

# Year-end Leasing Slows but 2020 was Robust Year for Industrial Real Estate

 Leasing  
**872,236 SF**
 Net Absorption  
**(388,100) SF**
 Availability Rate  
**8.2%**
 Vacancy Rate  
**4.7%**
 Average Asking Rate  
**\$22.56 PSF NNN**

- Q4 2020 posted 870,000 sq. ft. of leasing in a year that saw a total of more than 7.2 million sq. ft. of industrial space leased in New York City.
- E-commerce companies continued to lease Class A warehouse and distribution space, but a lack of large available units drove down the average lease size.
- The availability rate rose slightly quarter-over-quarter to 8.2%.
- Properties under construction totaled 2.1 million sq. ft.
- Nearly 6.6 million sq. ft. of planned and proposed projects are in the pipeline.

## MARKET OVERVIEW

Activity slowed within New York City's industrial real estate market during Q4 2020, with just over 870,000 sq. ft. leased. As in previous quarters, e-commerce companies drove leasing activity. But, unlike previous quarters, Q4 2020 saw neither large leases signed at existing properties nor significant amounts of pre-leasing at new buildings under construction. The availability rate increased slightly quarter-over-quarter from 8.0% to 8.2%. An increase in availability led to a 1.8% quarter-over-quarter decrease in the average asking rent to \$22.56 per sq. ft. triple net (NNN). Year-over-year the average asking rent is up 5.6%. The average asking sale price fell by 7.3% quarter-over-quarter to \$353.36 per sq. ft.

Figure 1: Top Lease Transactions | Q4 2020

Size (Sq. Ft.)	Tenant	Address	Market	Submarket
90,000	E-Commerce	2300 Linden Boulevard	Brooklyn	East New York
83,000	E-Commerce	55 Bay Street	Brooklyn	Red Hook
80,000	Merchant Wholesaler	5700 49 <sup>th</sup> Place	Queens	Maspeth
77,000	E-Commerce	12555 Flatlands Avenue	Brooklyn	East New York
77,000	E-Commerce	12595 Flatlands Avenue	Brooklyn	East New York

Source: CBRE Research, Q4 2020

## LEASING

In Q4 2020 leasing activity experienced a quarter-over-quarter decrease of 60.4% and a year-over-year decrease of 17.8%. In total, 50 lease transactions were recorded this quarter with only one significant pre-leasing transaction. Pre-leasing activity claimed a much higher share of total deals in prior quarters. Furthermore, e-commerce companies leased only 327,000 sq. ft. of space compared to 1.6 million sq. ft. last quarter. The lack of large available units contributed to the slowdown in e-commerce leasing in the fourth quarter and drove down average lease sizes.

Brooklyn tallied more than 440,000 sq. ft. of leasing activity during Q4 2020, mostly concentrated in the East New York submarket. A 90,000 sq. ft. lease at 2300 Linden Boulevard by an e-commerce company was the quarter's largest, while both Class A warehouses at the Brooklyn Logistics Center were leased as well. These transactions equaled 154,000 sq. ft. of industrial space and nearly 40,000 sq. ft. of mezzanine space.

Queens had less than 285,000 sq. ft. of leasing activity this quarter, which was 17.6% less than Q3 2020. The largest lease transaction in the borough took place at 5700 49th Place in the Maspeth submarket. The 80,000 sq. ft. warehouse was leased by a wholesaler.

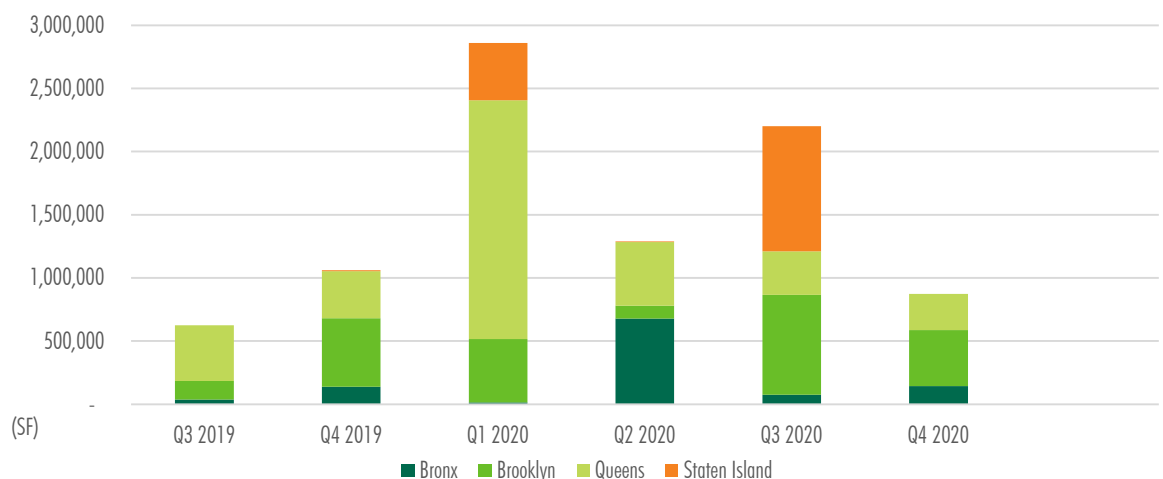
The Bronx saw only six notable lease transactions this quarter, which totaled less than 145,000 sq. ft. Activity was concentrated primarily in the South Bronx and Port Morris submarkets.

