



# Long Island office market report

Q1 2023

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**AVISON  
YOUNG**

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# Long Island office market trends

## -665k sf

### Negative net absorption driven by large occupiers

The first quarter of 2023 saw a -0.6 msf change in net absorption. The two main vacations of space were 236,000 sf given back by GEICO at 750 Woodbury Road and 212,000 sf given back by Altice at 200 Jericho Quadrangle.

## 1.2 msf

### Available sublets hit record high as percent of inventory

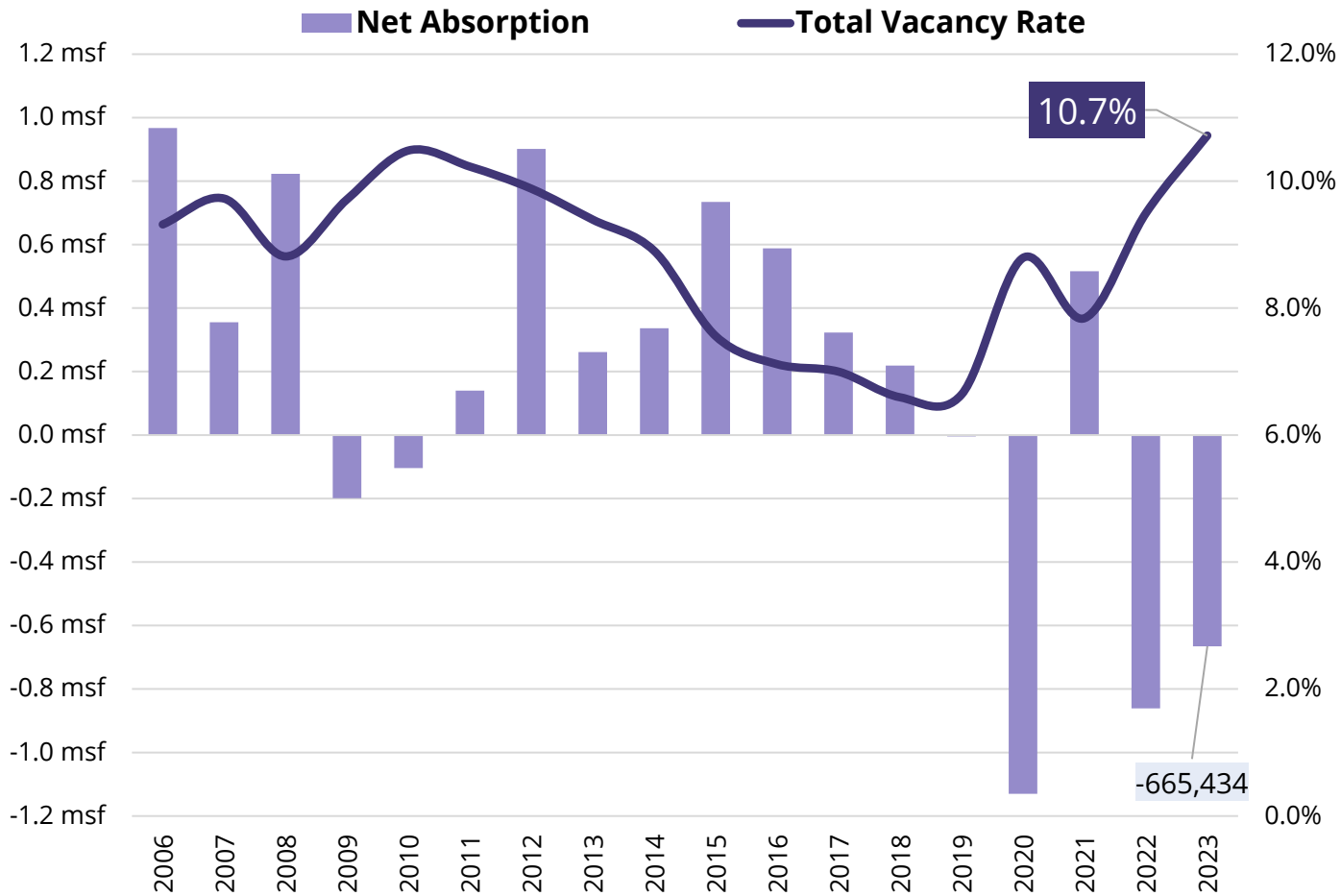
Sublease space in Long Island continued to rise with large occupiers giving back substantial blocks of space. Many of these subleases have longer lease terms, enabling them to compete with direct options which has placed downward pressure on rents.

