

## Office Market Remains Healthy in 2019

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### Takeaways | Class A & B

- > The Q1 2019 Long Island Office Market remained stable with minimal changes in vacancies and rental rates from 2018. U.S. economic growth in 2018 was the strongest since 2015 with robust job growth, however, GDP growth has decelerated from 4.2 percent in Q2 2018 to 3.4 percent in Q3 and down to 2.2 percent in Q4. Employment remained stable despite the unemployment rate which increased by 0.67% to 3.8% in Q1. Overall, the office market has benefited from the healthy employment and GDP growth. The rapid growth of the medical industry with several of the largest health care employers on Long Island has contributed to the increased uses of office space.
- > The Long Island office vacancy rate remained at historical lows at 7.7%, 10 basis points (BPs) down from Q4 2018, with 7.1% in Nassau County and 8.4% in Suffolk County. Long Island remains in a shortage of large blocks of Class A office space.
- > The average rental rates for Nassau and Suffolk Counties held firm with slight decrease to \$25.67 per square foot (psf) in Q1, a 0.81% decrease quarter-over-quarter and a 1.72% decrease year-over-year.
- > Long Island's net absorption for Q1 jumped significantly to 142,239 square feet (sf) with 29,178 sf in Nassau County and 113,061 sf in Suffolk County. However, Class A office buildings dipped to negative 216,107 sf. Capital One vacated and delivered a vacant 143,890 square-foot Class A office building at 275 Broadhollow Road in Melville.
- > The Q1 leasing activity increased to 574,961 square feet, up 8.11%, but a reduction of 25.21% from a year ago due to the low inventory on Long Island. The total sales transaction volume in Q1 was \$91.2 million, 15.6% of the total transaction in 2018. The Q1 sales price for Class A & B buildings averaged \$141.00 psf with a cap rate of 8.30%. The cap rates for Class A properties decreased by 0.19% to 7.85% in Q1 with the average sales price of \$184.00 psf, \$7.00 psf increase from Q4 2018. Family offices and private investors are major players in the Long Island capital markets. Nearly 90% of completed transactions in Q1 were private buyers; 47.6% of YTD 2019 transactions were private sellers and institutions consisted of 52.4% of the sales transaction in Q1 2019.

Market Indicators Relative to prior period	Nassau Q1 2019	Nassau Q2 2019*	Suffolk Q1 2019	Suffolk Q2 2019*
VACANCY	↔	↓	↓	↓
NET ABSORPTION	↑	↑	↑	↑
CONSTRUCTION	↓	↔	↑	↔
RENTAL RATE**	↓	↑	↑	↑

Note:  
\*Projected  
\*\*Rental rates for current quarter are for suburban area.

### Summary Statistics

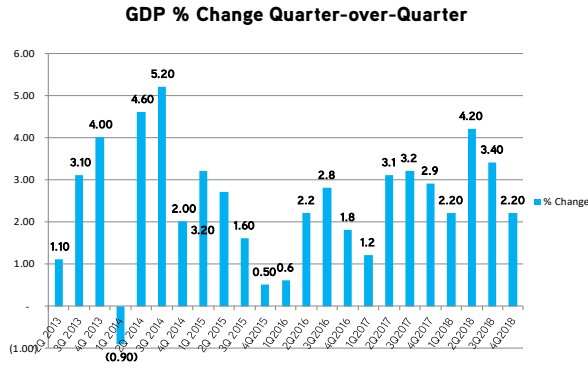
Q1 2019 Long Island Office Market	Nassau	Suffolk	Long Island*
Vacancy Rate	7.1%	8.4%	7.7%
Change From Q4 2018 (basis points)	0	-40	-10
Net Absorption (Thousand Square Feet)	29.2	113.1	142.2
Vacancy Rate (Class A)	8.7%	9.3%	9.0%
Net Absorption (Class A, Thousand Square Feet)	(210.5)	(5.6)	(216.1)

### Asking Rents

Per Square Foot Per Year	Nassau	Suffolk	Long Island*
Suburban Class A & B	\$27.75	\$23.80	\$25.67
Change From Q4 2018	-3.51%	3.03%	-0.81%
Suburban Class A	\$34.14	\$27.68	\$30.26
Change From Q4 2018	-0.55%	6.46%	-0.07%

