


Brooklyn Office, Q4 2016

Propelled by TAMI tenants, leasing activity tops one million sq. ft. for 2016

Leasing Activity
 **.29 MSF**

Availability Rate
 **17.8%**

Average Asking Rent
 **\$38.40 PSF**

NYC Unemployment
 **5.1%**

*Arrows indicate change from previous quarter.

- A partnership of Kushner, LIVWRK and CIM Group purchased 85 Jay Street in Downtown Brooklyn for \$345 million, with as-of-right 1.1 million sq. ft. designated for a mixed-use development.
- A trio of investors—Avery Hall Investments, Aria Development Group and Armida Rose Realty Group—purchased a development site from the Brooklyn Law School for \$76.5 million. For the site, which is located at One Boerum Place in Downtown Brooklyn, the buyers plan to develop a 160,000-sq.-ft. mixed-use building.
- The Rabsky Group purchased one of the Jehovah’s Witnesses buildings in DUMBO, a four-story recreation center at 69 Adams Street, for \$65 million.
- Soho House is taking 17,769 sq. ft. at 55 Water Street, Empire Stores, in DUMBO—exemplifying the ongoing trend of Manhattan tenants setting up outposts in Brooklyn.
- ConEd put its 2.65-acre Williamsburg waterfront development site, located at 500 Kent Street, up for sale. The property is zoned for commercial use, with 231,000 buildable sq. ft. The site can also be upzoned—potentially as high as 576,000 sq. ft.
- Rockpoint Group and Atlas Capital Group have purchased the Brooklyn Bowl site at 61-71 Wythe Avenue in the Williamsburg/Greenpoint submarket for \$37 million, with plans to reposition the asset. The property offers 68,900 buildable sq. ft. as-of-right, and the potential for as much as 165,360 buildable sq. ft. with the inclusion of a community facility.

Figure 1: Top Lease Transactions

Size (Sq. Ft.)	Tenant	Address
43,700	Carrot Creative	55 Washington Street
37,578	24 7 Laundry Service	55 Water Street
37,459	New York City Health & Hospitals Corporation	1 MetroTech Center
30,000	Vice Media	55 Washington Street
17,769	Soho House	55 Water Street

Renewal (R), Expansion (E), Renewal and Expansion (RE)

Source: CBRE Research, Q4 2016.

AVAILABILITY RATE

The availability rate rose across three of the five Brooklyn submarkets, with the overall average ending Q4 2016 at 17.8%, up 100 basis points (bps) quarter-over-quarter. This change was mostly driven by the Downtown Brooklyn and South Brooklyn submarkets.

Downtown Brooklyn’s availability was 6%, up 110 bps from last quarter, driven by the addition of 245,000 sq. ft. at 1 Pierrepont Plaza. Although availability has been on the rise, Downtown Brooklyn still remains the tightest submarket in Brooklyn and one of the tightest across the city, with only two blocks of available space greater than 100,000 sq. ft.

Availability also jumped notably in South Brooklyn, a submarket with a great deal of available space, which ended Q4 2016 at 24.3%, up 190 bps from last quarter. This increase was due to the addition of two large blocks of space—264,000 sq. ft. at Industry City’s Building 19-20 and 210,000 sq. ft. at 94 9th Street, Roulston House. In

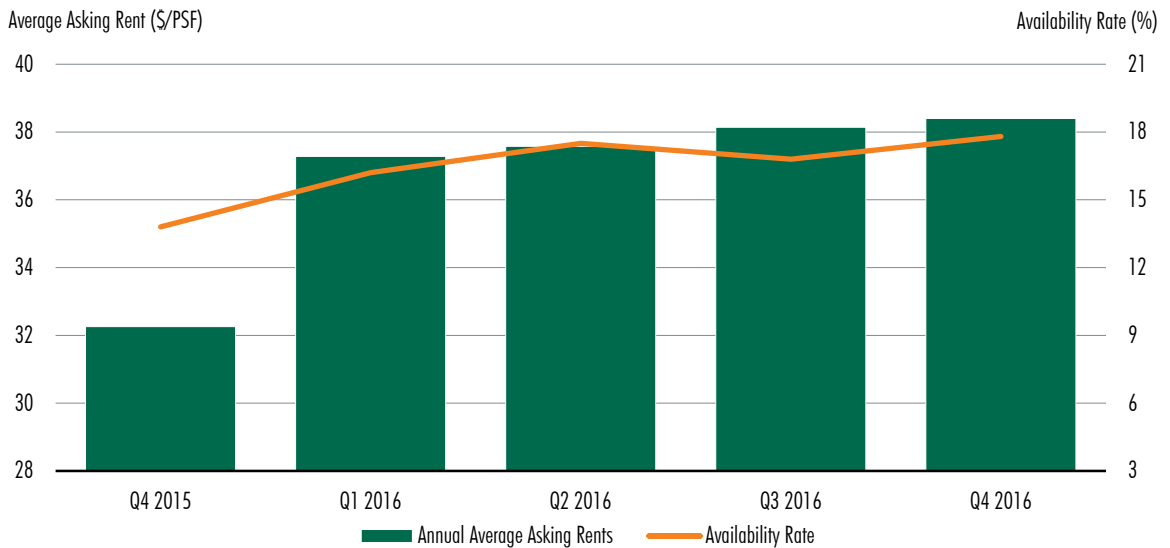
addition, the Navy Yard’s availability increased 80 bps quarter-over-quarter, to 24.5%, with the addition of 54,000 sq. ft. at Building 22. DUMBO was the only submarket to see a decline in availability, ending the quarter at 25.8%, down 80 bps quarter-over quarter, while Williamsburg/Greenpoint’s availability was essentially flat.

