

Long Island, New York

Tenant's Guide ■ North American Markets ■ Second Quarter 2010

Overview

There has been some new leasing activity since last quarter but overall the market has remained flat. The tenants entering the market have done so with hesitation and/or unrealistic expectations. In general, most landlords have not adjusted down their asking rates to meet the tenant's expectations. Rental concessions continue to be an area landlords are showing 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 slow and new and sublease space has continued to enter the market with only minor leasing activity to offset it. New construction activity continues to be virtually non-existent and recently completed new buildings are offering aggressive incentives for credit-worthy tenants.

Market Trends

- Sluggishness in the market will continue through the 3rd and 4th quarter of 2010.
- Asking rents may stabilize slightly and more amenities will be offered such as rental concessions, signage, reserved parking, and upgraded work letters.

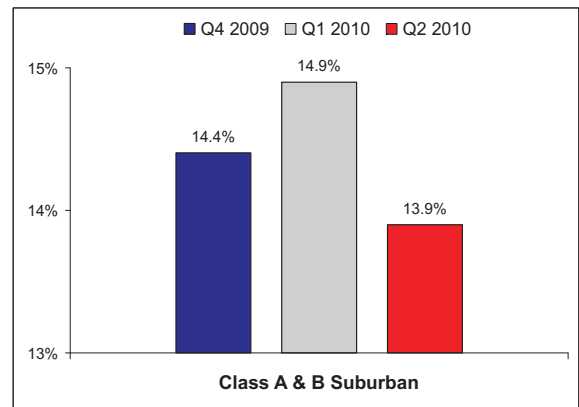
Tenant's Perspective

While many tenants choose short-term (one to two years) renewals in current space, this may be a good time for some tenants to lock into longer-term leases with more favorable conditions. Those conditions may not always be lower rental 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
North Shore LIJ	33,000	Office	Lease
Kintetsu World Express	15,000	Office	Lease
Sonomed	11,000	Office	Lease
Stellae International	111,000	Industrial	Lease
Fragrance X	81,000	Industrial	Sale

Vacancy Rate



Average Rental Rates

Suburban	Q4 2009	Q1 2010	Q2 2010
Class A Office	\$26.53	\$26.18	\$26.09
Class B Office	\$24.77	\$24.11	\$23.95

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