



## ► Office Market Overview

The Long Island office market continues to evolve post pandemic with several factors impacting the overall market, such as: hybrid work/wfh, right sizing of space, and property conversions/re-developments. Property conversions include several projects in the Hicksville rezone district: 333 N Broadway, 99 Newbridge Road, and 76 N Broadway. In Suffolk County, property conversions to industrial are underway, including the demolition of the iconic CA Plaza in Islandia.

**Leasing activity was stable year over year, totaling over 2 million sf for 2023, outpacing the leasing velocity in 6 of the 7 most recent years.** Notable new lease transactions reported during the second half of 2023 included: 77,000 sf to Marcum LLP at 68 S Service Road, Melville, 74,679 sf by Federal Aviation Administration at 1 Old Country Road, Carle Place, and 40,000 sf by Estee Lauder at 2 Corporate Center Drive, Melville. The overall average asking rental rate for Long Island office space increased from \$29.15 per sf at YE22, to \$31.02 per sf at YE23 primarily due to higher priced Class A availability at YE23.

**The direct vacancy rate (excluding sublet space) was relatively stable, edging up from 10.6% a year ago to 11.6% at YE23.** Both direct and sublet Class A space returning to the market is evidenced by the Class A vacancy rate climbing from 13.3% at YE22 to 16.0% at YE23. Space givebacks in 2023, primarily Class A space, increased the availability, elevating the overall Long Island office market vacancy rate to a historical high rate of 14.0% at YE23, escalating from 12.3% at YE22. The sublet vacancy rate increased from 1.8% at YE 22, to 2.4% at YE23 with sublet space on the market (shadow space) totaling almost 1 million sf. At YE23, sublets accounted for 16.9% of the total supply. Despite higher availability / sublet supply, the overall vacancy rate remains well below vacancy rates reported in neighboring Tri-state suburban office markets, generally above 20%.

## ► Submarket Overview

Three of the five Long Island office submarkets reported vacancy rate increases year-over-year due to additional space placed on the market, primarily Class A space. Nassau County's vacancy rate rose from 12.1% to 13.9% year-over-year. Western Nassau County's single digit vacancy rate remained the lowest among the Long Island submarkets at 9.6%, declining from 10.0% year-over-year. In Eastern Nassau County, the overall vacancy rate escalated from 11.0% to a historical high rate of 18.2% at YE23, the highest rate among the submarkets; propelled by the 310,000-sf sublet in Jericho. By comparison, the direct vacancy rate in Eastern Nassau County increased from 10.0% at YE22 to 11.3% at YE23. Central Nassau County's rate edged up from 14.2% to 14.8% at YE23.



Suffolk County's vacancy rate escalated from 12.6% to 14.1% at YE23 – the highest rate reported since 3Q 2011. Western Suffolk County's vacancy rate increased from 13.5% to 16.7% year-over-year. Central Suffolk County's vacancy rate decreased from 11.6% at YE22 to 11.0% at YE23.

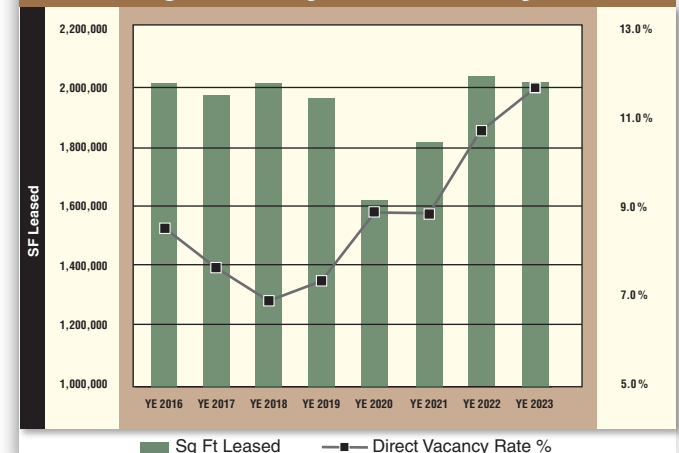
## ► Snapshot of the Long Island Office Market

