



Long Island Commercial Real Estate Market Report: First quarter 2017 - by Ron Koenigsberg

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At American Investment Properties, we continue to bring you timely information and statistics on a quarterly basis with our Long Island Commercial Real Estate Market Reports. We hope these reports keep you “in the know” and serve as tools to help you become more knowledgeable when making commercial real estate decisions.

In this article, we provide Long Island’s commercial real estate market report for the retail, office, and industrial markets. To most easily digest this information, we will break it down simply by market with a focus on vacancy rates, rental rates, and cap rates.

First, we’ll look at Long Island’s retail market. The Nassau and Suffolk retail market’s vacancy rate rose from 3.7% in the fourth quarter 2016 to 3.9% at the close of this year’s first quarter. However, over the past four quarters, the retail market has seen an overall steady decrease in the vacancy rate, which suggests a healthy market even despite this rise in retail vacancy. As for rental rates, they have increased from the fourth quarter of 2016 ending this year’s first quarter with rental rates at \$26.51 per s/f.

This represents a slight increase of 0.9% in rental rates for the first quarter, and a 4.94% increase from this time last year. Regarding cap rates, the retail market cap rates have been lower in 2016, averaging 6.16% compared to the same period in 2015 when they averaged 6.28%.

Next, we have Long Island’s office market. Similar to the retail market, the vacancy rate in the Nassau and Suffolk County office market has also seen an increase from the end of the fourth quarter 2016. The vacancy rate increased from 7.2% to 7.3% in the first quarter of 2017. Over the past four quarters, the vacancy rate has generally been on a steady decline and this increase is minimal, however, we will continue to watch how the first half of this year plays out. As for rental rates, they have decreased from 2016’s final quarter and are currently at \$25.29 per s/f at the close of the first quarter of 2017.

This represents a 2.2% decrease in rental rates from the end of the fourth quarter of 2016 where

rental rates were reported at \$25.86. As for cap rates, the office market cap rates have been higher in 2016, averaging at 7.95% compared to the same period in 2015 when they averaged at 7.38%.

Last, we have Long Island's industrial market where we see similar market changes as we did in the retail and office markets. The Nassau and Suffolk County industrial market ended the first quarter of 2017 with an increase in the vacancy rate. The rate increased from 3.1% to 3.2% at the end of this year's first quarter. As for rental rates, the first quarter of 2017 closed with an increase in rates at \$10.75 per s/f.

This represents a 1.9% increase in quoted rental rates from the end of the fourth quarter of 2016 when the rental rate average was reported at \$10.55 per s/f. Lastly, industrial market cap rates have been substantially higher in 2016, averaging 11.28% compared to 2015 when they had averaged 8.04%.

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