Brooklyn’s overall availability has been on the rise, increasing 400 bps from 13.8% to 17.8% over the past year. There are now six blocks of available space in the market above 250,000 sq. ft.

AVERAGE ASKING RENTS

Brooklyn’s average asking rent currently stands at \$38.40 per sq. ft., slightly above last quarter’s average, and a sizeable 19% jump from Q4 2015’s \$32.26 per sq. ft. The average asking rent rose across nearly all Brooklyn submarkets in 2016—a trend that might seem contradictory in a market with a lot of available product. However, this trend of asking rent growth reflects two main factors at play across the Brooklyn market: the addition of new high-quality product and ongoing “price

Figure 2: Quarterly Asking Rent vs. Availability Rate



Source: CBRE Research, Q4 2016.

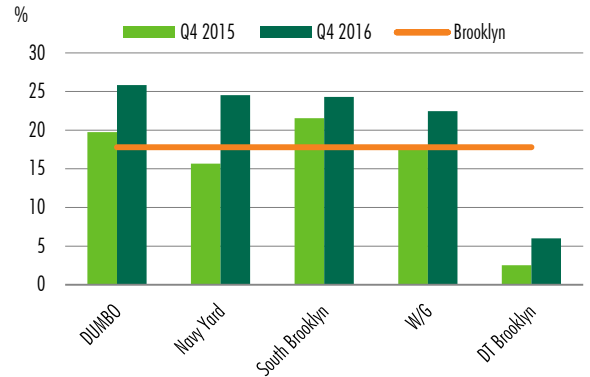
discovery” among landlords responding to the growing enthusiasm for the borough. At the submarket level, the biggest change year-over-year occurred in Downtown Brooklyn, where the addition of 320,000 sq. ft. in 2016 at 1 Pierrepont Plaza (84,000 sq. ft. in the first quarter and another 236,000 sq. ft. in the fourth quarter) drove an overall 15% increase in average asking rents since the end of 2015.

Looking at the quarter-over-quarter changes, there was minimal rent movement across the market. DUMBO did see a slight decline, falling 2% to \$60.26 per sq. ft.—driven by deals with social media company 24 7 Laundry Service and Soho House totaling 55,000 sq. ft. at 55 Water Street, where asking rents were \$85 per sq. ft. In fact, the lease-up of this submarket’s most expensive space drove an overall 8% decline in DUMBO’s average asking rents year-over-year, another anomaly in the Brooklyn market in 2016.

LEASING ACTIVITY

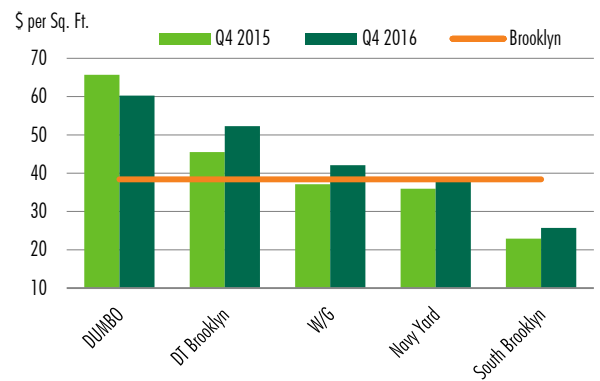
Strong demand from TAMI tenants led to 290,000 sq. ft. of leasing activity in Q4 2016, with the DUMBO submarket capturing the largest share. Transactions recorded this quarter include 24 7 Laundry Service’s 37,578 sq. ft. and Soho House’s 17,769 sq. ft. at 55 Water Street, as well as VICE Media’s 30,000 sq. ft. and VICE’s digital ad agency Carrot Creative’s 43,700 sq. ft. at 55 Washington Street. Further, B-Reel leased 13,387 sq. ft. at 77 Sands Street in the DUMBO Heights complex. With its high ceilings and pre-builts geared toward creative companies, the type of product being offered in DUMBO is well suited for TAMI tenants, and demand is on the rise. Despite the price tag for DUMBO space—which at an average of \$60.26 per sq. ft. is the top of the Brooklyn market—TAMI tenants are willing to foot the high rents in order to get the quality space in this dynamic and trendy neighborhood, which is still at a discount relative to comparable space in Manhattan.

