

New York City Industrial, Q2 2020

NYC Industrial Sees Positive Absorption and Stable Asking Rates Despite Pandemic and Economic Shutdown

Leasing Velocity 1.29 MSF	Net Absorption 576,467 SF	Availability Rate 8.0%	Vacancy Rate 4.8%	Average Asking Rent \$23.37 PSF
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*Arrows indicate change from previous quarter.

MARKET OVERVIEW

- Quarterly leasing velocity totaled almost 1.3 million sq. ft., a 54.9% decrease from Q1 2020.
- The availability rate fell by 50 basis points (bps) to 8.0% from Q1 2020.
- Net absorption was over 575,000 sq. ft. in Q2 2020, down from 844,476 sq. ft. in Q1 2020.
- Average asking rents and average asking sale prices remained constant quarter-over-quarter.

While the COVID-19 pandemic has wreaked havoc on other property types, the New York City industrial market has continued to perform well. Industrial assets have remained a safe choice for investors due to an increase in e-commerce and a continued need for warehouse space. New leases at warehouse and distribution properties by e-commerce companies drove the quarter's leasing velocity to nearly 1.3 million sq. ft. Positive absorption of over 575,000 sq. ft. lowered the availability rate to 8.0% and the vacancy rate to 4.8%. Average asking lease and sale rates have remained constant quarter-over-quarter, at \$23.37 per sq. ft. triple-net (NNN) and \$383.19 per sq. ft., respectively.

Figure 1: Top Lease Transactions | Q2 2020

Size (Sq. Ft.)	Tenant	Address	Market	Submarket
366,375	E-Commerce tenant	1500 Bassett Avenue	Bronx	Westchester Heights
300,000	Amazon	55-15 Grand Avenue	Queens	Maspeth
205,409	Amazon	1055 Bronx River Avenue	Bronx	Soundview
47,900	E-Commerce tenant	1080 Leggett Avenue	Bronx	Hunts Point
47,850 (E)	Maquette	48-49 35 th Street	Queens	Long Island City

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

Source: CBRE Research, Q2 2020.

AVAILABILITY AND ABSORPTION

NYC had positive absorption of just over 575,000 sq. ft. during the second quarter. The availability rate decreased by 50 basis points (bps) to 8.0%. The Bronx saw the highest amount of positive absorption among the outer boroughs with over 572,000 sq. ft., due to strong leasing numbers in the Westchester Heights, Soundview, and Hunts Point submarkets. The Bronx had a reduction in availability of 300 bps to 8.4%.

Brooklyn had negative absorption of nearly 80,000 sq. ft. and the availability rate increased by 20 bps to 8.7%. The lack of leasing velocity and new availabilities in the Central Brooklyn and Greenpoint/Williamsburg submarket contributed to the negative net absorption. Queens had positive absorption of over 115,000 sq. ft. and reduced availability by 24 bps to 7.3%. There was notable leasing velocity in the Maspeth and Sunnyside submarkets, but increases in availability in the Long Island City and Jamaica submarkets reduced the amount of positive absorption. Staten Island had negative absorption of over 32,000 sq. ft., which resulted in a rise in availability of 59 bps to 5.6%. The Mid-Island submarket saw very little leasing activity and an increase in availability.

LEASING

Leasing velocity, which includes new leases, expansions and renewals, totaled nearly 1.3 million sq. ft. in Q2 2020. Although there was a 54.9% decrease quarter-over-quarter, leasing velocity in Q2 2020 was on par with the six-quarter running average of 1.3 million sq. ft. Leasing activity was dominated by Amazon looking for more warehouse and distribution space. This quarter's leasing activity highlights the demand for warehouse and distribution centers near large populations for prompt delivery. This demand has continued to increase as consumer spending habits have drastically shifted away from retail stores and toward online shopping.

