Long Island, New York

Tenant's Guide ▪ North American Markets ▪ First Quarter 2012

Overview

As we complete the first quarter of 2012, it appears that Long Island is slowly on the road to recovery. The activity level has increased and tenants seem to have adjusted to the "new" economy. There has been another drop in the vacancy rates over the last quarter, which continues to fuel the idea that recovery is underway. The office leasing sector has continued with a near zero absorption (as space is leased, more hits the market). The sub-lease market has stabilized to some degree with old space being subleased as the newer units hit the market. The industrial sector continues to outperform the office sector. Most of the economists on Long Island have forecast 2012 to be another difficult year with minor overall improvement in the commercial real estate market. It is anticipated that the true recovery will not begin until 2013.

In general, most landlords have not adjusted down their asking rentals to meet the tenants' expectations. Rental concessions continue to be an area landlords have shown a willingness to offer as an inducement. Sublease space continues to cause overall vacancy rates to remain higher than our market is accustomed to. Recovery continues to be a little sluggish and new and sublease space has continued to enter the market, although, the leasing activity has begun to offset this new product.

Market Trends

- Sluggishness will continue with little upside potential for the beginning of the second quarter of 2012.
- Asking rents may stabilize slightly, and more amenities may be offered such as rental concessions, signage, reserved parking, and upgraded work letters.

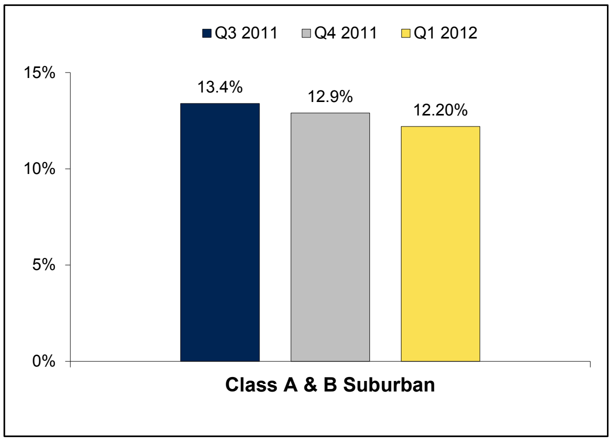
Tenant's Perspective

While many tenants have chosen short-term (one- to two-year) renewals in their current space, this may be a good time for tenants to lock into longer-term leases under more favorable conditions. Those conditions may not always be lower rent rates, as landlords are still held accountable to pro-formas set by mortgagees. But they can often result in greater concessions, in the form of free rent or tenant improvements. It is still unquestionably a tenant's market, provided the tenant can demonstrate superior credit.

Major Transactions

Tenant/Buyer	Size	Type	Lease/Sale
Fairfield Properties	183,000	Office	Sale
Lincoln National Life	11,000	Office	Lease
Damianos Realty	40,000	Office	Sale
Vertigo	12,300	Office	Lease
Weiser	28,000	Office	Lease

Vacancy Rate



Average Rental Rates

CBD	Q3 2011	Q4 2011	Q1 2012
Class A Office	$25.82	$25.69	$26.72
Class B Office	$23.51	$23.12	$24.30

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