Figure 3: Availability Rate | By Submarket



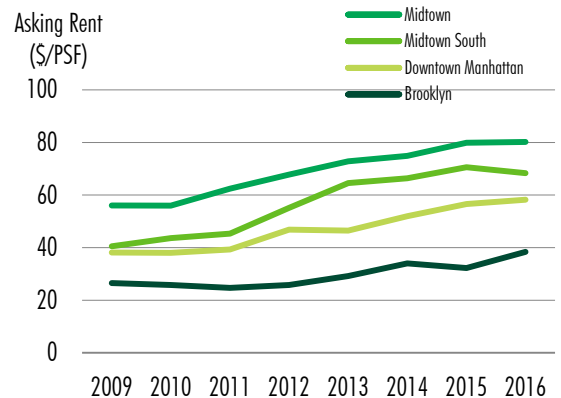
Source: CBRE Research, Q4 2016.

Figure 4: Average Asking Rents | By Submarket



Source: CBRE Research, Q4 2016.

Figure 5: Average Asking Rent Comparison



Source: CBRE Research, Q4 2016.

Downtown Brooklyn registered 97,800 sq. ft. of leasing this quarter, including the quarter’s third largest transaction, New York City Health & Hospitals Corporation’s lease for 37,459 sq. ft. of sublet space from Emblem Health at 1 MetroTech Center.

Brooklyn ended 2016 with 1.2 million sq. ft. of leasing activity, with South Brooklyn accounting for 32% and DUMBO 28% of the total. Further, TAMI tenants drove nearly 50% of all leasing activity this year, with transactions such as Urban Soccer’s third-quarter lease of 63,500 sq. ft. at 14 53rd Street, Whale Square, in South Brooklyn a recent example, and numerous creative tenants at 55 Water Street, Empire Stores. A number of TAMI tenants have relocated from Manhattan to Brooklyn—a total of 160,000 sq. ft., accounting for 80% of all relocations. Examples include the second-quarter Translation LLC relocation from Midtown to 35,033 sq. ft. at 10 Jay Street in DUMBO, Slate Media Group’s first-quarter 21,000-sq.-ft. relocation from Downtown Manhattan to 15 MetroTech Center in Downtown Brooklyn and

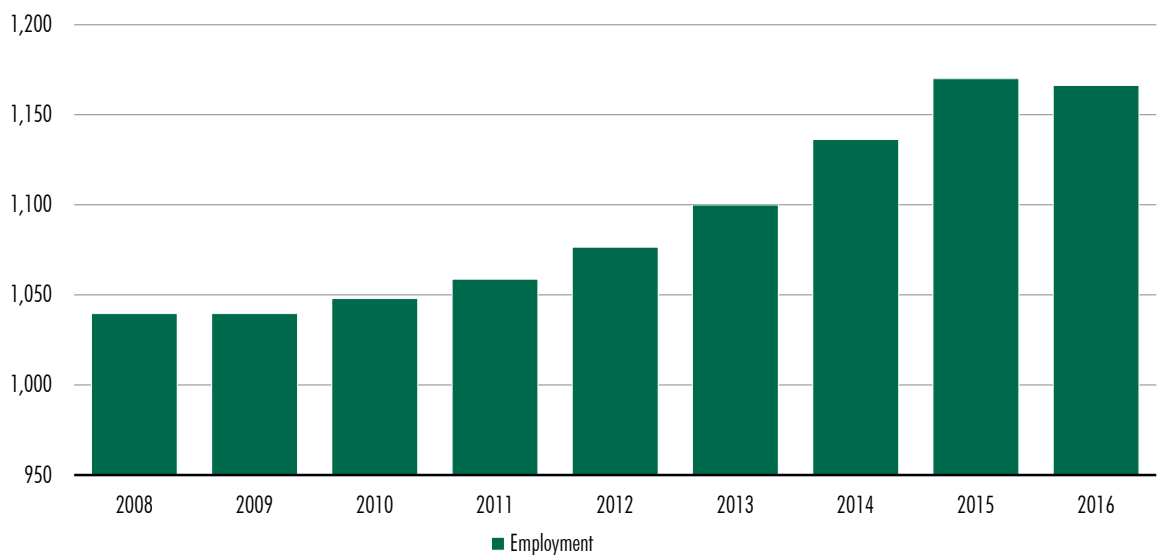
Prodigious’ third-quarter relocation from Midtown South to 14,293 sq. ft. at South Brooklyn’s Industry City, among others.