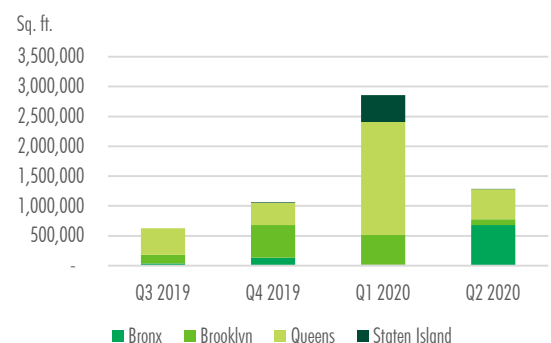
Over half of all quarterly leasing velocity occurred in the Bronx, which recorded almost 680,000 sq. ft. of leasing. A notable lease transaction was Amazon leasing the 205,409 sq. ft. warehouse and distribution center and a 30,000 sq. ft. parking deck at 1055 Bronx River Ave in the Soundview submarket. The submarkets of Soundview, Westchester Heights and Hunts Point had the highest amount of leased square feet among the submarkets and all had large blocks of space leased by e-commerce companies.

Brooklyn recorded just over 100,000 sq. ft. of leasing velocity in Q2 2020. This quarter was a relatively slow one for Brooklyn and represents a more than 79% quarter-over-quarter decrease in leasing. The highest amount of leasing occurred in the East New York and Greenpoint/Williamsburg submarkets.

In Q2, Queens had over 500,000 sq. ft. of leasing velocity, down 73% quarter-over-quarter. Submarkets with significant leasing include Maspeth, Sunnyside, and Long Island City. A notable lease transaction was Amazon pre-leasing space at the Grand Logistics Center in Maspeth. The company is leasing almost 1 million sq. ft. in total at the new development, but at least 700,000 sq. ft. will be dedicated to fleet parking. The remaining square footage will be dedicated to a delivery station.

Staten Island saw very little leasing velocity in Q2 2020. The market only recorded one 5,500 sq. ft. lease transaction in the South Shore submarket.

Figure 2: Historical Leasing

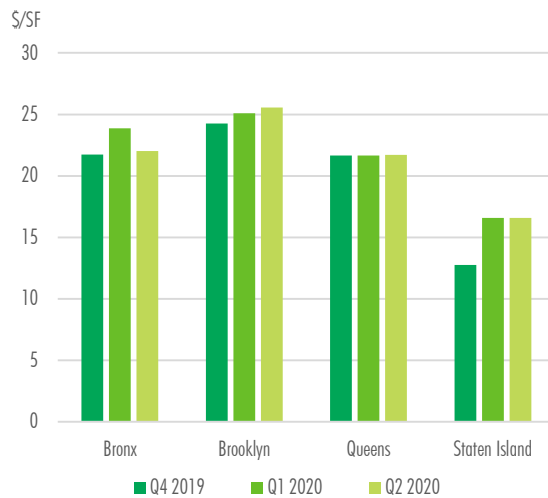


Source: CBRE Research, Q2 2020.

AVERAGE ASKING RATES

The average asking rent remained constant quarter-over-quarter at \$23.37 per sq. ft. NNN. This is a 1.1% decrease from \$23.64 per sq. ft. in Q1 2020. The Bronx, where rents reached \$22.01 per sq. ft. NNN in Q2, saw the largest change in average asking rent with a quarter-over-quarter decrease of 7.8%. This change can be attributed to above-market price availabilities in Hunts Point and Soundview being leased and taken off the market. Brooklyn saw a slight quarter-over-quarter increase in average asking rent of 1.9% to \$25.37 per sq. ft. NNN. Queens and Staten Island saw less than 10 basis points (bps) of change in average asking rents. The Queens average asking rent is \$21.71 per sq. ft. NNN and Staten Island is \$16.59 per sq. ft. NNN.

Figure 3: Average Asking Rent Growth



Source: CBRE Research, Q2 2020.