## \$28.27

### Asking rents on a per square foot basis declined

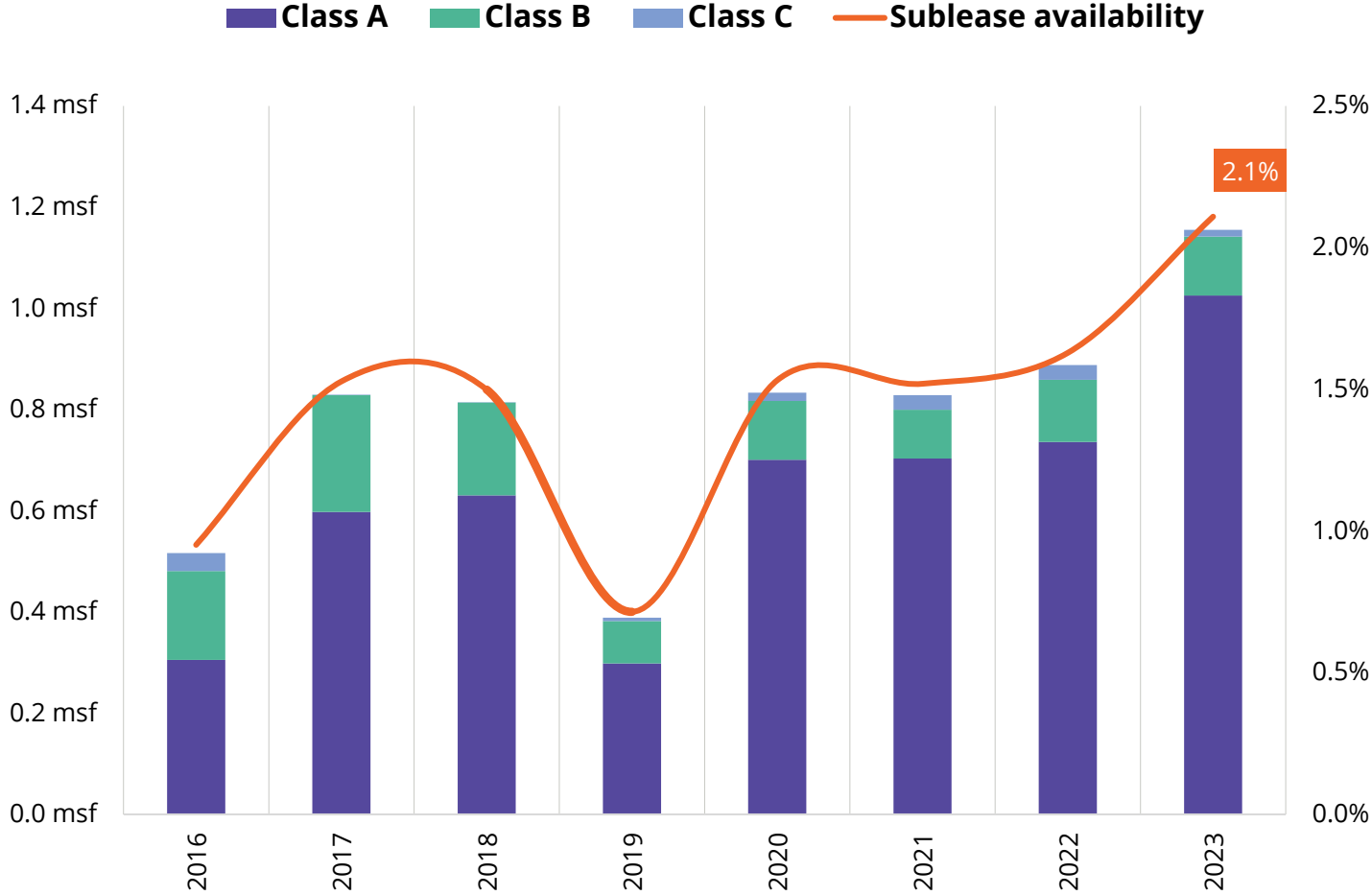
Average asking rents declined by \$0.07 from the end of 2022 as with the market shifting in favor of the occupier. As more availability comes to fruition, asking rents are expected to decline slightly through the remainder of the year.

