

New York City, Q1 2020

NYC Industrial Market Sees Excellent First Quarter of Leasing Along with Rising Asking Rents

 Leasing Velocity 2.86 MSF	 Net Absorption 844,476 SF	 Availability Rate 8.5%	 Vacancy Rate 5.1%	 Average Asking Rent \$23.64 PSF
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*Arrows indicate change from previous quarter.

MARKET OVERVIEW

- New York City industrial fundamentals remained strong in the first quarter of 2020.
- Quarterly leasing velocity was high at 2,859,294 sq. ft., with renewals totaling more than 700,000 sq. ft.
- The positive quarterly absorption figure was not significant enough to lower the availability rate, which remained constant at 8.5%.
- The vacancy rate fell quarter-over-quarter to 5.1%.

Despite New York City becoming the epicenter of the COVID-19 pandemic in the United States, its industrial market posted stellar numbers for the first quarter of 2020. Industrial distribution and warehousing space remains critically important as third-party logistics companies continue to do business and retailers require space to store their products. The market saw an excellent quarter for industrial leasing, with velocity totaling more than 2.8 million sq. ft. driven by new leases and over 700,000 sq. ft. of renewals, primarily in warehouse and distribution properties. Overall availability remained constant quarter-over-quarter at 8.5% while overall vacancy decreased 20 basis points (bps) quarter-over-quarter to 5.1%. NYC recorded positive absorption of more than 840,000 sq. ft., which can be attributed mainly to decreases in availability in warehouse and distribution space, followed by manufacturing space.

Figure 1: Top Lease Transactions | Q1 2020

Size (Sq. Ft.)	Tenant	Address	Market	Submarket
516,115 (R)	City of New York	66-26 Metropolitan Ave	Queens	Middle Village
450,000	Amazon	566 Gulf Ave	Staten Island	Mid-Island
299,000	Amazon	66-26 Metropolitan Ave	Queens	Middle Village

Renewal (R), Expansion (E), Renewal and Expansion (RE). *Short-term renewal to align timing to move into new construction building.

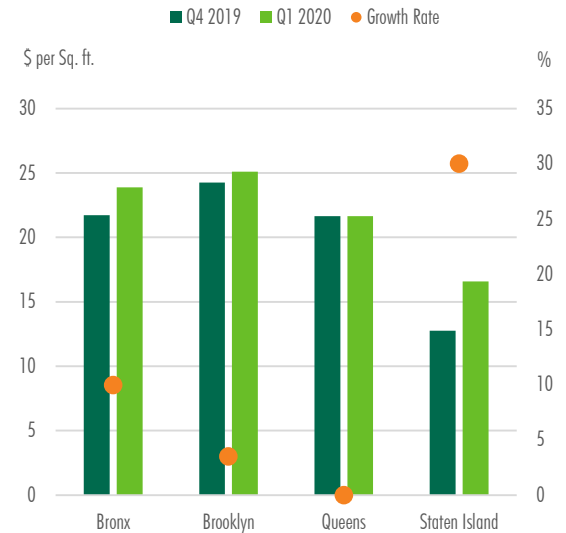
Source: CBRE Research, Q1 2020.

AVERAGE ASKING RATE

Rising asking rates show the increasing demand that investors and users have for space. The average asking rent is up 10.6% quarter-over-quarter to \$23.64 per sq. ft. triple-net (NNN). The average asking rent rose quarter-over-quarter in all boroughs, except in Queens where it was unchanged. The Bronx saw its average asking rent rise 9.9% quarter-over-quarter, partly due to an increase in premium availabilities in the Soundview submarket. Although asking rents fell in the Mott Haven submarket, they remained the highest in the borough. Brooklyn had a quarter-over-quarter average asking rent increase of 2.5%. Brooklyn saw a large increase in the East New York submarket due to the Brooklyn Logistics Center coming onto the market, while rates remained the highest in the Navy Yard and Central Brooklyn submarkets. Asking rents jumped 30% quarter-over-quarter in Staten Island due to a large, low-priced availability being leased up and taken off the market in the Mid-Island submarket.