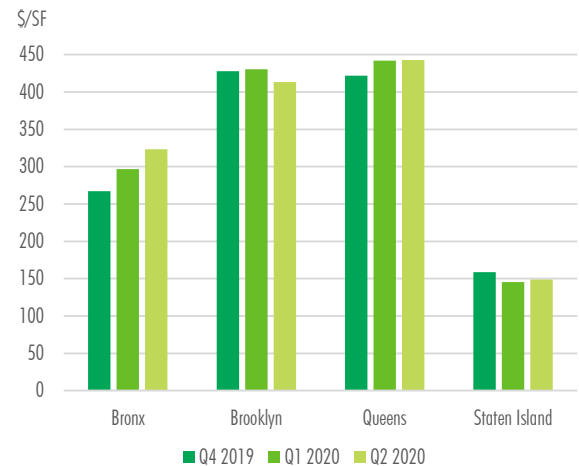
SALES

Fourteen investment and user sales totaled just over 565,000 sq. ft. in Q2, representing a quarter-over-quarter decrease in sales activity of 68%. The Bronx had six transactions totaling nearly 105,000 sq. ft., Brooklyn had four transactions totaling over 330,000 sq. ft. and Queens had four transactions totaling nearly 130,000 sq. ft. No sales transactions were recorded on Staten Island. The amount of industrial square footage being

marketed for sale has increased by 1.8% quarter-over-quarter and average asking prices remained constant, suggesting that sellers are confident they can sell their properties for pre-pandemic prices. The lack of sales activity this quarter indicates that investors are taking a pause on new investments or are hoping that sale prices will fall.

The average asking sale price remained constant quarter-over-quarter at \$383.19 per sq. ft. In the Bronx, the average asking sale price rose by 8.9% quarter-over-quarter to \$323.22 per sq. ft. In Brooklyn, the average asking price decreased 4.0% quarter-over-quarter to \$413.40 per sq. ft. The average asking sale price remained unchanged quarter-over-quarter in Queens. In Staten Island the average asking sale price increased by 2.3% quarter-over-quarter to \$148.88 per sq. ft.

Figure 4: Average Asking Sale Price Growth



Source: CBRE Research, Q2 2020.

Figure 5: Notable Sales Transactions | Q2 2020

Size (Sq. Ft.)	Buyer	Address	Market	Submarket	Price (\$/SF)
66,000	Jack Bick	217-44 98 th Avenue	Queens	Queens Village	166.67
28,000	Broadway Stages Ltd	70-17 83 rd Street	Queens	Glendale	265.35
23,600	Shlomo Ayal	2691 W 15 th Street	Brooklyn	Coney Island	233.05

Source: CBRE Research, Q2 2020.

CONSTRUCTION AND DEVELOPMENT

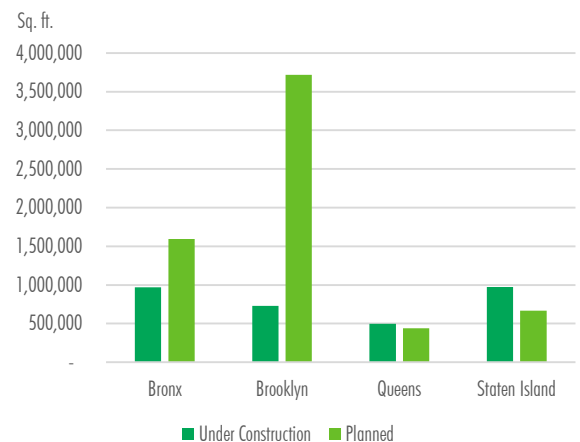
New York City experienced a shutdown of non-essential construction from March 28th to June 8th. The 73-day halt on construction delayed many industrial development projects. There were no significant projects that started or completed construction during the quarter.

Currently nine industrial projects totaling nearly 3.2 million sq. ft. are under construction. Making up nearly one-third of the total by square feet is the fourth and final building in the Matrix Global Logistics Park on Staten Island, which should deliver by the end of 2020. Thirteen planned or proposed projects total over 6.4 million sq. ft., with the largest amount of square footage in Brooklyn.

A current theme of industrial development in New York City is the focus on e-commerce tenants. Developers are designing and building large, sophisticated warehouse and distribution

developments in a market that has historically had small industrial infill space. These new projects are increasingly multistory with large e-commerce companies being the most sought-after tenant. E-commerce companies and retailers are willing to pay the high rents these spaces command to have cutting edge distribution space that allows for fast shipping in the dense and lucrative NYC market.

Figure 6: Construction Pipeline



Source: CBRE Research, Q2 2020.