# Long Island Occupancy Performance



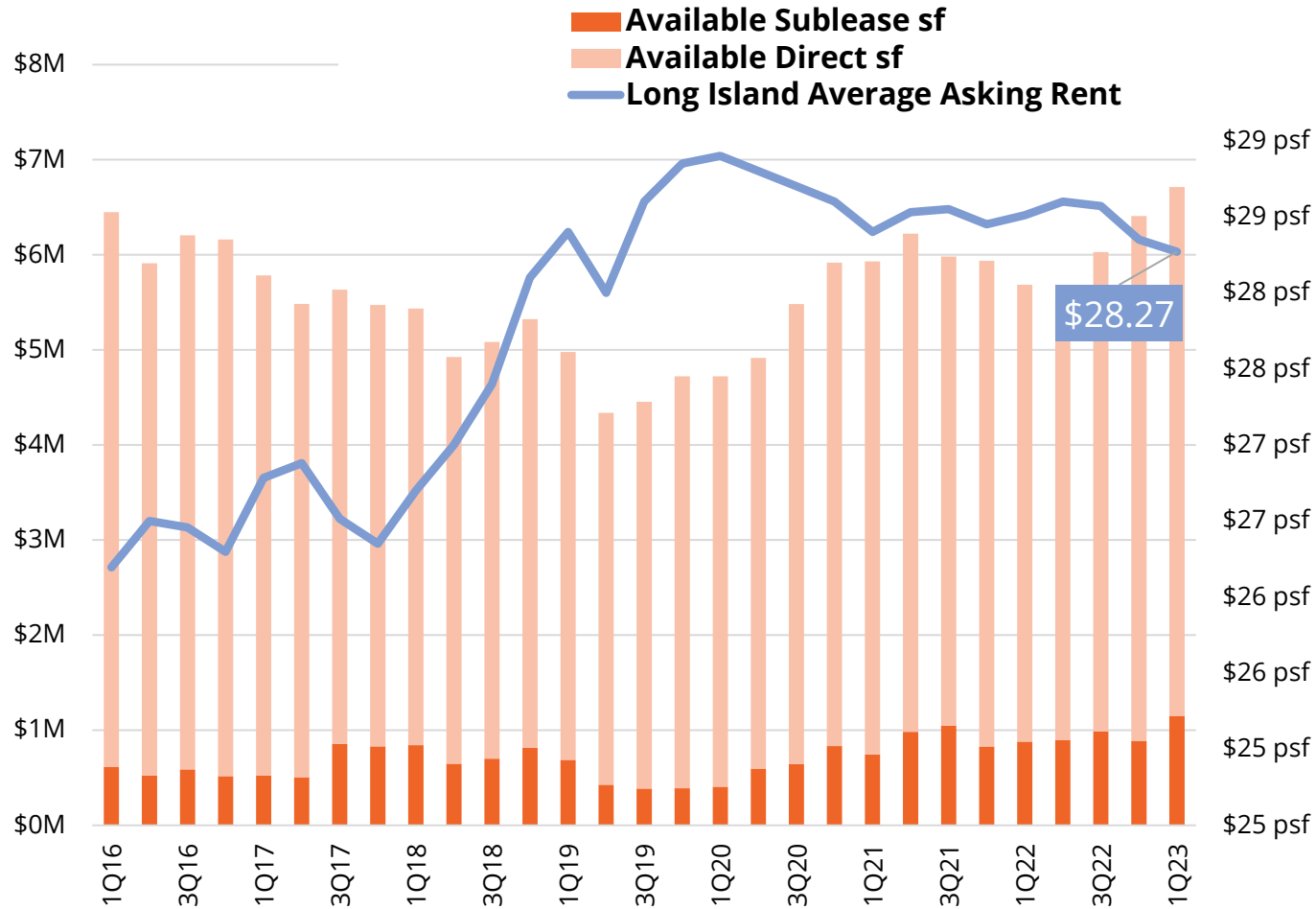
**Net absorption has not been able to make a significant recovery during Q1 as vacancy continues to rise.**