Further, leasing velocity—which includes renewals—totaled 2.1 million sq. ft. this year, with the biggest renewal being the FDNY’s 320,000 sq. ft. at 9 MetroTech Center in Q3 2016.

OTHER MARKET NEWS

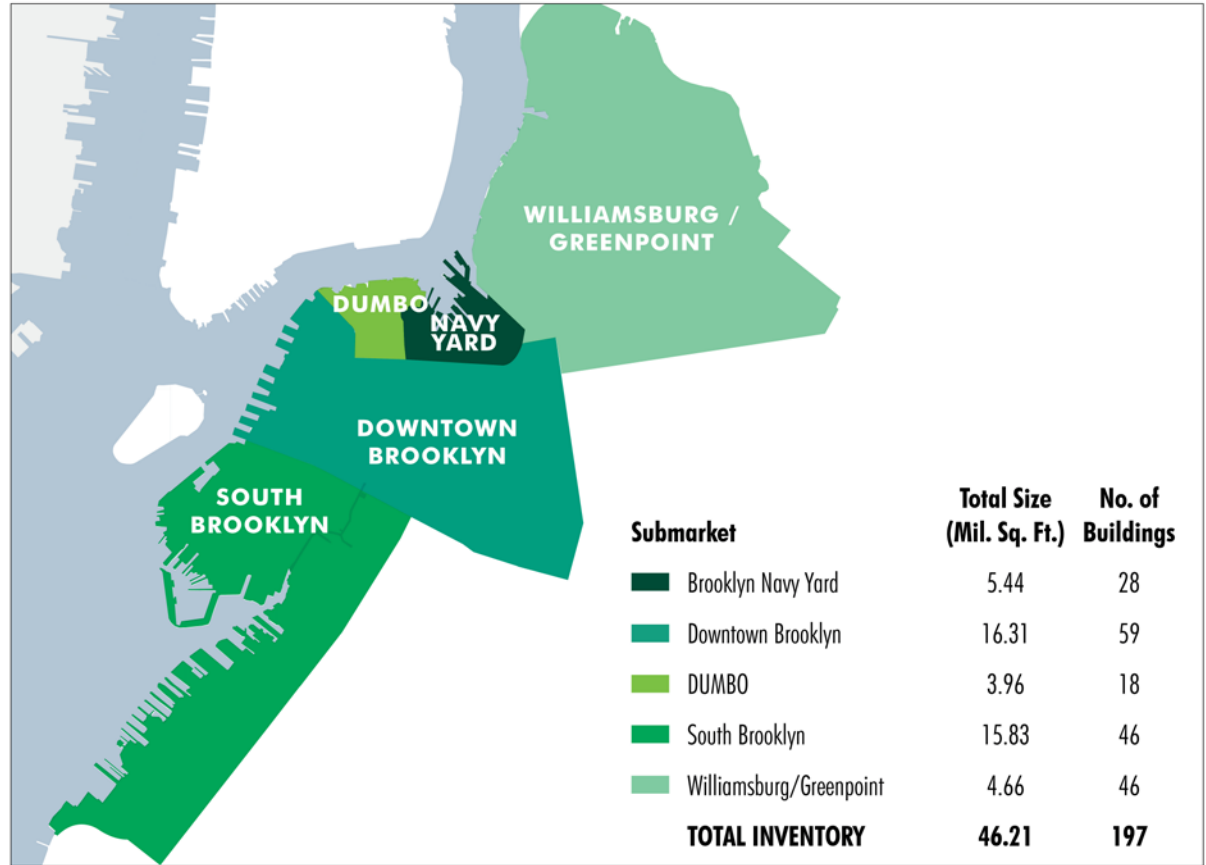
Rubenstein Partners and Heritage Equity Group recently broke ground for 25 Kent Avenue, an eight-story, 500,000-sq.-ft. development property in Williamsburg/Greenpoint, which is set to deliver in Q1 2018. The development site, designed for the creative and tech sector, received \$197 million in financing this past summer. Additionally, developer Industrie Capital Partners has begun restoring and renovating 94 9th Street, Roulston House, in South Brooklyn. This will include three buildings ranging from one to four stories, totaling 200,000 sq. ft., with plans for four roof decks, new elevators and new lobbies.

Figure 6: Brooklyn Employment



Source: CBRE Research, New York State Labor Department, as of November 2016.

INVENTORY AT A GLANCE



STATISTICAL BUILDING CRITERIA

CBRE’s Brooklyn market report analyzes buildings that total at least 35,000 rentable square feet of office or light manufacturing use.

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