

## Industrial Market Remains Tight However Decelerating GDP Causes Cautions

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### Takeaways

- > The Q1 Long Island Industrial Market remained tight with limited inventory although absorptions dropped and vacancies increased. 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 although the unemployment rate increased by 0.67% to 3.8% in Q1. Distribution centers and warehouses are in demand with the expansion of pharmaceutical companies and warehouse occupiers with the influence of the rapid growth of E-Commerce. Although the outlook for the industrial real estate market is positive, the market is in the face of fading fiscal stimulus and escalating tensions in the global trade wars.
- > The manufacturing sector weakens with consecutive decreases in the Institute for Supply Management's Manufacturing Purchasing Managers Index (PMI) to the average of 55.4 in Q1, below the average of 58.6 in 2018.
- > The Q1 average vacancy rates for the Long Island Industrial Market climbed slightly to 3.8%, 30 basis points (BPs) up from Q4 2018, on par with the five-year average.
- > The average rental rates for the Long Island Industrial Market rose slightly to \$12.78 per square foot (psf) NNN, a 0.6% increase quarter-over-quarter, and a 16.71% increase from a year ago.
- > Absorptions on Long Island were down to negative 420,263 square feet (sf), a consecutive decrease from negative 124,623 sf in Q4 2018; however absorptions are expected to pick up in the remainder of 2019.
- > The Q1 Long Island industrial leasing activity climbed to 1,084,279 sf, 3.39% up from the prior quarter, yet it was 13.19% below the five-year average of 1.25 million sf. The industrial property sales volume in 2018 hit the highest record attaining a total transaction volume of \$542.5 million, which more than doubled the 10-year average. The sales volume is expected to continue the momentum despite that it started with a relative low transaction volume of 55.4 million in Q1. The average sales price had a significant leap to \$125.00 psf in Q1 from \$114.00 psf in Q4 2018 with lowering average cap rates of 7.70% in Q1.

### 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 Industrial Market

	Nassau	Suffolk	Long Island*
Vacancy Rate	4.3%	3.5%	3.8%
Change From Q4 2018 (basis points)	50	20	30
Net Absorption (Thousand Square Feet)	-282.9	-137.3	-420.3
Vacancy Rate (Warehouses)	4.2%	3.1%	3.4%
Vacancy Rate (Flex Buildings)	5.1%	7.9%	6.7%

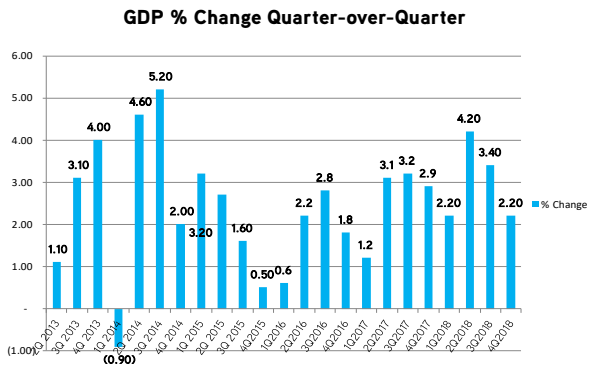
### Asking Rents

Per Square Foot Per Year

Suburban	\$13.81	\$11.92	\$12.78
Change From Q4 2018	-2.4%	3.9%	0.6%
Suburban Warehouses	\$13.73	\$12.00	\$12.76
Suburban Flex Buildings	\$15.16	\$8.00	\$13.04