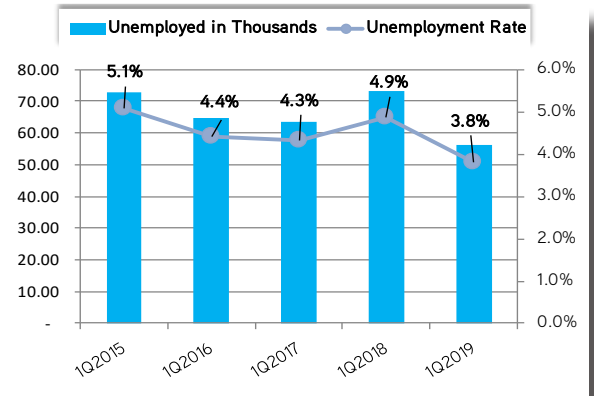
\*Long Island Office Market refers to Nassau & Suffolk Counties; 10,000 square feet and above

Gross Domestic Product (GDP): Percentage Change From Preceding Period



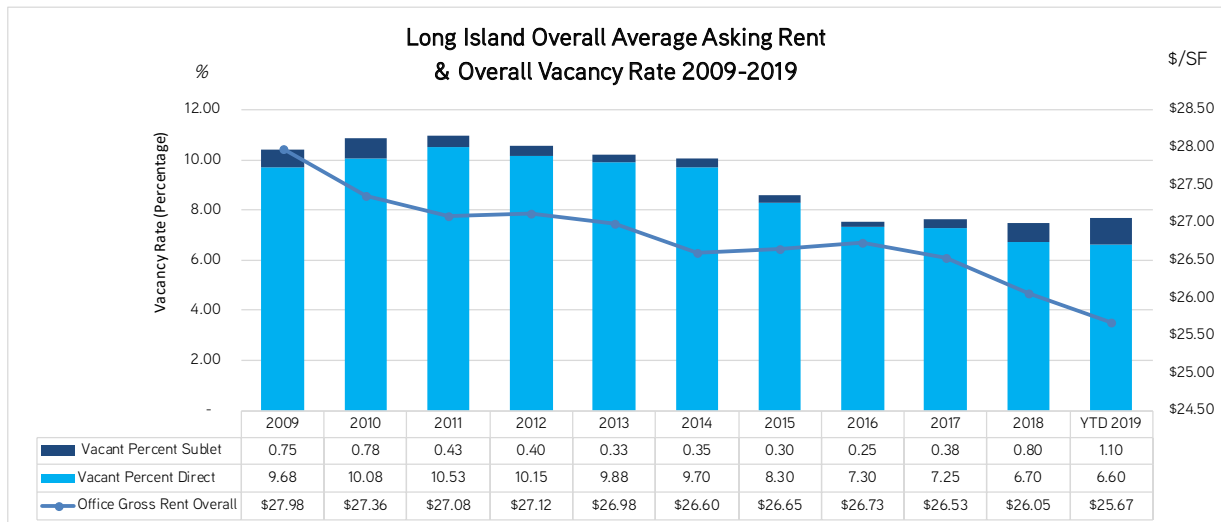
Source: Bureau of Economic Analysis--US Department of Commerce

Unemployment Trends - Nassau & Suffolk



Source: NYS Department of Labor

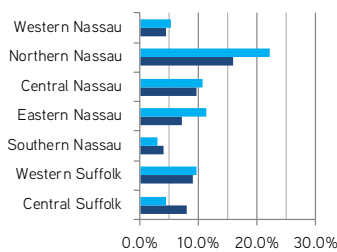
Overall Average Asking Rent and Overall Vacancy Rate | Long Island



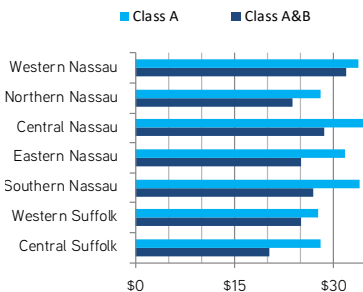
Source: CoStar & Colliers International Research