# Sublease space broken down by Class



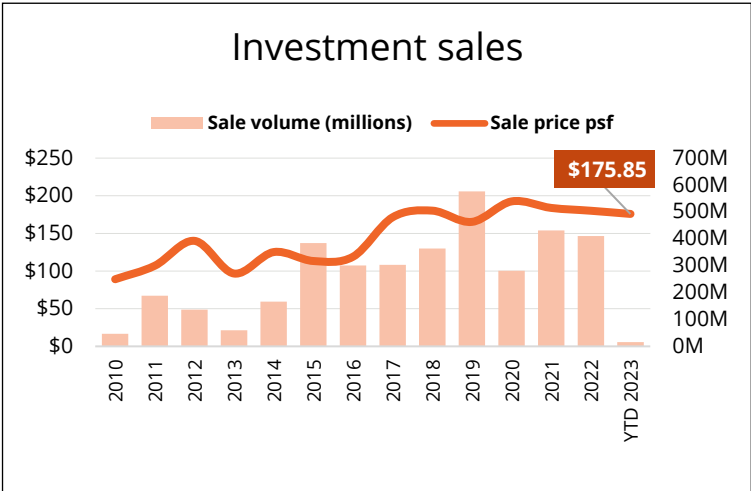
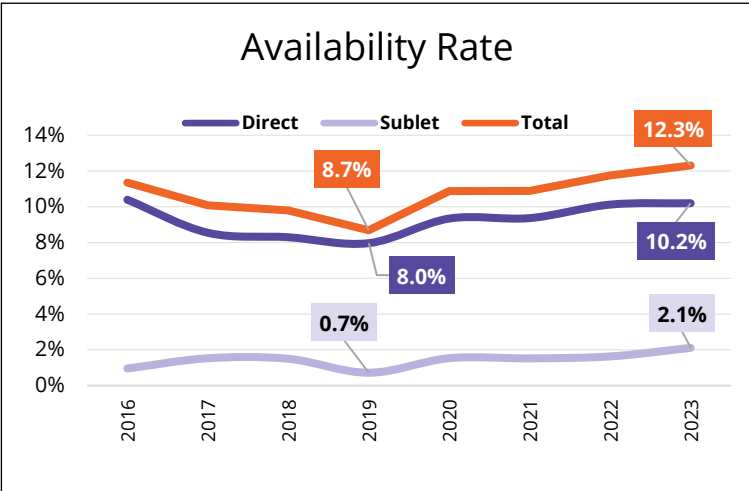
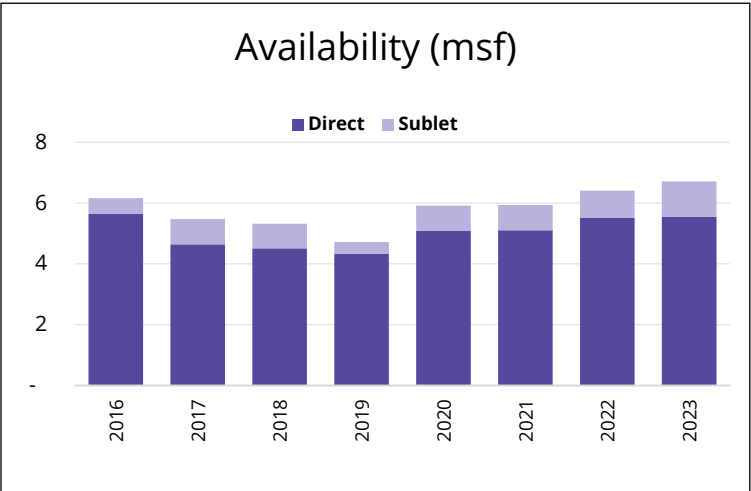
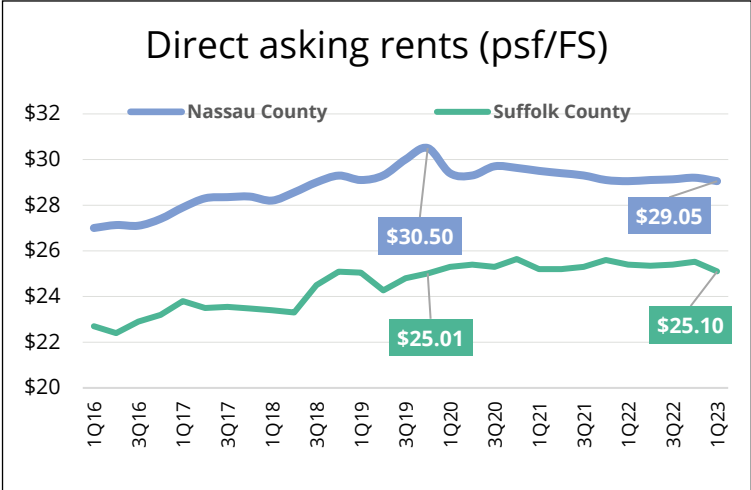