Figure 7: Major Under Construction and Planned Projects

Project	Size (Sq. ft.)	Type	Market	Submarket	Estimated Completion
Last Mile Logistics Facility	83,000	Warehouse/Distribution	Brooklyn	Red Hook	Q3 2020
Building IV — Matrix Global Logistics Park	975,000	Warehouse/Distribution	Staten Island	Mid-Island	Q4 2020
Terminal Logistics Center	262,119	Warehouse/Distribution	Queens	Ozone Park	Q1 2021
2505 Bruckner Blvd	968,000	Warehouse/Distribution	Bronx	Zerega	Q2 2022
Sunset Industrial Park	1,300,000	Warehouse/Distribution	Brooklyn	Sunset Park/Greenwood	TBD
280 Richards St	305,000	Warehouse/Distribution	Brooklyn	Red Hook	TBD

Source: CBRE Research, Q2 2020.

Figure 8: 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	24,850,703	2,080,761	8.4	22.01	323.22	678,454	572,889
Brooklyn	66,343,853	5,779,532	8.7	25.37	413.40	100,585	(79,691)
Queens	61,504,278	4,509,860	7.3	21.71	442.65	503,782	115,449
Staten Island	5,453,394	305,130	5.6	16.59	148.88	5,500	(32,180)
Total	158,152,228	12,675,283	8.0	23.37	383.19	1,288,321	576,467

Figure 9: 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	2,029,578	23,250	1.1	26.55		2,800	(2,250)
Brighton Beach	46,000	0	0.0		281.67		
Bushwick	866,138	50,525	5.8	31.97			(22,604)
Canarsie/Flatlands	2,991,953	291,500	9.7	14.44	218.25		
Central Brooklyn	4,019,285	373,800	9.3	29.12	434.29		(67,900)
Cobble Hill	302,100	0	0.0		684.93		
Coney Island	300,786	38,565	12.8				(14,965)
Downtown Brooklyn	375,209	0	0.0		1,056.84		
Dumbo	305,137	0	0.0				
East New York	4,920,449	594,350	12.1	32.16	265.34	44,000	44,745
Fort Greene	433,677	0	0.0				
Gowanus	3,446,131	150,800	4.4	33.39		16,000	14,000
Greenpoint/Williamsburg	17,932,277	995,649	5.6	30.76	566.66	20,985	(66,951)
Navy Yard	4,989,480	147,792	3.0	35.56			
Park Slope	459,970	0	0.0				
Red Hook	4,039,410	490,385	12.1	21.33	450.00	2,000	(32,000)
South East Brooklyn	300,689	32,458	10.8	14.00		8,000	6,350
South West Brooklyn	1,063,124	156,050	14.7	31.29	438.16	5,000	(8,500)
Sunset Park/Greenwood	17,522,460	2,434,408	13.9	21.97	320.96	1,800	70,384
Brooklyn Total	66,343,853	5,779,532	8.7	25.37	413.40	100,585	(79,691)