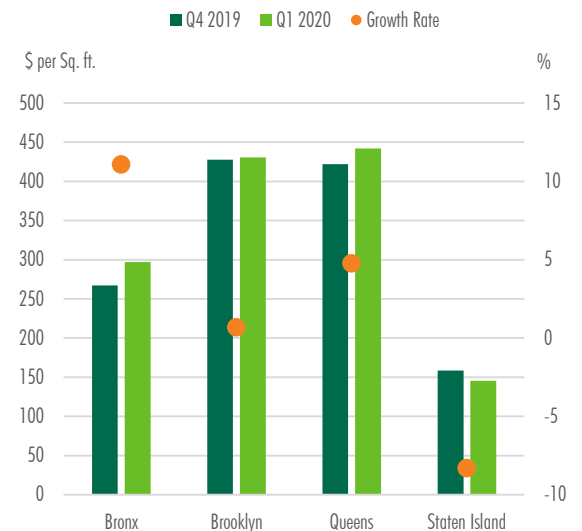
The overall average asking sale price remained constant quarter-over-quarter at \$379.61 per sq. ft. Quarter-over-quarter the average asking sale price rose in the Bronx and in Queens, remained constant in Brooklyn, and decreased by 8.3% in Staten Island. The average asking sale price rose by 11.1% in the Bronx due to an increase in availabilities in the submarkets of Port Morris and Mott Haven. The 4.8% increase in Queens was due to a decrease in low-priced availabilities in the Woodside and Sunnyside submarkets. The decrease in the average asking sale price in Staten Island was due to a decrease in availability in the North Shore submarket.

Figure 2: Average Asking Rent Growth



Source: CBRE Research, Q1 2020.

Figure 3: Average Asking Sale Price Growth



Source: CBRE Research, Q1 2020.

LEASING

Despite a slowdown in new non-health-related leasing in the final weeks of Q1 2020, the overall market posted incredible leasing numbers. Leasing velocity, which includes new leases, expansions and renewals, totaled nearly 2.86 million sq. ft., with renewals totaling over 750,000 sq. ft. Leasing was heavily concentrated in Queens, with leasing velocity totaling nearly 1.9 million sq. ft. and renewals totaling nearly 600,000 sq. ft. The Middle Village submarket saw the greatest amount of leasing, with Amazon taking nearly 300,000 sq. ft. and the City of New York renewing over 515,000 sq. ft. at Rentar Plaza. Other Queens submarkets with high leasing numbers include Long Island City, where Cine Magic leased over 60,000 sq. ft. of manufacturing space for production use. In addition, the submarkets of Rosedale and Sunnyside had notable leasing figures.

Brooklyn saw over 500,000 sq. ft. of leasing, with the majority occurring in the Sunset Park/Greenwood and Canarsie/Flatlands submarkets. Staten Island saw an impressive leasing figure due to Amazon leasing 450,000 sq. ft. in the Matrix Global Logistics Park in the Mid-Island submarket. The Bronx market was an outlier in the otherwise excellent quarter with only 15,100 sq. ft. of leasing recorded.

AVAILABILITY AND ABSORPTION

NYC saw positive absorption of over 840,000 sq. ft. in Q1 2020. However, this figure was not significant enough to change the availability rate, which remained at 8.5%. The Bronx saw little leasing activity during the quarter and an increase in availabilities, particularly in the Port Morris, Hunts Point and Soundview submarkets. These factors led to negative absorption of more than 650,000 sq. ft. and a 310 bps jump in the availability rate, which is now at 11.4%.

Brooklyn saw negative absorption of over 46,000 sq. ft. and an increase in availability of 40 bps to 8.6%. Newly completed, unleased properties added to the rise in availability in the East New York and Canarsie/Flatlands submarkets.

Queens saw positive absorption of over one million sq. ft. and a drop in the availability rate of 70 bps. New leases in the Long Island City and Middle Village submarkets contributed to the decrease in availability. Staten Island saw positive absorption of over 500,000 sq. ft. and a decrease of 940 bps in availability rate to 5.0%. This was due to a large availability being leased in the Mid-Island submarket.

