



Overview of the Long Island real estate market

January 24, 2011 - Long Island

The Long Island industrial market saw a rise in vacancy and a decline in rents in 2010. While the market continues to recover at a steady pace, leasing activity and sales activity showed a significant increase since 2009, an indication that tenants are continuing to be proactive in procuring existing industrial space to suit their requirements.

Commercial real estate leasing and sales prices have dropped dramatically, although there is much more demand than a year ago. It is an optimal time for corporations to rethink their space needs and location alternatives. With lower pricing, the newer product is available at attractive rates.

In the fourth quarter leasing activity recorded 3,108,200 s/f in 2010, a 12.7% increase from 2009 in Nassau and Suffolk Counties. The first quarter of 2011 seems to be picking up in terms of leasing activity. It appears that many tenants and potential buyers in the market are sensing that we've hit bottom so that are taking advantage of both sale and lease incentives because the economy is beginning to improve.

At year-end, the overall vacancy rate increased 13.0%, a 25.0% increase from 2009. Nassau County averaged a 41.9% increase in available space since year-end 2009 while Suffolk County averaged a 17.4% increase in available space. Although vacancy rates are up, we may actually be looking at a positive absorption level at the end of 2011.

In Suffolk and Nassau Counties combined, asking rents declined in 2010, closing the year with an average direct net rent of \$6.46. This represents an 11.7% decrease from fourth quarter 2009's asking rent of \$7.32.

Industrial sales activity recorded 2,337,348 s/f in 2010 which was a 43.2% increase from 2009. Nassau County had a total of 13 buildings sold covering about 400,000 s/f, while Suffolk County had a total of 38 buildings sold this year, covering approximately 4.2 million s/f.

Despite attractive pricing, it is a company's operational needs that should be a major part of the real estate decision process-especially in a tough economic climate.

Questions to address include: How much space does the company actually need and is it being occupied efficiently? Is labor sustainable? Will a different location improve supply chain issues?

The Long Island industrial market is expected to see signs of improvement in the upcoming year. As history has proved, when there is a downturn there will be an upside. We can look for this upward spiral to begin in the near term, likely by the year-end.

Frank Frizalone, SIOR, is the executive director, industrial/global supply chain solutions at Cushman & Wakefield, Melville, N.Y.