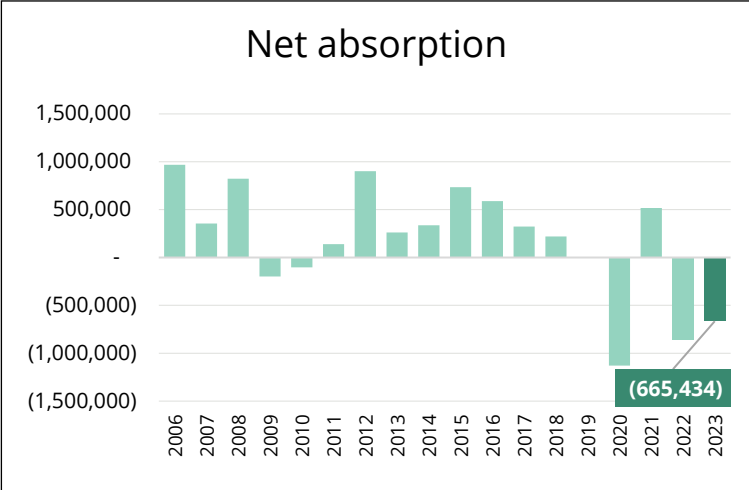
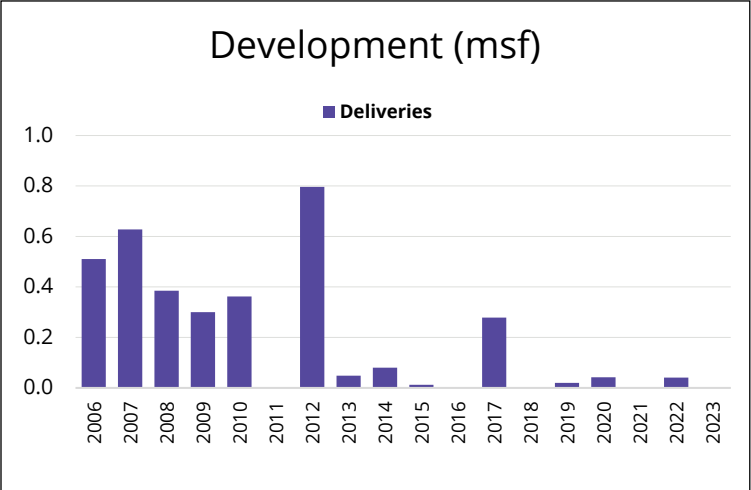
**The rise in sublease space in the first quarter of 2023 can be most attributed to Class A space dramatically increasing.**