SALES

In Q1 2020 sales totaled over 1.7 million sq. ft., a quarter-over-quarter increase of 71.8%. There were 29 sales transactions over 10,000 sq. ft., which totaled more than \$405 million. The average taking price was \$228.80 per sq. ft.

Most sales activity occurred in Brooklyn, where 12 sales totaled over 1.2 million sq. ft., a quarter-over-quarter increase of 77.9%. The average taking price in Brooklyn was \$180 per sq. ft. Sales were concentrated in the Canarsie/Flatlands and the Sunset Park/Greenwood submarkets. The Bronx saw nine sale transactions totaling 338,401 sq. ft., which is a 21.1% increase quarter-over-quarter. The average taking price was \$231 per sq. ft. Sales in the Bronx occurred primarily in the Port Morris submarket. Queens saw eight sales totaling 175,934 sq. ft., which is a 62.8% decrease quarter-over-quarter. Two sales with a high price per sq. ft. and a decrease in sales activity created a high average taking price of \$573 per sq. ft. No sales were recorded on Staten Island.

Figure 4: Q1 2020 Notable Sales Transactions

Size (Sq. Ft.)	Buyer	Address	Market	Submarket	Price
925,411	CenterPoint Properties	101-01 Avenue D 103-00 Foster Ave 10110 Foster Ave	Brooklyn	Canarsie/Flatlands	\$134,000,000
123,785	Prologis	150 52 nd St	Brooklyn	Sunset Park/Greenwood	\$40,500,000
39,426	RXR Realty	2407-2413 3 rd Ave	Bronx	Port Morris	\$23,714,512
42,858	Wildflower Ltd.	48-23 55 th Ave	Queens	Maspeth	\$23,250,000
35,500	Seagris Property Group	132 54 th St	Brooklyn	Sunset Park/Greenwood	\$15,250,000

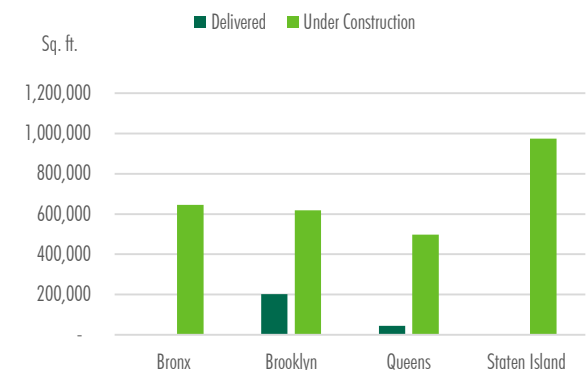
CONSTRUCTION

At the end of Q1, eight properties were under construction totaling 2,752,853 sq. ft. – one under-construction property in the Bronx, four in Brooklyn, two in Queens, and one on Staten Island. These properties have been 15.3% pre-leased. One notable project under construction is the JFK Logistics Center in the Rosedale submarket of Queens. The three-story property totals 235,234 sq. ft. and is fully pre-leased.

Two properties broke ground in Q1 2020 totaling over one million sq. ft., one in the Coney Island submarket of Brooklyn totaling 39,000 sq. ft. and another in the Mid-Island submarket of Staten Island that is the fourth and final 975,000 sq. ft. building in the Matrix Global Logistics Park. Just before quarter close, New York State Governor Andrew Cuomo issued an executive order stopping all non-essential construction to prevent the spread of COVID-19 which has halted all industrial construction. The effect this will have on delivery dates and new construction starts is dependent on the duration of the cessation. A short period of time with no non-essential construction is unlikely to have a notable effect on delivery dates, while a long period of time would lead to a significant delay in completions.

Four properties completed construction this quarter, with industrial space totaling 246,800 sq. ft. Three of the properties are in Brooklyn and one is in Queens. A notable project that was delivered in Q1 was the 153,800 sq. ft. Brooklyn Logistics Center in the East New York submarket. The project is currently available.

Figure 5: Q1 2020 Under Construction and Deliveries



Source: CBRE Research, Q1 2020.