UPDATE Vacancy Rates, Asking Rents, & Absorption by Submarkets

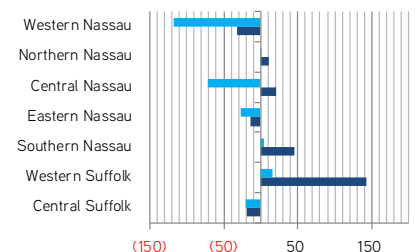
VACANCY RATES



AVERAGE ASKING RENTS

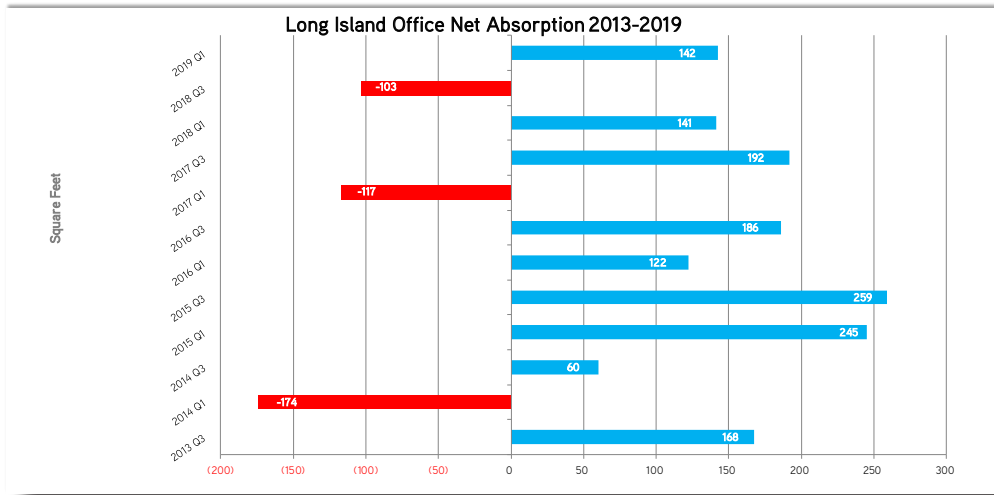


NET ABSORPTION (IN THOUSANDS)



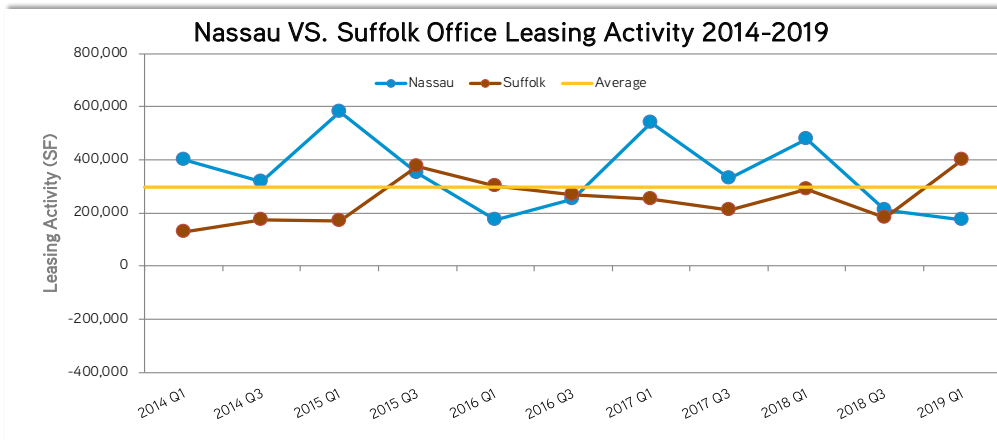
Source: CoStar & Colliers International Research