Figure 10: Bronx Market Statistics

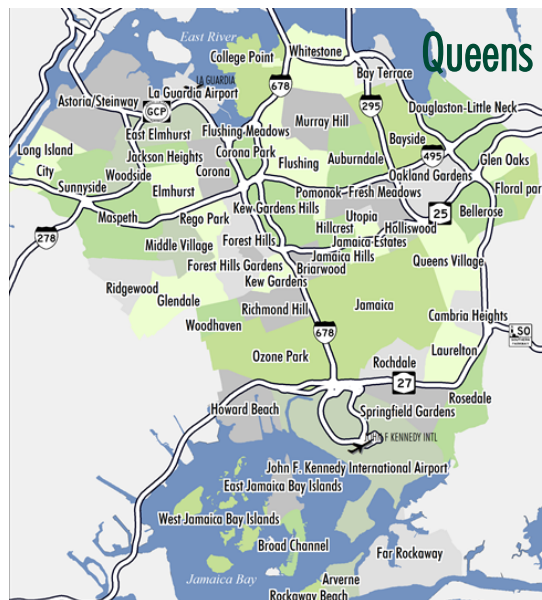
Submarket	Inventory (SF)	Availability (SF)	Availability Rate (%)	Avg. Asking Lease Rate (\$/SF)	Avg. Asking Sale Rate (\$/SF)	Leasing Velocity (SF)	Net Absorption (SF)
Baychester	162,240	14,275	8.8	13.50		12,920	
Bedford Park	133,199	0	0.0				
Belmont	68,980	0	0.0				12,000
Clason Point	16,410	0	0.0				
Concourse	249,831	30,400	12.2		294.41		
Co-Op City	51,500	0	0.0				
East Tremont	199,586	23,500	11.8		311.11		(13,500)
Eastchester	413,323	74,711	18.1			3,600	
Fordham	52,145	0	0.0		68.84		
High Bridge	345,921	0	0.0				
Hunts Point	7,719,762	497,182	6.4	20.20	352.47	47,900	57,900
Longwood	324,423	19,392	6.0		380.95		
Melrose	182,247	0	0.0				
Morris Heights	64,128	0	0.0				
Morris Park	135,932	0	0.0				
Mott Haven	2,453,160	187,590	7.6	32.63	492.92		12,610
Norwood	60,240	30,000	49.8	25.00	283.33		
Parkchester	467,956	0	0.0				
Port Morris	5,268,999	485,582	9.2	24.85	303.79	5,750	(9,250)
Soundview	430,470	0	0.0			235,375	198,374
South Bronx	1,838,561	225,612	12.3	13.20	242.61		(20,732)
Throggs Neck	25,700	10,700	41.6		186.92		
Tremont	109,982	0	0.0				
Unionport	115,498	10,000	8.7				
University Heights	116,700	0	0.0				
Wakefield	501,112	108,229	21.6	18.85	162.32		
West Farms	172,700	89,750	52.0	15.75			
Westchester Heights	542,948	23,100	4.3	20.00	268.68	366,375	366,375
Williamsbridge	218,474	0	0.0				
Woodlawn	94,501	0	0.0				
Zerega	2,314,075	250,738	10.8	23.18	496.92	6,500	(30,888)
Bronx Total	24,850,703	2,080,761	8.4	22.01	323.22	678,454	572,889

Figure 11: 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	0.0		181.82		
Astoria/Steinway	5,291,196	275,688	5.2	24.52	561.06	47,850	(7,300)
College Point	2,607,191	88,135	3.4	11.50	362.32	25,000	25,000
Corona	170,365	17,198	10.1		509.26		
Douglaston-Little Neck	230,000	0	0.0				
East Elmhurst	383,758	0	0.0				
Elmhurst	433,276	51,500	11.9	22.83	760.33		
Far Rockaway	271,833	0	0.0				
Flushing	1,889,545	146,147	7.7	26.00	1,000.00		
Flushing Meadows Corona Park	241,381	0	0.0				
Forest Hills	67,000	0	0.0				
Glendale	1,531,290	0	0.0		352.59		14,000
Jamaica	3,710,337	534,104	14.4	18.80	320.00		(38,300)
JFK Airport	407,554	0	0.0				
Laurelton	135,600	0	0.0				
Long Island City	14,476,862	979,181	6.8	23.24	557.27	50,350	(75,510)
Maspeth	10,861,083	671,534	6.2	22.07	380.14	300,000	87,724
Middle Village	985,115	0	0.0			11,500	11,500
Ozone Park	172,950	17,500	10.1	13.00	213.62		
Queens Village	282,169	0	0.0				
Rego Park	52,000	0	0.0				
Richmond Hill	752,397	32,800	4.4				(3,100)
Ridgewood	2,291,049	275,290	12.0	17.49	441.67	500	(530)
Rochdale	298,050	17,400	5.8	21.50			
Springfield Gardens	3,001,441	176,828	5.9	22.67	360.00	11,117	2,000
Sunnyside	9,014,898	1,098,555	12.2	19.10	429.92	100,315	121,965
Whitestone	80,000	3,500	4.4				(3,500)
Woodhaven	68,900	0	0.0				
Woodside	1,704,333	124,500	7.3	20.00	429.59	5,000	(18,500)
Queens Total	61,504,278	4,509,860	7.3	21.71	442.65	503,782	115,449

Figure 12: 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	48,250	1.8	15.99	220.43		(40,000)
North Shore	465,027	241,380	10.4	15.91	146.95		(2,180)
South Shore	465,027	15,500	3.3	22.00	142.65	5,500	10,000
Staten Island Total	5,453,394	305,130	5.6	16.59	148.88	5,500	(32,180)



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