Figure 6: Market Statistics

Market	Inventory (SF)	Availability (SF)	Availability Rate (%)	Avg. Asking Lease Rate (\$/SF)	Avg. Asking Sale Rate (\$/SF)	Leasing Velocity (SF)	Net Absorption (SF)
Bronx	24,177,406	2,750,788	11.4	23.88	296.85	15,100	(657,686)
Brooklyn	66,093,844	5,682,909	8.6	25.10	430.49	501,000	(46,314)
Queens	61,002,360	4,615,309	7.6	21.66	442.00	1,889,494	1,034,476
Staten Island	5,453,394	272,950	5.0	16.59	145.48	453,700	514,000
Total	156,727,004	13,321,956	8.5	23.64	379.61	2,859,294	844,476

Figure 7: Brooklyn Market Statistics

Submarket	Inventory (SF)	Availability (SF)	Availability Rate (%)	Avg. Asking Lease Rate (\$/SF)	Avg. Asking Sale Rate (\$/SF)	Leasing Velocity (SF)	Net Absorption (SF)
Bedford-Stuyvesant	1,882,369	21,000	1.1	26.3		5,775	26,425
Brighton Beach	46,000				296.67		
Bushwick	866,138	27,921	3.2			1,700	1,700
Canarsie/Flatlands	2,991,953	291,500	9.7	14.4	218.25	165,000	(42,000)
Central Brooklyn	4,019,285	305,900	7.6	31.96	450.56	16,000	(35,500)
Cobble Hill	302,100				684.93		
Coney Island	300,786	23,600	7.8				
Downtown Brooklyn	375,209				1,056.84		
Dumbo	305,137						
East New York	4,920,449	639,095	13.0	28.75	261.22	36,000	(6,806)
Fort Greene	433,677						10,500
Gowanus	3,381,131	164,800	4.9			15,750	(250)
Greenpoint/Williamsburg	17,909,477	928,698	5.2	30.96	633.45	60,979	(72,506)
Navy Yard	4,989,480	147,792	3.0	35.56		10,656	10,656
Park Slope	459,970						
Red Hook	4,039,410	458,385	11.3	19.98	450.00	6,693	(50,814)
South East Brooklyn	300,689	38,808	12.9	13.00			25,592
South West Brooklyn	1,048,124	127,550	12.2	30.56	438.16		1,000
Sunset Park/Greenwood	17,522,460	2,507,860	14.3	21.96	336.72	182,447	85,689
Brooklyn Total	66,093,844	5,682,909	8.6	25.10	430.49	501,000	(46,314)

Figure 8: Bronx Market Statistics

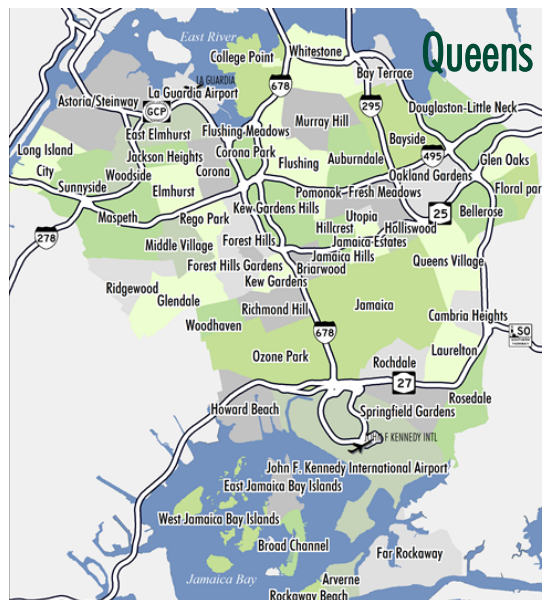
Submarket	Inventory (SF)	Availability (SF)	Availability Rate (%)	Avg. Asking Lease Rate (\$/SF)	Avg. Asking Sale Rate (\$/SF)	Leasing Velocity (SF)	Net Absorption (SF)
Baychester	145,045	10,000	6.9	13.5			
Bedford Park	133,199						
Belmont	68,980	12,000	17.4		200.00		
Clason Point	16,410						
Concourse	249,831	30,400	12.2		294.41		
Co-Op City	51,500						7,000
East Tremont	220,586	31,000	14.1		311.11		
Eastchester	413,323	74,711	18.1				10,000
Fordham	52,145				68.84		
High Bridge	345,921						
Hunts Point	7,113,900	545,082	7.7	22.03	335.27	11,250	(186,482)
Longwood	324,423	19,392	6.0		380.95	3,500	(19,392)
Melrose	182,247						
Morris Heights	64,128						
Morris Park	135,932						
Mott Haven	2,453,160	200,200	8.2	32.74	492.92		(15,650)
Norwood	60,240	30,000	49.8	25.00	249.00		
Parkchester	114,956						
Port Morris	5,349,999	557,332	10.4	24.85	226.60	350	(150,153)
Soundview	430,470	198,374	46.1	28.00			(198,374)
South Bronx	1,758,321	204,880	11.7	13.2	242.61		(43,235)
Throggs Neck	25,700	10,700	41.6		186.92		
Tremont	109,982						
Unionport	115,498	10,000	8.7				
University Heights	116,700						
Van Nest	353,000						
Wakefield	501,112	108,229	21.6	17.14	162.32		(61,400)
West Farms	172,700	89,750	52.0	15.75			
Westchester Heights	542,948	389,475	71.7	24.89	268.68		
Williamsbridge	218,474			23.37			
Woodlawn	94,501						
Zerega	2,242,075	229,263	10.2		496.92		
Bronx Total	24,177,406	2,750,788	11.4	23.88	496.92	15,100	(657,686)