# Availability Rises, Asking rents decline

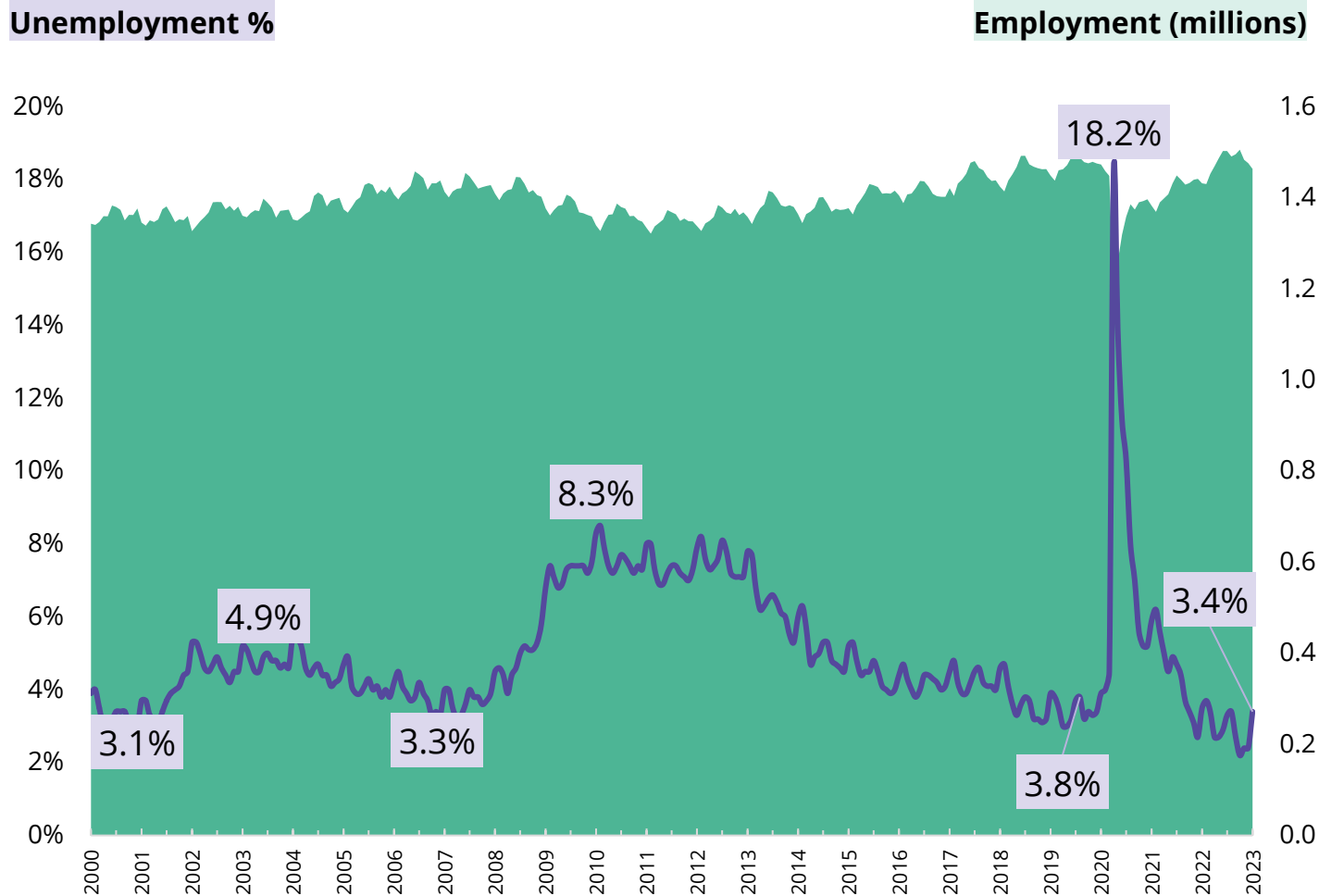


**Downward pressure on rents persisted as available space continued to inch upward on a direct and sublease basis.**

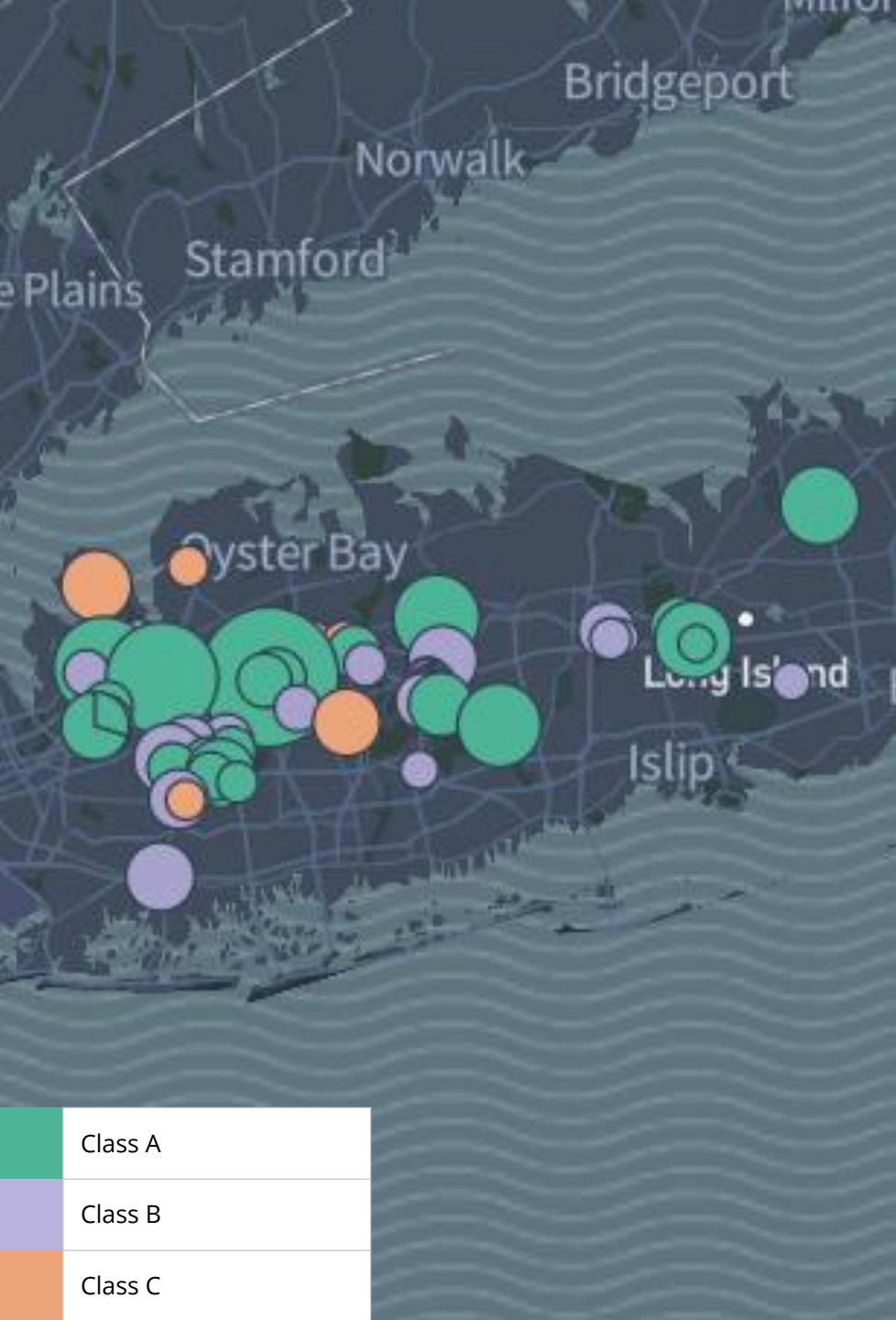