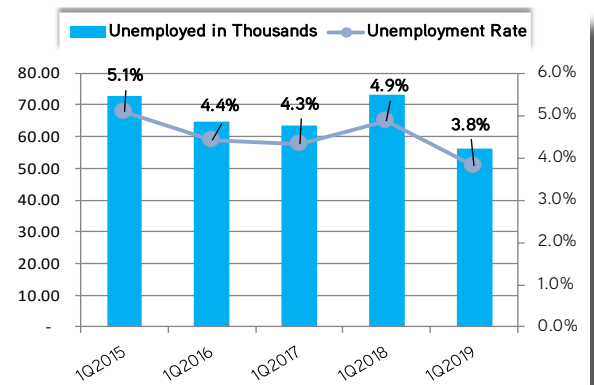
\*Long Island Industrial Market refers to Nassau & Suffolk Counties; 10,000 square feet and above

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



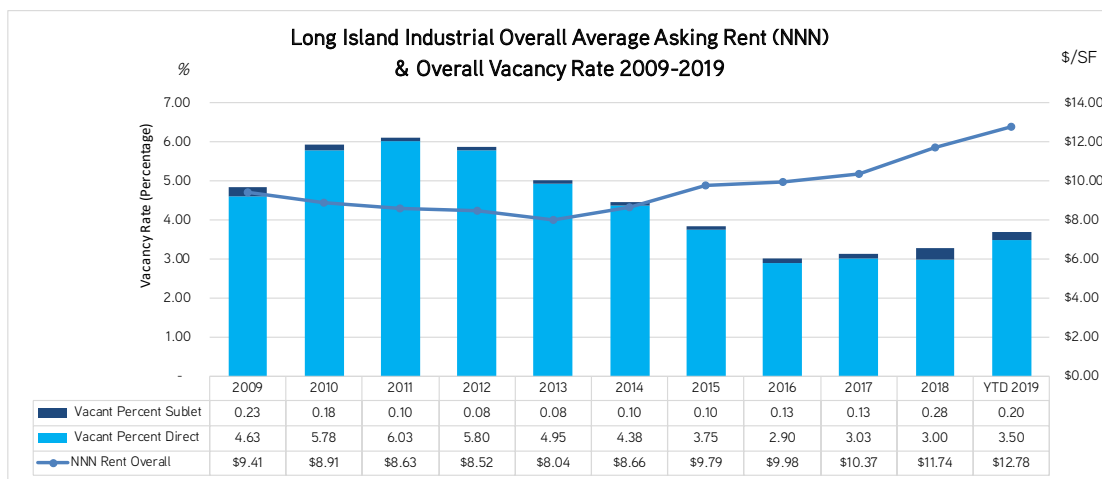
Source: Bureau of Economic Analysis--US Department of Commerce

### Unemployment Trends - Nassau & Suffolk



Source: NYS Department of Labor

## Overall Average Asking Rent and Overall Vacancy Rate | Long Island



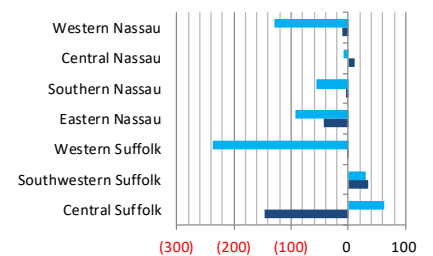
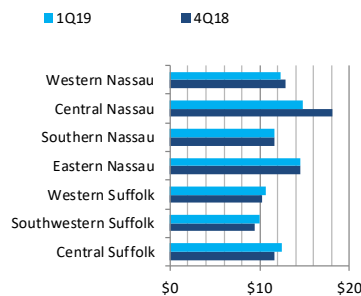
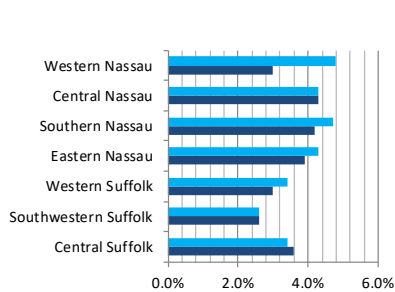
Source: CoStar & Colliers International Research