# Absorption (Square Feet, in Thousands) | Long Island



Source: CoStar & Colliers International Research

# Leasing Activity | Long Island



Source: CoStar, RCA & Colliers International Research

## Update Transaction Highlights

### OFFICE SALE ACTIVITY



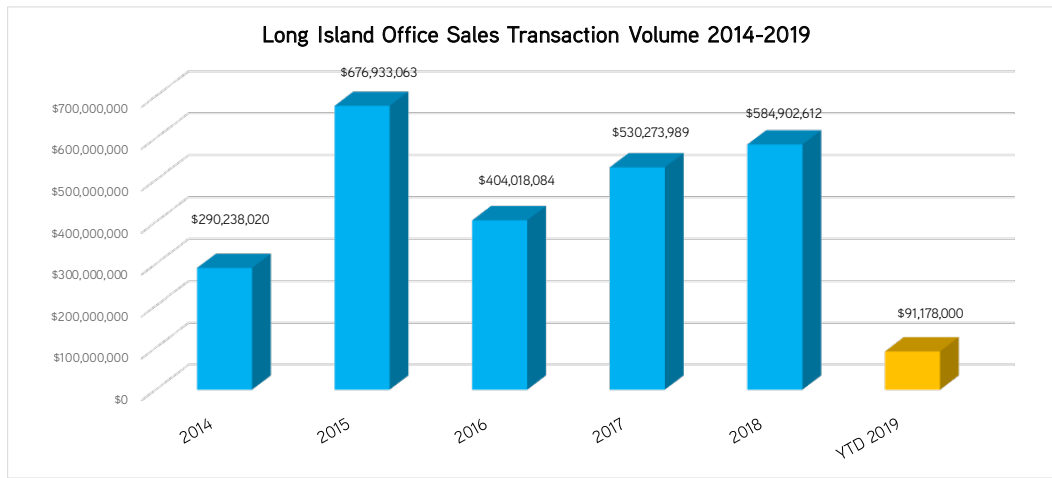
PROPERTY ADDRESS	TOWN	SUBMARKET	SIZE SF	SOLD PRICE
100 Motor Parkway	Hauppauge	Suffolk Central	191,818	\$31,750,000
330 Motor Parkway	Hauppauge	Suffolk Central	131,223	\$16,000,000
300 Rabro Drive	Hauppauge	Suffolk Central	56,777	\$6,000,000
2 Robbins Lane	Jericho	Nassau Eastern	32,400	\$6,400,000

### OFFICE LEASE ACTIVITY



PROPERTY ADDRESS	TOWN	SUBMARKET	SIZE SF	LEASE TYPE
6 Corporate Center Drive	Melville	Suffolk Western	84,313	Lease
360 Smith Street	Farmingdale	Nassau Eastern	38,600	Renewal
538 Broadhollow Road	Melville	Suffolk Western	28,233	Lease
2119 Merrick Road	Merrick	Nassau Central	11,500	Lease

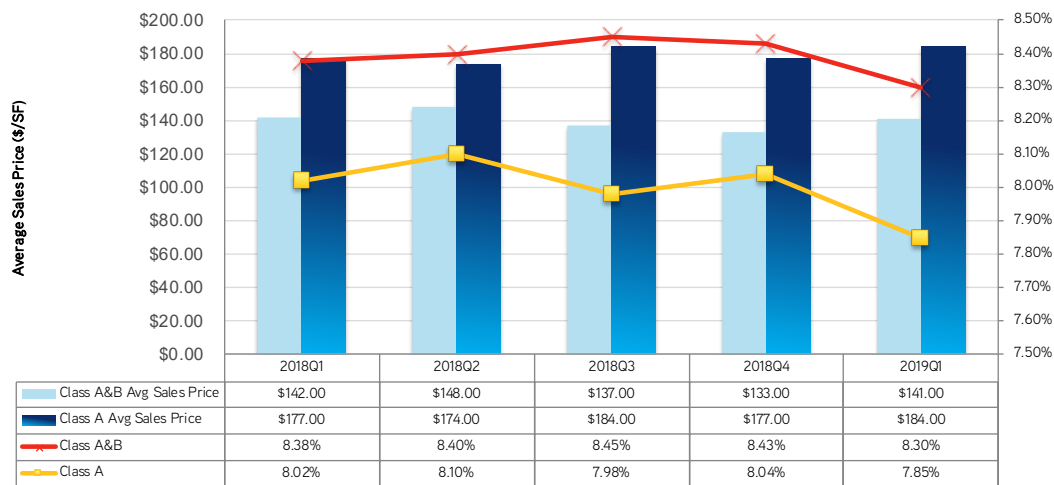
# Sale Transactions | Long Island



Source: CoStar, RCA & Colliers International Research

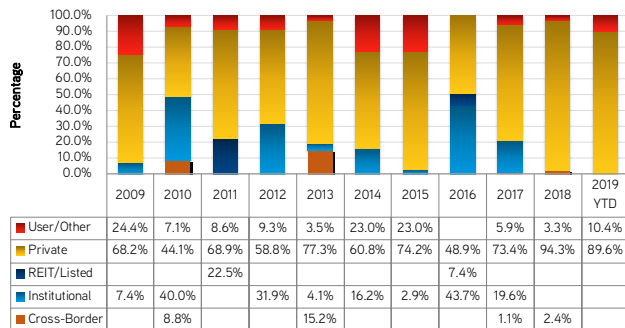
# Average Sales Price & Cap Rates | Long Island Capital Markets

