

LOOKING AHEAD



Expect to see lower inflation, lower home prices, pot sales and a possible casino project

NEWSDAY ILLUSTRATION: GETTY IMAGES / MIKO BREEM

Inflation, a possible recession, the worker shortage, affordability — all will affect how fast Long Island's \$180 billion economy grows in 2023, experts said.

Consumer prices will continue to rise faster than they did before the pandemic, but won't repeat the year-over-year high of 6.7% posted in June for the region.

Price increases could dip to 4.5%, but the pre-pandemic rate of about 2% won't be seen again until late 2024 or early 2025, predicted John A. Rizzo, a Stony Brook University economist.

"Periods of high inflation like we've experienced take several years to unwind," he said.

Rizzo and others said inflation, coupled with more inter-

est rate hikes by the Federal Reserve, will dampen consumer spending, which accounts for about 70% of economic activity.

Still, Rizzo said, "I don't see a recession on Long Island because the labor market is too strong . . . the unemployment rate is still at an historically low level" and many salaries have risen.

He predicted the gross do-

mestic product, the sum of all goods and services produced in the region, will climb 1% to 1.5% in 2023. It rose 5.7% in 2021 from the 2020 virus-induced recession.

Economist Richard Vogel, dean of Farmingdale State College's business school, forecast GDP growth of 0.5% to 1.5%. "Higher interest rates are weighing on the real estate mar-

ket and making it more expensive to borrow," he said.

Also limiting growth prospects are the Island's graying population and housing costs.

"Starting salaries aren't high enough for young workers to afford to live on Long Island," Vogel said. — JAMES T. MADORE

Next page: The outlook for jobs, real estate and more

LOOKING AHEAD: WHAT LI CAN EXPECT IN '23



JAMES CARBONE

CANNABIS

Marijuana delivery will make inroads in 2023, but it's still hazy when and where on-site sales may start on the Island, industry experts said.

The Shinnecock Indian Nation expects to license adult recreational cannabis sales in shops on its Southampton reservation by early 2023, officials said, meaning Shinnecock businesses could make the first government-sanctioned recreational sales on Long Island.

New York State has awarded seven of 20 "conditional" retail licenses available on the Island. (These licenses are reserved for entrepreneurs who were impacted by the old marijuana laws.)

These licensees will set up delivery options that serve the bulk of the region early in the year, with the better-funded operations potentially unveiling retail outposts at the end of the first quarter, according to Daniel Johnston, founder and general counsel of Gotham Growth Corp., a Hauppauge business that will seek a license to process cannabis.

New York State regulators have drafted plans that will open the indus-

try up beyond the first group of licensees. These regulations will likely be finalized in the third quarter, paving the way for applications to open, the state Office of Cannabis Management has said.

"That's when you're really going to see the cannabis industry in New York blow up," Johnston said.

— SARINA TRANGLE AND MARK HARRINGTON



BLOOMBERG / ANTHONY KWAN

CASINOS

A state board is expected to formally request applications for full-scale casinos in downstate by Jan. 6. Up to three licenses will be awarded later this year for the facilities, which will include traditional table games as well as electronic gaming, officials said.

At least one casino operator, Las Vegas Sands Corp., has been scouting Long Island sites, including the Nassau Hub/Nassau Veterans Memorial Coliseum area in Uniondale and the UBS Arena/Belmont Park area in Elmont, according to sources who requested anonymity.

Sands is looking at the Island, while its competitors are focused on New York City, because Sands senior vice president David A. Paterson, a former New York governor, said he believes western Nassau is ideal.

He said two of the three licenses for

full-scale gambling are likely to be awarded to Resorts World New York City at Aqueduct Raceway in Queens and Empire City Casino in Yonkers, both of which now only offer electronic gaming choices.

"So, there will be only one license left," Paterson said last month. "Every time we come here, we look at each other and say, 'How come no one else thought about Long Island?'"