# Long Island office market indicators



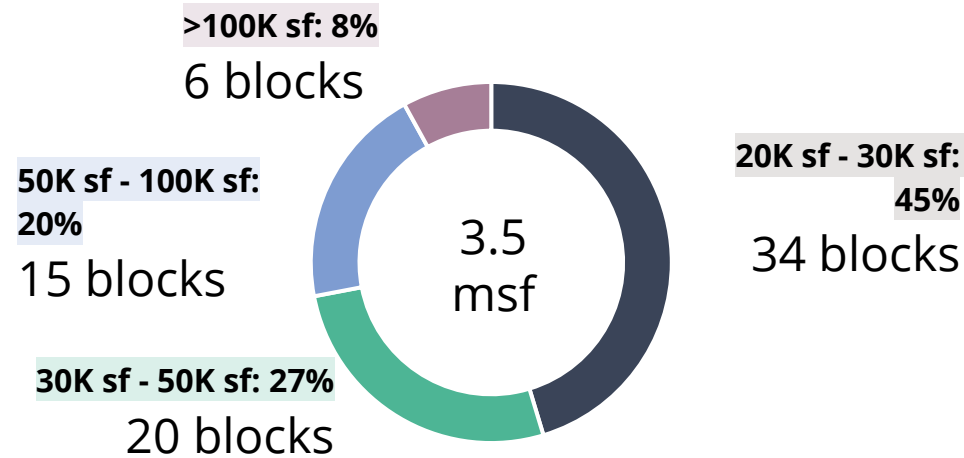
# Employment and unemployment rate



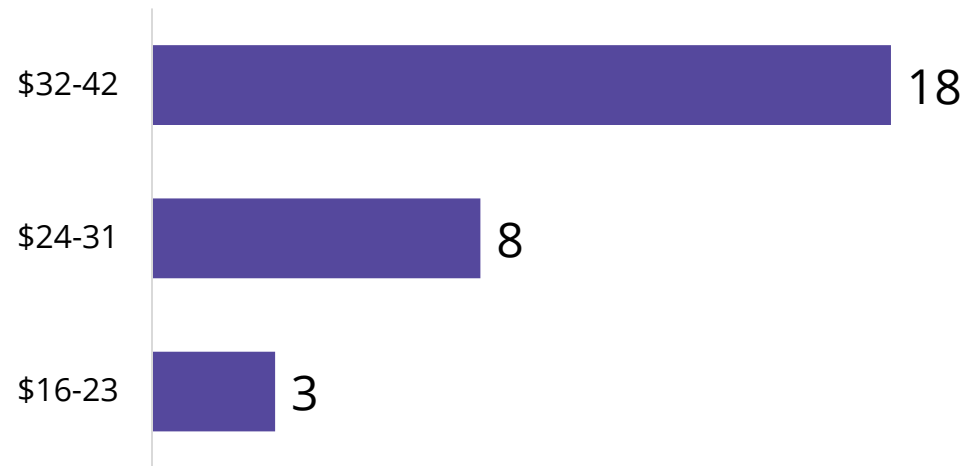
**Unemployment rate in Long Island has risen to 3.4% and could continue to rise in the near future given the current economic conditions**