Long Island Capital Markets | Average Sales Price & Cap Rates

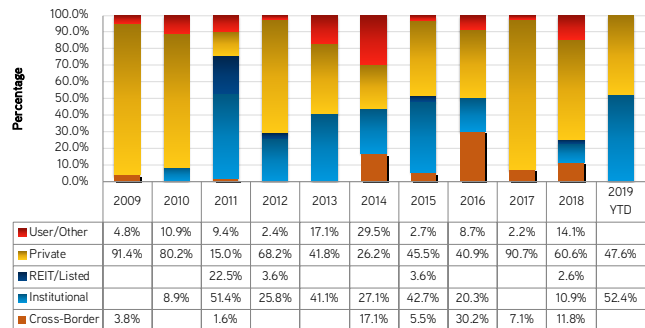


Source: CoStar, RCA & Colliers International Research

Long Island Buyer Composition



Long Island Seller Composition



Source: RCA & Colliers International Research

## Outlook

The Long Island Office Market remains on a solid foundation with strong fundamentals and vacancies at historical lows, lacking Class A large blocks of space, rising demand and stable rents. The decelerating GDP posted some concerns and risks in the office market attributable to slowing global growth and tighter financial conditions. Major health care institutions will continue to expand on Long Island by taking some traditional office spaces. Overall, the office market will stay healthy in 2019.

## UPDATE - MARKET STATISTICS SNAPSHOT

LONG ISLAND – CLASS A & B									
COUNTY		VACANCY RATE				AVERAGE ASKING RENTS			
		2019 Q1	2018 Q4	2018 Q3	2018 Q2	2019 Q1	2018 Q4	2018 Q3	2018 Q2
Nassau	Total	7.1%	7.1%	6.9%	6.6%	\$27.75	\$28.76	\$28.81	\$28.85
538 Bldgs	Lease	6.1%	6.0%	6.1%	6.3%	\$27.75	\$29.22	\$29.15	\$28.97
	Sublease	1.1%	1.1%	0.8%	0.3%	\$23.84	\$31.76	\$29.69	\$26.22
Suffolk	Total	8.4%	8.8%	8.4%	8.4%	\$23.80	\$23.10	\$22.83	\$22.85
549 Bldgs	Lease	7.2%	7.7%	7.3%	7.3%	\$23.85	\$23.10	\$22.82	\$22.85
	Sublease	1.2%	1.0%	1.1%	1.1%	\$21.96	\$21.04	\$19.49	\$18.86
Long Island	Total	7.7%	7.8%	7.6%	7.4%	\$25.67	\$25.88	\$26.06	\$26.14
1,087 Bldgs	Lease	6.6%	6.7%	6.6%	6.7%	\$25.69	\$26.22	\$26.32	\$26.24
	Sublease	1.1%	1.1%	0.9%	0.6%	\$22.79	\$25.06	\$24.60	\$24.75
Nassau	Total	8.7%	6.9%	6.1%	5.3%	\$34.14	\$34.33	\$34.48	\$33.30
79 Class A Bldgs	Lease	6.7%	4.8%	4.7%	4.8%	\$34.14	\$34.55	\$34.65	\$33.40
	Sublease	2.1%	2.1%	1.5%	0.4%	\$25.78	\$33.29	\$33.29	\$29.27
Suffolk	Total	9.3%	9.3%	8.1%	8.1%	\$27.68	\$26.00	\$26.51	\$25.72
84 Class A Bldgs	Lease	7.6%	7.9%	6.7%	6.8%	\$27.68	\$26.00	\$26.51	\$25.72
	Sublease	1.8%	1.4%	1.4%	1.3%	\$23.78	\$21.98	\$21.16	\$20.00
Long Island	Total	9.0%	7.9%	7.0%	6.5%	\$30.26	\$30.28	\$31.02	\$30.11
163 Class A Bldgs	Lease	7.1%	6.2%	5.5%	5.7%	\$30.21	\$30.74	\$31.39	\$30.25
	Sublease	1.9%	1.8%	1.4%	0.8%	\$24.55	\$25.09	\$24.49	\$23.79