UPDATE Vacancy Rates, Asking Rents, & Absorption

VACANCY RATES

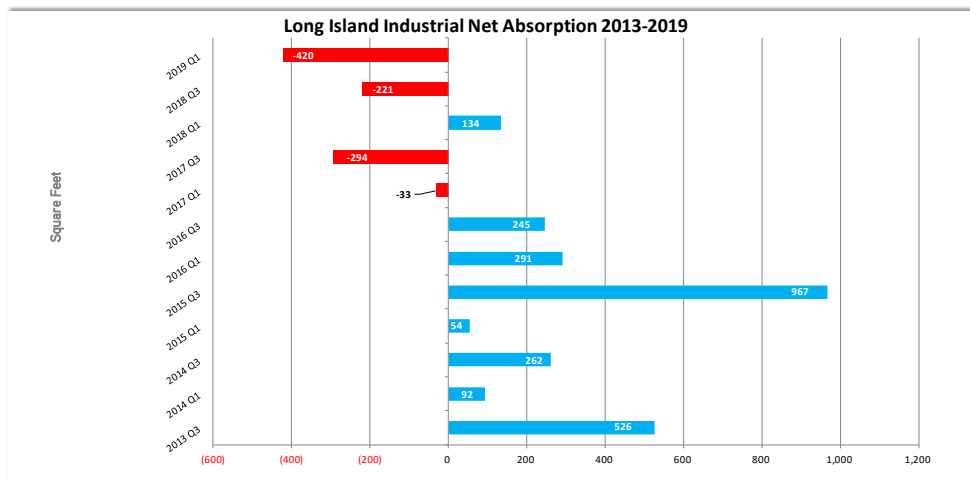
AVERAGE ASKING RENTS

NET ABSORPTION (IN THOUSANDS)



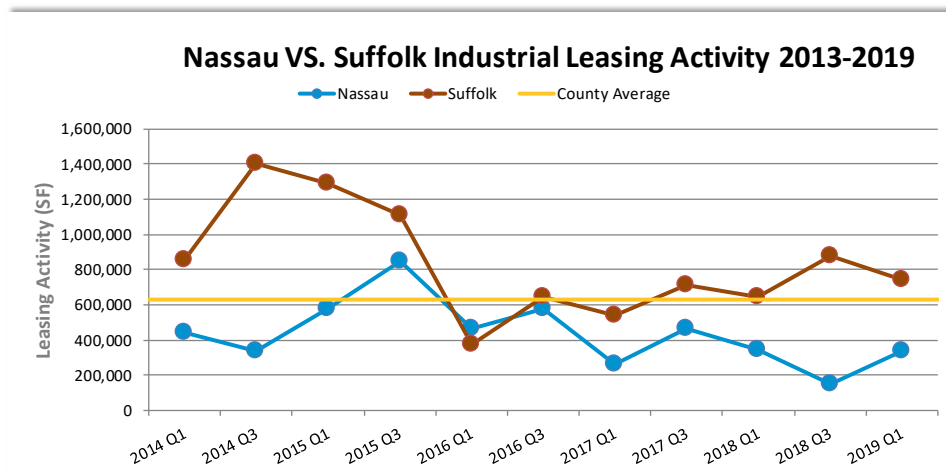
Source: CoStar & Colliers International Research