Figure 9: Queens Market Statistics

Submarket	Inventory (SF)	Availability (SF)	Availability Rate (%)	Avg. Asking Lease Rate (\$/SF)	Avg. Asking Sale Rate (\$/SF)	Leasing Velocity (SF)	Net Absorption (SF)
Arvene	92,705	0			181.82		
Astoria/Steinway	5,467,196	316,878	5.8	24.46	561.06	54,140	57,148
College Point	2,607,191	113,135	4.3	11.50	362.32	82,000	31,557
Corona	170,365	17,198	10.1		509.26		
Douglaston-Little Neck	230,000						
East Elmhurst	383,758						
Elmhurst	433,276	51,500	11.9	22.83	760.33		
Far Rockaway	271,833						
Flushing	1,889,545	146,147	7.7	26.00	1,000.00	30,000	(44,000)
Flushing Meadows Corona Park	241,381						
Forest Hills	67,000						
Glendale	1,531,290	14,000	0.9		352.59	22,000	22,000
Jamaica	3,710,337	495,804	13.4	16.08	320.00	16,000	123,984
JFK Airport	407,554						
Laurelton	135,600						
Long Island City	14,248,944	855,181	6.0	22.90	548.55	282,753	310,701
Maspeth	10,411,083	759,258	7.3	22.06	331.06	31,400	67,110
Middle Village	985,115	11,500	1.2	26.08		815,115	299,000
Ozone Park	172,950	17,500	10.1	13.00	213.62		83,500
Queens Village	282,169						
Rego Park	52,000						
Richmond Hill	752,397	29,700	3.9				(7,700)
Ridgewood	2,291,049	274,760	12.0	17.34		19,650	(65,700)
Rochdale	298,050	17,400	5.8				(13,400)
Springfield Gardens	3,001,441	178,828	6.0	22.65	400.00	34,579	24,840
Sunnyside	9,014,898	1,210,520	13.4	20.04	436.25	216,623	106,069
Whitestone	80,000						
Woodhaven	68,900						39,367
Woodside	1,704,333	106,000	6.2		458.08	50,000	
Queens Total	61,002,360	4,615,309	7.6	21.66	442.00	1,889,494	1,034,476

Figure 10: Staten Island Market Statistics

Submarket	Inventory (SF)	Availability (SF)	Availability Rate (%)	Avg. Asking Lease Rate (\$/SF)	Avg. Asking Sale Rate (\$/SF)	Leasing Velocity (SF)	Net Absorption (SF)
Mid-Island	2,671,130	8,250	0.3	15.99	220.43	450,000	450,000
North Shore	2,317,237	239,200	10.3	15.91	133.88	3,700	71,000
South Shore	465,027	25,500	5.5	22.00	158.62		(7,000)
Staten Island Total	5,453,394	272,950	5.0	16.59	145.48	453,700	514,000



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