## Large-block space size ranges



## Large blocks available by asking rent psf





# Long Island County office market activity

## Quarterly leasing activity

Tenant name	Address	Sign date	Size (sf)	Transaction type	Lease type	Submarket
Applied DNA Sciences	50 Health Sciences Dr, Stony Brook	Feb 2023	30,000	Renewal	Direct	Eastern Suffolk County
BDO	201 Old Country Rd, Melville	Mar 2023	21,000	New	Direct	Western Suffolk County
Chubb	626 RXR Plz, Uniondale	Jan 2023	17,457	New	Direct	Nassau County
National Life Insurance Company	410 Motor Pkwy, Hauppauge	Feb 2023	10,325	New	Direct	Western Suffolk County

## Quarterly sales activity

Buyer	Address	Sale date	Building Size (sf)	Sale price	Sale price psf	Seller
Dunkirk Realty	177-199 Crossways Park Dr, Woodbury	Jan 2023	71,001	\$12,500,000	\$176	RXR Realty
Sholom & Zuckerbrot Realty	240 Crossways Park Dr, Woodbury	Feb 2023	16,943	\$2,965,000	\$175	RXR Realty

## Notable blocks of availability

Address	Class	Status	Deal Type	Building sf	Available sf	Avg. Floor sf	Floor(s)	Landlord (s)
200 Jericho Quadrangle, Jericho	A	Vacant	Sublease	310,632	310,632	103,544	1-3	The We're Group
1440 Northern Blvd, Manhasset	B	Vacant	Direct	162,000	162,000*	54,000	1-3	Hudson Bay Company
158 Walt Whitman Rd, Huntington Station	B	Vacant	Direct	120,000	120,000*	60,000	1-2	Hudson Bay Company
1200 Franklin Ave, Garden City	B	Vacant	Direct	155,471	82,000*	82,000	1	Hudson Bay Company

Note: \*denotes the available sf can have a medical office component

# Office insights glossary of terms

## Demand

- **Leasing activity:** total square footage of relocations, renewals, expansions and subleases expressed when the leases are signed, not when tenants take physical occupancy of the space
- **Absorption:** period-over-period change in occupied square footage

## Supply

- **Direct vacancy rate:** space operated by landlords that is ready for immediate occupancy
- **Sublease vacancy rate:** space operated by sublandlords that is ready for immediate occupancy
- **Total vacancy rate:** sum of direct vacancy rate and sublease vacancy rate
- **Availability rate:** space that is vacant plus space that will become vacant over an indefinite time horizon, including spaces that are occupied by vacating tenants and under-construction properties

## Office rents and concessions

- **Asking rents:** pricing guidance provided by landlords to tenants for available space expressed as full service (FS)
- **Base rents:** fair market value of market-level lease pricing based on representative executed leases, expressed as full service (FS)
- **Free rent period:** months of free rent that are typically provided upfront by landlords to tenants as a concession to offset the total cost of a lease and/or the construction timeline of an office suite
- **Tenant improvement allowance:** an allowance expressed in dollars per square foot provided from landlords to tenants to offset build-out, engineering, space planning and related permit costs
- **Net effective rent:** base rents discounted by the dollar values of tenant improvement allowance and free rent concessions expressed as full service (FS)

## Capital markets

- **Investment volume:** office sales dollars expressed when the transactions close and based on inventory thresholds; partial-interest sale dollar amounts are not grossed-up to reflect the 100% value of the sale
- **Asset pricing:** unweighted average per-square-foot asset pricing of market-level closed sales
- **Cap rate:** net operating income divided by sale price; this measurement of market-level investment returns is calculated as an unweighted average based on closed investment sales

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