Field Research Analyst  
+1 631 370 6017  
Cezar.CamiloEloufir@cbre.com

© Copyright 2023. All rights reserved. This report has been prepared in good faith, based on CBRE’s current anecdotal and evidence based views of the commercial real estate market. Although CBRE believes its views reflect market conditions on the date of this presentation, they are subject to significant uncertainties and contingencies, many of which are beyond CBRE’s control. In addition, many of CBRE’s views are opinion and/or projections based on CBRE’s subjective analyses of current market circumstances. Other firms may have different opinions, projections and analyses, and actual market conditions in the future may cause CBRE’s current views to later be incorrect. CBRE has no obligation to update its views herein if its opinions, projections, analyses or market circumstances later change.

Nothing in this report should be construed as an indicator of the future performance of CBRE’s securities or of the performance of any other company’s securities. You should not purchase or sell securities—of CBRE or any other company—based on the views herein. CBRE disclaims all liability for securities purchased or sold based on information herein, and by viewing this report, you waive all claims against CBRE as well as against CBRE’s affiliates, officers, directors, employees, agents, advisers and representatives arising out of the accuracy, completeness, adequacy or your use of the information herein.