# 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

### INDUSTRIAL SALE ACTIVITY



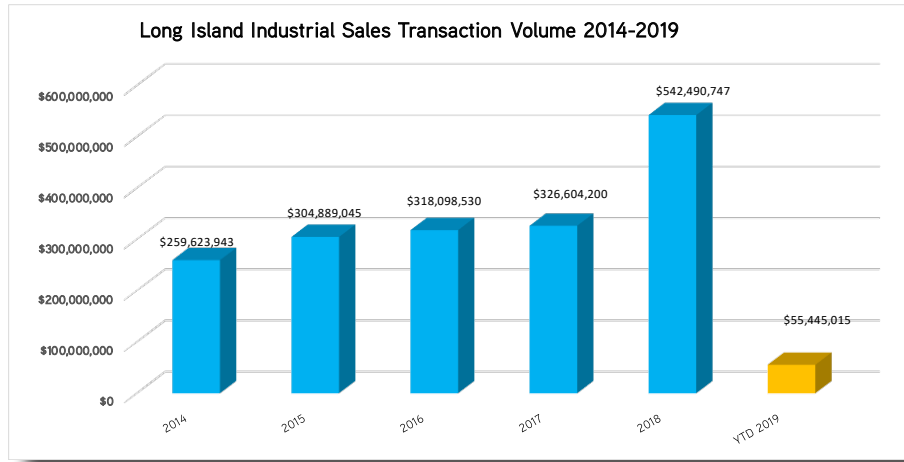
PROPERTY ADDRESS	TOWN	SUBMARKET	SIZE SF	SOLD PRICE
425 Underhill Boulevard	Syosset	Nassau Eastern	80,100	\$8,600,000
151 Alkier Street	Brentwood	Suffolk Western	66,351	\$6,050,000
35 Engineers Road	Hauppauge	Suffolk Western	59,400	\$6,250,000
150-170 Crossways Park Drive	Woodbury	Nassau Eastern	40,059	\$7,600,000

### INDUSTRIAL LEASE ACTIVITY



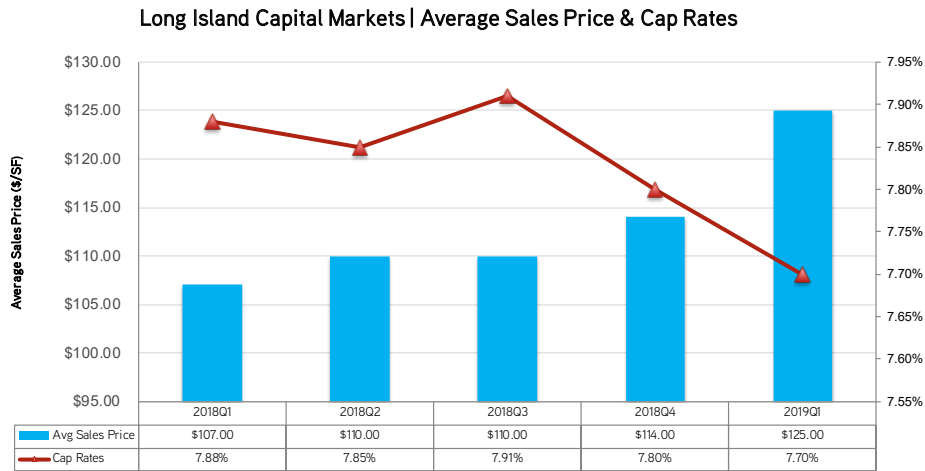
PROPERTY ADDRESS	TOWN	SUBMARKET	SIZE SF	LEASE TYPE
19 Nicholas Drive	Yaphank	Suffolk Central	147,978	Expansion
263 Merritt Avenue	Wyandanch	Suffolk Western	94,000	Lease
555 Wireless Boulevard	Hauppauge	Suffolk Western	70,000	Lease
1140 Motor Parkway	Central Islip	Suffolk Western	32,000	Sublease

# Sale Transactions | Long Island



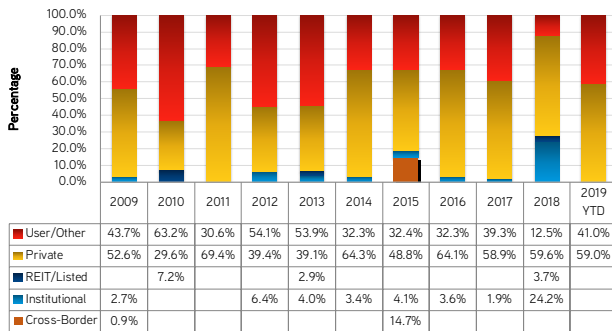
Source: CoStar, RCA & Colliers International Research