LONG ISLAND – CLASS A & B -Q1 2019							
MARKET	EXISTING INVENTORY (SF) MARCH 31, 2019	VACANCY RATE	OVERALL AVERAGE ASKING RENT	RENTAL RATE (CLASS A)	RENTAL RATE (CLASS B)	NET ABSORPTION (SF) CURRENT QUARTER	NET ABSORPTION (SF) YTD
<b>NASSAU</b>							
Western Nassau	9,828,238	4.50%	\$31.81	\$33.63	\$30.80	(31,614)	(31,614)
Northern Nassau	466,114	15.90%	\$23.68	\$28.00	\$21.73	11,125	11,125
Central Nassau	11,410,932	9.60%	\$28.47	\$35.61	\$24.10	20,027	20,027
Eastern Nassau	10,270,843	7.20%	\$24.95	\$31.75	\$22.78	(14,615)	(14,615)
Southern Nassau	2,448,679	4.10%	\$26.85	\$33.87	\$25.69	46,135	46,135
<b>NASSAU TOTAL*</b>	<b>34,767,071</b>	<b>7.10%</b>	<b>\$27.75</b>	<b>\$34.14</b>	<b>\$24.86</b>	<b>29,178</b>	<b>29,178</b>
<b>SUFFOLK</b>							
Western Suffolk	19,195,804	9.10%	\$25.04	\$27.68	\$21.41	142,409	142,409
Central Suffolk	5,503,647	7.90%	\$20.31	\$28.00	\$20.11	(17,941)	(17,941)
<b>SUFFOLK TOTAL**</b>	<b>27,066,392</b>	<b>8.40%</b>	<b>\$23.80</b>	<b>\$27.68</b>	<b>\$21.22</b>	<b>113,061</b>	<b>113,061</b>
<b>LONG ISLAND TOTAL</b>	<b>61,833,463</b>	<b>7.70%</b>	<b>\$25.67</b>	<b>\$30.26</b>	<b>\$23.09</b>	<b>142,239</b>	<b>142,239</b>

\*Totals include all Nassau Submarkets

\*\*Totals include all Suffolk Submarkets

Source: CoStar and Colliers International Research



### 101 CHANNEL DRIVE, PORT WASHINGTON

+/- 73,726 SF Office Building for Sale

- > Built out corporate offices, workstations, kitchen and conference centers
- > Building is situated on sewers and includes a 1375 KW diesel generator (entire building)
- > Lower level includes data center, building mechanicals and storage
- > Close proximity to the Long Island Railroad (Port Washington Station)

### 220 RABRO DRIVE, HAUPPAUGE

+/- 70,153 SF Office Building for Sale

- > Single story building with main street visibility situated on 6.50 acres
- > 100% office with possible conversion to R/D and industrial
- > Zoned Industrial 1
- > 497 parking spaces

### 175 PINELAWN ROAD, MELVILLE

+/- 103,525 SF Class A Office Building for Lease

- > +/- 37,700 SF available in various suites
- > Under new ownership
- > Food service on-site
- > Easy access to the Long Island Expressway (Exit #49)
- > Excellent parking available

### 1981/1983 MARCUS AVE, LAKE SUCCESS

+/- 350,000 SF Building for Lease

- > Over 23,000 SF available for lease with suites
- > Beautiful campus setting
- > Cafeteria in Building
- > Convenient access to major highways
- > Underground parking
- > Close proximity to banks, restaurants and shops



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**400+** offices in  
**68** countries on  
**6** continents

United States: **155**

Canada: **48**

Latin America: **20**

Asia Pacific: **94**

EMEA: **119**

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**\$3.3**

billion in  
annual revenue



**2.0**

billion square feet  
under management

**17,000+**

professionals  
and staff

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