Separately, the Shinnecock Indian Nation wants to open a casino on its Southampton reservation.

Full-scale gambling would be a boon to the tourism industry, which ended the year at its pre-pandemic level of \$6.3 billion in visitor spending, said Kristen Reynolds, CEO of the tourism promotions agency Discover Long Island. A full-scale casino "is very much needed," she said.

— JAMES T. MADORE



ALLUSLAND / KEVIN P. COUGHLIN

OFFICE SPACE

Many workers are hoping to limit how much they report to the office, but it's unclear just how much their preferences will shape companies' footprints.

Nationwide, employees are spending about 30% of workdays at home, according to surveys cited by economists Jose Maria Barrero, Nicholas

Bloom and Steven J. Davis in a working paper submitted to the National Bureau of Economic Research.

RXR, one of the Island's largest office landlords, estimates between 50% and 60% of its regional workspaces are used day-to-day. That's down from about 75% to 85% before the pandemic.

More than 30% of U.S. workers who can perform their job remotely would like to be fully remote, but just 13% of full-time employees have such an arrangement, the report found.

If companies "can accommodate remote, they do," said Janis Zamier, director of operations at the Long Island Temps staffing agency.

"If it's a company that's: 'Sorry, we're all back in the office,' it might be harder for them" to hire.

Brokers expect 2023 to be tough because companies are concerned about an economic recession and the Island has a substantial amount of office space available for sublease.

About 13.6% of office space was vacant on the Island at the end of 2022, which may grow to 13.9% in 2023, according to Moody's Analytics, an economic research service.

— SARINA TRANGLE



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HEALTH CARE

Long Island's hospitals and other health care providers are facing massive challenges in 2023, industry experts said.

Local hospitals are coping with a shortage of registered nurses, physicians and other workers, Wendy Darwell, president and CEO of the Hauppauge-based trade group Suburban Hospital Alliance of New York State, said in a statement.

The government-sponsored Medicare and Medicaid programs continue to pay less than the cost of providing care, she said. At the same time, drug costs have jumped 42%, and the cost of supplies, equipment and energy have increased by about 20%, she said.

Hospitals "may be forced to make

some tough decisions in the year ahead,” and consolidation is likely to continue throughout the industry, she said.

Health care employment was up 2.1% year-over-year in November, state Labor Department figures show. But while employment is at record highs at hospital and outpatient centers, staffing at nursing homes and other residential care facilities remains 11% below pre-pandemic levels, according to Shital Patel, labor market analyst with the department’s Hicksville office.

New York’s largest private employer, New Hyde Park-based Northwell Health, expects to “continue expanding and growing” in 2023, with a budget of \$16.5 billion, president and CEO Michael Dowling said.

The year ahead will be “not without difficulty and not without challenge,” Dowling said.

“But then again, that’s what every organization has gone through these days.”

— MAURA MCDERMOTT



NEWSDAY / STEVE FROST

JOB MARKET

While the Island ended the year with near-record low unemployment — 2.5% in November — 2023 is likely to see a slight loosening in the tight labor market.

Hiring remains tough in some industries, especially for lower-paid service sector jobs. But with a slowed economy — the result of interest rate hikes — many employers are slowing recruitment efforts, economists said.

“A few months ago, we were saying that industries were hiring pretty much across the board and were having difficulty finding workers,” said Patel of the state Labor Department. “I think we might be starting to see companies hiring less and making do with the employees that they have.”

In response to inflation and concerns over COVID, Ryan Stanton, execu-

utive director of the Long Island Federation of Labor, said the Island and nation overall are likely to see continued labor organizing.

“We’ve seen high-profile campaigns and union elections in health care, agriculture, tech, journalism, and obviously most folks are familiar with the baristas in Starbucks organizing nationwide,” he said.

“Workers are more educated than they’ve ever been and are just asking to be treated fairly.”