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

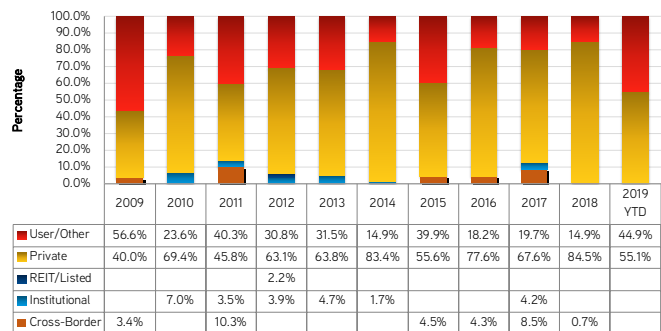


Source: CoStar, RCA & Colliers International Research

Long Island Buyer Composition



Long Island Seller Composition



Source: RCA & Colliers International Research

## Outlook

The Q1 Long Island Industrial Market remained tight in spite of slight increasing vacancies and dropping absorptions. Warehouse occupiers are competing for quality and well-located properties. Private users take majority of industrial real estate market share and will continue to be the major players in this market. Companies in the boroughs will continue the trend to move to Long Island to seek for larger spaces and incentive packages. However, with rising cautions for the late cycle market trends, the decelerating GDP and rising tensions in the global trades, users and investors should take more defensive strategies.

## UPDATE - MARKET STATISTICS SNAPSHOT

### LONG ISLAND - WAREHOUSES & FLEX BUILDINGS

COUNTY		VACANCY RATE				AVERAGE ASKING RENTS			
		2019 Q1	2018 Q4	2018 Q3	2018 Q2	2019 Q1	2018 Q4	2018 Q3	2018 Q2
Nassau	Total	4.3%	3.8%	3.7%	3.5%	\$13.81	\$14.15	\$12.55	\$13.38
	1,460 Bldgs								
	Lease	4.0%	3.3%	3.2%	3.1%	\$13.81	\$14.15	\$12.55	\$13.38
	Sublease	0.3%	0.5%	0.5%	0.4%	\$0.00	\$0.00	\$0.00	\$0.00
Suffolk	Total	3.5%	3.3%	3.2%	3.1%	\$11.92	\$11.47	\$11.23	\$11.15
	2,956 Bldgs								
	Lease	3.3%	3.1%	3.0%	2.9%	\$11.95	\$11.66	\$11.23	\$11.15
	Sublease	0.2%	0.2%	0.2%	0.2%	\$9.00	\$9.00	\$0.00	\$0.00
Long Island	Total	3.8%	3.5%	3.4%	3.2%	\$12.78	\$12.71	\$11.69	\$11.59
	4,416 Bldgs								
	Lease	3.5%	3.1%	3.1%	3.0%	\$12.79	\$12.85	\$11.69	\$11.59
	Sublease	0.2%	0.3%	0.3%	0.3%	\$9.00	\$9.00	\$0.00	\$0.00
Warehouses - LI	Total								
	4,071 Bldgs								
	Lease	3.4%	3.2%	3.1%	3.0%	\$12.76	\$12.69	\$11.46	\$11.27
	Sublease	3.2%	2.8%	2.8%	2.7%	\$12.79	\$12.84	\$11.46	\$11.27
		0.2%	0.4%	0.3%	0.3%	\$9.00	\$9.00	\$0.00	\$0.00
Flex Buildings - LI	Total								
	345 Bldgs								
	Lease	6.7%	6.0%	5.7%	5.5%	\$13.04	\$13.04	\$16.38	\$15.88
	Sublease	6.2%	6.0%	5.6%	5.5%	\$13.04	\$13.04	\$16.38	\$15.88
		0.5%	0.1%	0.1%	0.0%	\$0.00	\$0.00	\$0.00	\$0.00

