



JLL reports Long Island leasing velocity hindered by dearth of large deals

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Melville, NY Long Island experienced a 40% decrease in leasing volume compared with the first quarter of 2017, primarily due to the lack of large blocks of available space, according to JLL. The market registered 330,000 s/f in completed deals this quarter vs. 640,000 square feet in the first quarter of the year. A dearth of large new deals in excess of 20,000 s/f continued to shape the Long Island office market narrative for the second consecutive quarter. The sole new lease surpassing 20,000 square feet completed during the past two quarters was Hauppauge Library's lease of 20,000 s/f at 1373 Veterans Memorial Highway in Hauppauge.

"Tenant confidence will remain amidst the decrease in year-over-year leasing totals," said Raymond Ruiz, executive vice president and head of the firm's Long Island office. "New blocks of space in Eastern Nassau and Western Suffolk will create opportunities for large tenants in the market during the next 12 months, supporting rental growth."

Year-to-date leasing activity was also down, falling by more than 700,000 s/f from the previous year. The market posted 1.3 million s/f of leasing for the first nine months of 2017, compared with 2 million s/f during the same time period one year ago. Central Nassau claimed the majority of leasing activity during the third quarter, accounting for 70% of all leases larger than 10,000 s/f, mainly because the submarket housed the largest amount of available space in Nassau County. The submarket attracted financial services firms and insurance companies such as Nationwide Mutual Insurance Co. and Centers Plan for Healthy Living, which took 18,787 s/f and 14,623 s/f at 990 Stewart Ave., respectively. New sublease opportunities added to the Long Island office inventory fueled 323,318 square feet in negative net absorption in the third quarter of 2017. Altice USA Inc.'s plans to move its headquarters from Bethpage to One Court Square in Long Island City created pockets of sublease availabilities throughout the market, weighing heavily on net absorption levels. The company's downsizing nearly doubled the sublease vacancy rate from the previous quarter to 2.1%.

Highlights of the third quarter of 2017 include:

- Long Island's overall vacancy rate fell to 12.9% this quarter, a drop of 9.8% (or 140 basis points) from 14.3% one year ago. The market's class A vacancy rate dropped to 11.7% in the third quarter, a decrease of 9.3% (or 120 basis points) from 12.9% one year ago. Year over year, Nassau County's class A vacancy rate rose to 10.7% this quarter from 9.8%. Suffolk County's class A vacancy rate declined to 13.3 percent this quarter from 18.5 percent one year ago.

- Average asking rental rates for Class A space on Long Island rose to \$29.92 per s/f in the third quarter of 2017, an increase of less than 1% from \$29.80 per s/f one year ago. Year over year, Nassau County class A rents rose to \$32.80 per s/f this quarter from \$32.77 per s/f. Suffolk County class A rents fell to \$26.47 per s/f this quarter from \$27.07 per s/f one year ago.
- Western Nassau saw its class A vacancy rate fall under 3% for the first time in more than a decade, decreasing 100 basis points from the previous quarter. Just 120,000 s/f of class A space was marketed for lease and sublease, which leaves very little opportunity for significant activity in Western Nassau in the near future.

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