— VICTOR OCASIO



GETTY IMAGES / JOHN MOORE

OFFSHORE WIND

South Fork Wind, the first of at least six proposed wind farms off the South Shore and New England, will begin producing electricity by year end, according to developer Orsted/Eversource.

South Fork will consist of 12 turbines about 30 miles off Montauk Point.

Crews are laying the electrical cable that will connect the wind farm to a substation in East Hampton. Construction of a ship for maintenance workers is underway while they begin training on farms in northern Europe, officials said.

Meanwhile, Orsted/Eversource and another developer, Equinor/bp, are each ramping up efforts to hire subcontractors for the larger wind farms: Empire Wind I & II, Sunrise Wind, Beacon Wind and Revolution Wind.

“We’ve made a commitment to a direct investment of more than \$400 million in New York” for the Sunrise Wind project alone, said Troy Patton, a top executive at Orsted’s North American operation, which also is renovating an East Setauket warehouse for use as a regional operations center.

Equinor/bp will hold an information forum for potential subcontractors on March 10 at Farmingdale State College.

The event “will help us connect with a variety of manufacturers, especially those in adjacent sectors like aerospace, maritime and heavy industries that are well-positioned to join the offshore wind ecosystem,” said Molly Morris, president of Equinor Wind US.

— JAMES T. MADORE



NEWSDAY / STEVE FROST

REAL ESTATE

After two years in which Long Island home prices set records, the market receded this fall and higher mortgage rates drastically slowed the pace of sales.

The question for 2023: What will the real estate market look like when the traditional selling season resumes in the spring?

The market slowdown is the result of a standoff between buyers and sellers, who both think they could benefit by waiting, said Joe Moshe, broker/owner of Charles Rutenberg Realty in Plainview. Buyers think rates and prices might fall and sellers are resistant to lowering their asking prices.

Moshe expects home prices to move 5% to 10% lower in 2023. But he doesn’t think the market will erase home equity gains that have occurred since the pandemic started. The median sale in Nassau increased 25% to \$668,000 in November 2022 compared with the same month in 2019 before COVID-19 emerged in the U.S. The median Suffolk price increased 36.3% in that time to \$545,000.

“I see it coming down but not dramatically,” Moshe said.

A stubbornly low supply of houses on the market has propped up prices, and Jonathan Miller, CEO of appraisal firm Miller Samuel, doesn’t think buyers should expect a “meaningful improvement” in affordability.

“I think buyers will continue to be frustrated,” Miller said. “Sellers are going to be disappointed too, because they’re not necessarily going to achieve the prices they expected.”

— JONATHAN LAMANTIA



DANIEL BRENNAN

RESTAURANTS

Adaptability is essential for restaurants as they continue to confront inflation, the worker shortage and a possible economic downturn, owners said.

“The biggest challenge is continuing to be creative, to adapt on the fly to things, such as customer expectations,” said Daniel Pedisich, who opened two restaurants last year in response to changes in the economy and diners’ tastes.

He and his business partners closed Konoba Huntington, a full-service restaurant, in July 2022 and replaced it with a wine bar: Vinoteka 46. Later, they opened a similar eatery in Port Washington: The Olive Room Meeting Pointe.

“People are looking for casual concepts; they’re looking for an experience without those expensive entrees,” Pedisich said. “They also don’t want to spend as much time in the restaurant.”

Pedisich said he’s “cautiously optimistic” about 2023, though he doesn’t expect pre-pandemic revenue totals.

“I’d just like a year with no more surprises that disrupt business,” he said.

That’s a sentiment shared by owners of many of the nearly 9,200 eating and drinking establishments in Nassau and Suffolk counties, according to Mario Saccente, president of the 500-member Long Island chapter of the New York State Restaurant Association.

Saccente said he has an optimistic outlook, in part because new restaurants continue to open as others succumb to economic setbacks. “This group just won’t give up. They love what they do,” he said.

— JAMES T. MADORE