### LONG ISLAND - Q1 2019

MARKET	EXISTING INVENTORY (SF) MARCH 31, 2019	VACANCY RATE	OVERALL AVERAGE ASKING RENT	RENTAL RATE (WAREHOUSE)	RENTAL RATE (FLEX BUILDINGS)	NET ABSORPTION (SF) CURRENT QUARTER	NET ABSORPTION (SF) YTD
<b>NASSAU</b>							
Western Nassau	7,392,134	4.80%	\$12.30	\$12.30	-	(129,719)	(129,719)
Central Nassau	8,396,188	4.30%	\$14.81	\$18.00	\$12.00	(8,015)	(8,015)
Southern Nassau	10,009,871	4.70%	\$11.58	\$11.58	-	(56,788)	(56,788)
Eastern Nassau	24,480,946	4.30%	\$14.47	\$14.29	\$18.50	(92,621)	(92,621)
<b>NASSAU TOTAL*</b>	<b>52,584,102</b>	<b>4.30%</b>	<b>\$13.81</b>	<b>\$13.73</b>	<b>\$15.16</b>	<b>(282,943)</b>	<b>(282,943)</b>
<b>SUFFOLK</b>							
Western Suffolk	63,142,334	3.40%	\$10.70	\$10.70	-	(237,469)	(237,469)
Southwestern Suffolk	9,315,205	2.60%	\$10.00	\$10.00	-	30,415	30,415
Central Suffolk	29,979,887	3.40%	\$12.45	\$12.68	\$8.00	63,734	63,734
<b>SUFFOLK TOTAL**</b>	<b>106,988,199</b>	<b>3.50%</b>	<b>\$11.92</b>	<b>\$12.00</b>	<b>\$8.00</b>	<b>(137,320)</b>	<b>(137,320)</b>
<b>LONG ISLAND TOTAL</b>	<b>159,572,301</b>	<b>3.80%</b>	<b>\$12.78</b>	<b>\$12.76</b>	<b>\$13.04</b>	<b>(420,263)</b>	<b>(420,263)</b>

\*Totals include all Nassau Submarkets

\*\*Totals include all Suffolk Submarkets

Source: CoStar and Colliers International Research

# Featured Listings

## 901-932 BURMAN BOULEVARD, CALVERTON

+/- 190,000 SF Industrial Building for Sale

- > Plot size: +/- 20.60 Acres
- > Power: (7) 2400a sub stations
- > Possible vacancies available
- > User/Investor opportunity
- > Column free warehouse
- > Above standard office finishes
- > Multiple sources of potential rental income
- > Qualified for local, state and federal incentive packages

## 225 BUFFALO AVENUE, FREEPORT

+/- 43,000 SF Industrial Building for Sale

- > Plot size: +/-1.37 Acres
- > Loading: 2 Drive Ins and 2 Docks
- > Ceiling Height: 14'-15'
- > Parking: 23 spaces
- > Rare availability in size range
- > Immaculately maintained warehouse
- > Easy access to New York City and JFK Airport