No significant lease transactions were recorded on Staten Island this quarter.

## AVAILABILITY AND ABSORPTION

The overall availability rate rose slightly in Q4 2020 to 8.2% after the market posted negative absorption totaling 388,100 sq. ft. The availability rate in Queens increased to 8.3% after posting the region's largest amount of negative absorption at 421,642 sq. ft. The negative absorption was concentrated mostly within the Jamaica and Springfield Gardens submarkets. The Bronx claimed 113,749 sq. ft. of this quarter's total negative absorption as its availability rate rose to 9.4%. The Mott Haven and Port Morris submarkets accounted for most of the occupancy losses. Staten Island's North Shore submarket accounted for most of that market's negative 52,000 sq. ft. of absorption. The availability rate held constant quarter-over-quarter at 5.3%. Bucking the trend, Brooklyn posted 199,291 sq. ft. of positive absorption and a drop in the availability rate to 8.2%. The positive absorption can be attributed to decreases in availability in the East New York, Red Hook and Sunset Park submarkets.

Figure 2: Leasing Velocity



Source: CBRE Research, Q4 2020

### AVERAGE ASKING RENT

The average asking rent decreased to \$22.56 per sq. ft., a quarter-over-quarter decrease of 1.8%, but a year-over-year increase of 5.6%. The Bronx saw a quarter-over-quarter increase of 5.7% to \$23.22 per sq. ft. Brooklyn had a quarter-over-quarter decrease of 7.0% to \$23.05 per sq. ft. Queens had a quarter-over-quarter increase of 1.9% to \$21.96 per sq. ft. The Staten Island asking rent remained unchanged at \$17.55 per sq. ft. quarter-over-quarter.

### SALES

There were 11 user and investment sales totaling just under 460,000 sq. ft. during Q4 2020, a 55.5% decrease in activity compared to fourth quarter of 2019. The Bronx had five sales totaling over 220,000 sq. ft. Brooklyn had four sales totaling more than 200,000 sq. ft. Queens had two sales totaling just under 35,000 sq. ft. No sale transactions on Staten Island were recorded during the quarter.

From a pricing perspective, the average asking sale price decreased 7.3% quarter-over-quarter to \$353.36 per sq. ft., a 6.9% drop year-over-year. In the Bronx, the average asking price fell 2.6% quarter-over-quarter, but increased 15.6% year-over-year to \$308.81 per sq. ft. In Brooklyn, the average asking price fell by 9.3% quarter-over-quarter to \$388.12 per sq. ft. In Queens, the average asking price fell by 5.0% quarter-over-quarter. On Staten Island, the average asking sale price rose 3.5% quarter-over-quarter.

Figure 3: Historic Average Asking Rent

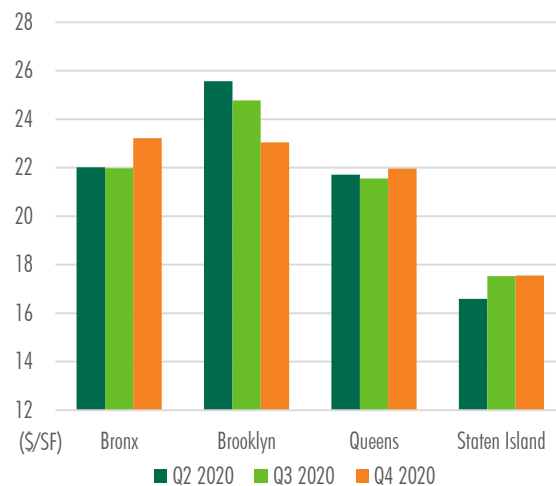
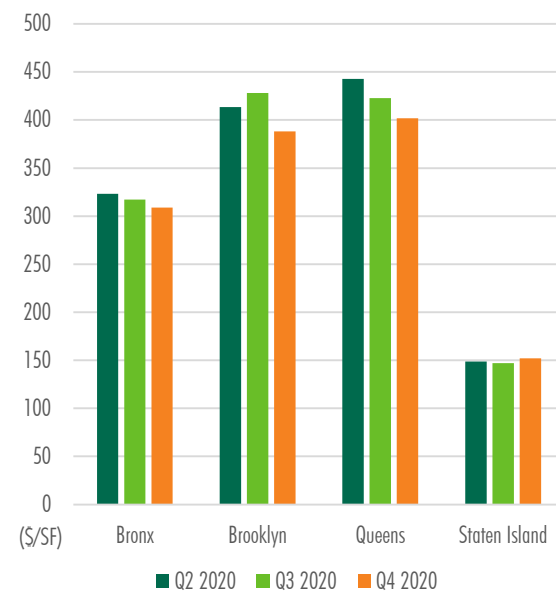