Area	Inventory (SF)	Vacant (SF)	Vacancy Rate	Direct Vacancy Rate	YTD Net Absorption	Avg Asking Rental Rate/PSF
Western Nassau	7,989,662	766,737	9.6%	8.1%	36,045	\$33.01
Central Nassau	11,125,606	1,651,573	14.8%	13.3%	-75,093	\$32.53
Eastern Nassau	5,640,768	1,026,331	18.2%	11.3%	-406,211	\$25.76
<b>Nassau County Total</b>	<b>24,756,036</b>	<b>3,444,641</b>	<b>13.9%</b>	<b>11.2%</b>	<b>-445,259</b>	<b>\$31.65</b>
Western Suffolk	8,855,216	1,482,639	16.7%	14.6%	-290,834	\$37.37
Central Suffolk	7,359,670	807,246	11.0%	9.3%	49,573	\$24.41
<b>Suffolk County Total</b>	<b>16,214,886</b>	<b>2,289,885</b>	<b>14.1%</b>	<b>12.2%</b>	<b>-241,261</b>	<b>\$28.97</b>
Long Island Class A	20,368,389	3,265,080	16.0%	11.5%	-563,081	\$33.37
Long Island Class B	20,602,533	2,469,446	12.0%	11.6%	-123,439	\$28.90
<b>Long Island Total</b>	<b>40,970,922</b>	<b>5,734,526</b>	<b>14.0%</b>	<b>11.6%</b>	<b>-686,520</b>	<b>\$31.02</b>

Fast Facts		Trend*
<b>5,734,526 sf</b>	Vacant Square Feet	↑
<b>14.0%</b>	Overall Vacancy Rate	↑
<b>11.6%</b>	Direct Vacancy Rate	↑
<b>-686,520 sf</b>	YTD Net Absorption	↓
<b>2,044,864 sf</b>	YTD Leasing Activity	↓

\*The arrows are trend indicators since one year ago and do not represent a positive or negative value.

## Leasing Activity vs. Vacancy Rates



### ► Sales ACTIVITY

Sales volume for office properties totaled over 1.0 million sf in 2023, down from over 1.8 million sf trading in 2022. Notable sale transactions during the second half of the year included: 1200 Franklin Avenue, Garden City, trading for \$92.26 million, 400 Oak Street, Garden City for \$13.9 million, and 101 Crossways Park Drive W, Woodbury for \$11.3 million.

### ► Outlook

The direct vacancy rate (excluding sublets) remains relatively stable at 11.6%, although overall vacancy rates across most sectors have risen. While sublet space availability has tripled since the beginning of the pandemic, landlords are still collecting rent for the sublease space and remain resolute in their deal terms. The leasing velocity of over 2 million sf for 2023 outpaced 6 of the last 7 years. With 2024 being an “Election-Year”, we expect continued moderate activity until 2025 for the Long Island suburban office sector.

Notable Leases 3rd & 4th Quarter 2023			
Address	Sq Ft	Tenant	Lease type
2 Corporate Center Drive, Melville	95,000	Resideo Technologies	Renewal
68 South Service Road, Melville	77,000	Marcum LLP	New Lease
1 Old Country Road, Carle Place	74,679	Federal Aviation Administration	New Lease
2 Corporate Center Drive, Melville	40,000	Estee Lauder	New Lease
2929 Expressway Drive North, Hauppauge	27,405	NYS Workers Compensation Board	New Lease
50 Jericho Quadrangle, Jericho	23,000	One Travel	New Lease

Notable Sales 3rd & 4th Quarter 2023		
Address	Sq Ft	Sale Price
1200 Franklin Avenue, Garden City	155,471	\$92.26M
400 Oak Street, Garden City	74,305	\$13.9M
101 Crossways Park Drive W, Woodbury	65,850	\$11.3M
333 North Broadway, Jericho	41,000	\$1.21M
175 Crossways Park Drive W, Woodbury	40,515	\$8.2M
10 5th Street, Valley Stream	28,000	\$5.7M
99 Newbridge Road, Hicksville	19,828	\$6.0M

### Report and Survey Criteria

**Inventory:** Competitive office properties comprising 20,000 square feet and larger, located within the five submarkets in Nassau and Suffolk Counties. Excludes government owned, owner-occupied, and medical properties.

**Class A Office Properties:** Prominent office buildings that attract high quality tenants, offer top amenities and have superior building infrastructure and state-of-the-art systems. Class A properties are well located with exceptional accessibility, a definite market presence that command higher rents.

**Class B Office Properties:** Buildings that are well located, smaller and more dated than Class A buildings. Class B buildings compete for a wide range of users with rents in the average range for the market and may offer some amenities.

**Vacant Space:** Space available for lease.

**Vacancy Rate:** Percent of vacant space divided by the existing rentable square footage.

**Net Absorption:** Total square feet occupied, less the total space vacated over a given period of time, excluding lease renewals.

**Normalization:** Due to a reclassification of the market, the base, number and square footage of buildings of previous quarters have been adjusted to match the current base.

**Leasing Activity:** The volume of square footage that is committed to and actually signed in a given period of time, including direct leases, subleases, pre-leasing and renewals of existing leases.

**Weighted Average Asking Rental Rates:** The weighted average asking rent for a building or market calculated by multiplying the square footage of each unit by its asking rental rate to obtain the total asking rent for each space, then totaling the rents for each space and dividing that sum by the total square footage for all units listed as vacant. Office Full Service rents are rental rates that include normal building standard services as provided by the landlord.

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