## 100 DAVIDS DRIVE, HAUPPAUGE

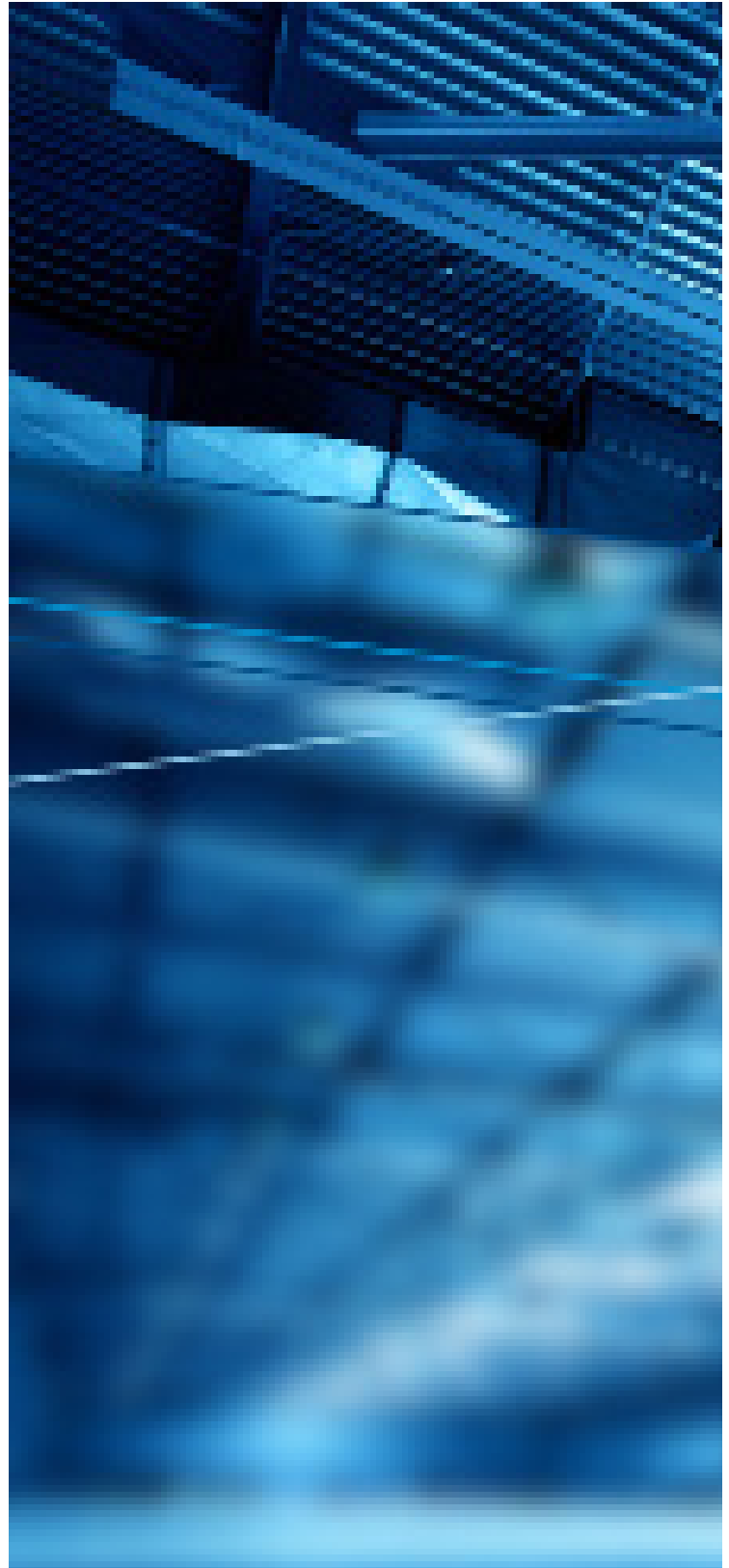
+/- 65,500 SF Industrial Building for Lease

- > Available Space: +/-32,750 SF
- > Plot size: +/- 6.7 Acres
- > Loading: 1 Dock and 2 Drive Ins
- > Parking: +/- 215 + additional land bank
- > 2 story office/R&D/flex building
- > Excellent condition with new roof and HVAC
- > Located directly off the Northern State Service Road with close proximity to Long Island Expressway, Nesconset Highway, etc.

## 100 PRECISION DRIVE, SHIRLEY

+/- 130,565 SF Flex Building for Sale/Lease

- > Available space: +/- 130,565 SF (divisible)
- > Plot size: +/- 12.65 Acres
- > Loading: 2 Drive Ins and 2 Docks (w/levelers)
- > Office Space: BTS (previously two stories of +/- 40,000 SF)
- > Full air conditioning and sprinkler
- > Ceiling height: +/- 25'



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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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