Figure 4: Average Asking Sale Price Growth



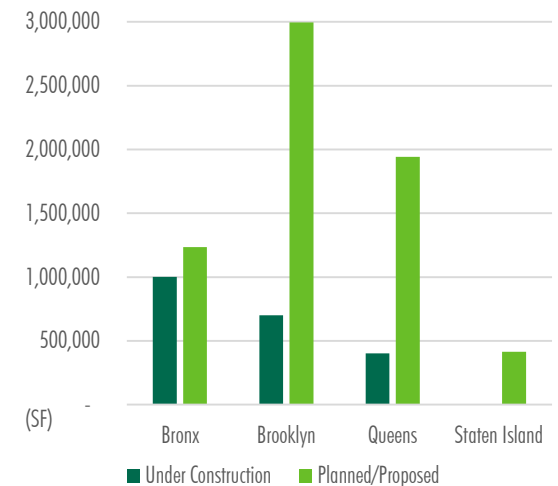
### CONSTRUCTION AND DEVELOPMENT

Nine industrial properties are under construction totaling over 2.1 million sq. ft. Nearly all under-construction properties are multistory, Class A warehouse and distribution centers, meeting the market demand for modern, vertical industrial space. These projects will add welcomed supply to a market where few Class A options exist as a result of this year's robust e-commerce leasing activity. Looking forward, fourteen planned or proposed industrial properties total nearly 6.6 million sq. ft.

Two properties totaling over one million sq. ft. are under construction in the Bronx along with one planned logistics center totaling over 1.2 million sq. ft. Five buildings are under construction in Brooklyn totaling 700,000 sq. ft. with six planned or proposed properties totaling nearly 3 million sq. ft. Queens has two properties under construction totaling over 400,000 sq. ft. and five planned or proposed properties for a combined 1.9 million sq. ft.

On Staten Island, the fourth and final building in the Matrix Global Logistics Park completed construction this quarter. The building brings 975,000 sq. ft. of Class A distribution space to the Mid-Island submarket. The new building was leased to a prominent e-commerce tenant. Two proposed properties on Staten Island total nearly 415,000 sq. ft.

Figure 5: Construction Pipeline



Source: CBRE Research, Q4 2020

Figure 6: Major Under Construction and Planned Projects

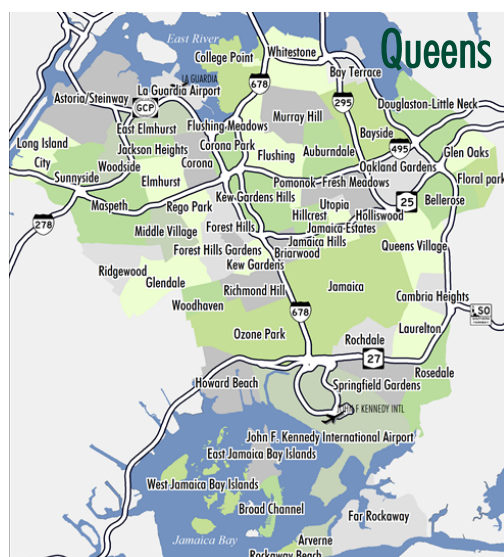
Project	Size (Sq. ft)	Type	Market	Submarket	Est. Completion
Last Mile Logistics Facility	83,000	Warehouse/Dist.	Brooklyn	Red Hook	Q1 2021
2505 Bruckner Blvd	968,000	Warehouse/Dist.	Bronx	Zerega	Q1 2022
Terminal Logistics Center	262,119	Warehouse/Dist.	Queens	Ozone Park	Q1 2022
280 Richards St	311,796	Warehouse/Dist.	Brooklyn	Red Hook	Q1 2022
640 Columbia St	336,500	Warehouse/Dist.	Brooklyn	Red Hook	Q2 2022
Sunset Industrial Park	1,300,000	Warehouse/Dist.	Brooklyn	Sunset Park/Greenwood	TBD

Source: CBRE Research, Q4 2020

Figure 7: 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	25,006,157	2,347,332	9.4	23.22	308.81	144,395	(113,749)
Brooklyn	66,755,013	5,501,113	8.2	23.05	388.12	442,988	199,291
Queens	62,183,585	5,171,127	8.3	21.96	401.63	284,853	(421,642)
Staten Island	6,428,394	340,162	5.3	17.55	152.20	0	(52,000)
Total	160,373,167	13,359,734	7.8	22.56	353.36	872,236	(388,100)

Source: CBRE Research, Q4 2020



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