

## MARKETVIEW

NEW YORK CITY  
INDUSTRIAL, Q3 2020

# Market Fundamentals Remain Strong

Leasing  
2.2 MSFNet Absorption  
(15,246) SFAvailability Rate  
8.0%Vacancy Rate  
4.9%Average Asking Rate  
\$22.98 PSF

- The e-commerce sector continues to drive leasing activity, which reached 2.2 million sq. ft.
- The three largest lease transactions were pre-leases for Class A warehouse and distribution space that is currently under development.
- The vacancy rate increased by 10 basis points (bps) quarter-over-quarter.
- Average asking rents and sale prices remained constant quarter-over-quarter.

## MARKET OVERVIEW

The New York City industrial real estate market held steady in the third quarter, with over 2.2 million sq. ft. of leasing activity, driven primarily by the e-commerce sector. Much of the activity came in the form of pre-leasing of new Class A warehouse and distribution facilities under development. The market posted a modest 15,246 sq. ft. of negative absorption, and the availability rate held constant quarter-over-quarter at 8.0%. The average asking rent remained virtually unchanged quarter-over-quarter at \$22.98 per sq. ft. triple-net (NNN). The average asking sale price remained constant quarter-over-quarter at \$381.06 per sq. ft.

Figure 1: Top Lease Transactions | Q3 2020

Size (Sq. Ft.)	Tenant Type	Address	Market	Submarket
975,000	E-commerce	526 Gulf Avenue	Staten Island	Mid-Island
336,500	E-commerce	640 Columbia Street	Brooklyn	Red Hook
311,796	E-commerce	280 Richards Street	Brooklyn	Red Hook

Source: CBRE Research, Q3 2020

## LEASING

Leasing activity for Q3 2020 totaled over 2.2 million sq. ft., which is a quarter-over-quarter increase of 70.9%. More than 1.6 million square feet, or 73.7%, was pre-leasing of planned or under-construction Class A warehouse and distribution space, little of which currently exists in NYC. As in the previous quarter, leasing was dominated by e-commerce tenants looking for modern, high-quality industrial space to accommodate the increase in online orders brought on by changing consumer behavior and the ongoing Covid-19 pandemic.

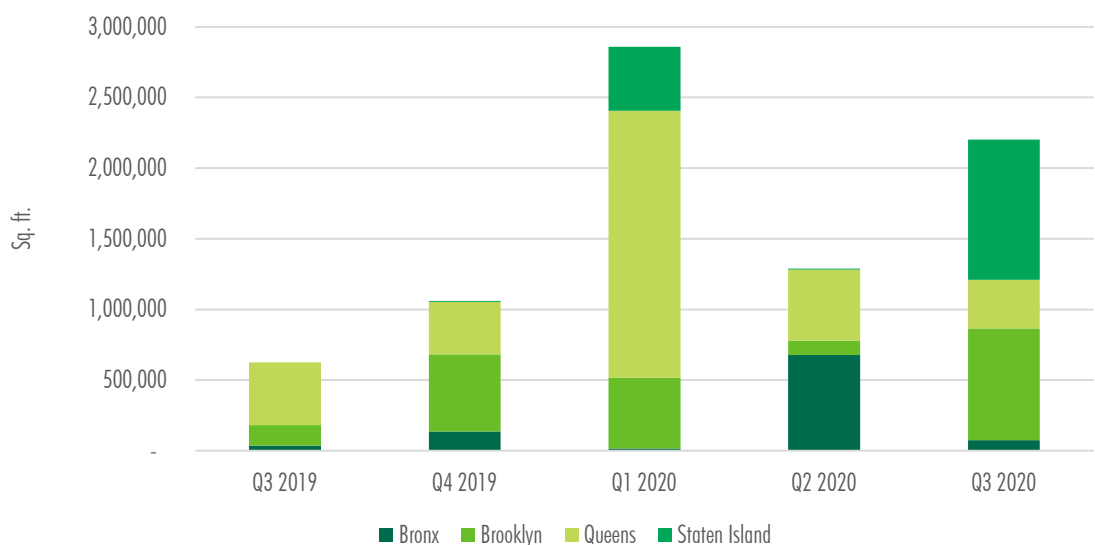
Staten Island had the largest amount of leasing activity for the quarter, with nearly all of its activity driven by a single lease. A prominent e-commerce tenant leased 975,000 square feet in the fourth and final building in the Matrix Global Logistics Park in the Mid-Island submarket.

Brooklyn saw leasing activity of more than 790,000 sq. ft., driven by two large pre-leases in the Red Hook submarket. A prominent e-commerce tenant will be occupying 336,500 sq. ft. at the under-construction development at 640 Columbia Street and 311,796 sq. ft. at another planned development at 280 Richards Street.

Queens saw leasing activity of more than 340,000 sq. ft. for the quarter, a year-over-year decline of 31.5%. The Maspeth and Astoria/Steinway submarkets had the highest amounts of leasing activity.

The Bronx had leasing activity of 75,300 sq. ft., a quarter-over-quarter decrease of 88.9%. Leasing activity mainly can be attributed to the Hunts Point, Port Morris, and South Bronx submarkets.

Figure 2: Leasing Velocity



Source: CBRE Research, Q3 2020

### AVAILABILITY AND ABSORPTION

The availability rate remained constant quarter-over-quarter due to modest negative absorption of 15,246 sq. ft. Although the quarter saw over 2.2 million square feet of leasing, the majority was pre-leasing in projects still under construction that led to no change in availability and little net absorption. The Bronx saw the highest amount of positive absorption for the second consecutive quarter with 112,283 sq. ft. This led to a decrease in availability of 50 bps to 7.9%. Decreases in availability took place primarily in the Port Morris and Hunts Point submarkets. Brooklyn had positive absorption of 89,128 sq. ft., and the availability rate decreased by 10 bps to 8.6%. The Central Brooklyn submarket saw the largest amount of positive absorption due to an available warehouse converting to self-storage, the sale of a property available for owner/user sale, and leasing. In Greenpoint/Williamsburg and Sunset Park/Greenwood, leasing also contributed to the quarter's positive absorption figure. Staten Island saw positive absorption of 16,968 sq. ft. and a decrease in availability of 30 bps to 5.3%. Low levels of leasing in existing space led to little absorption.

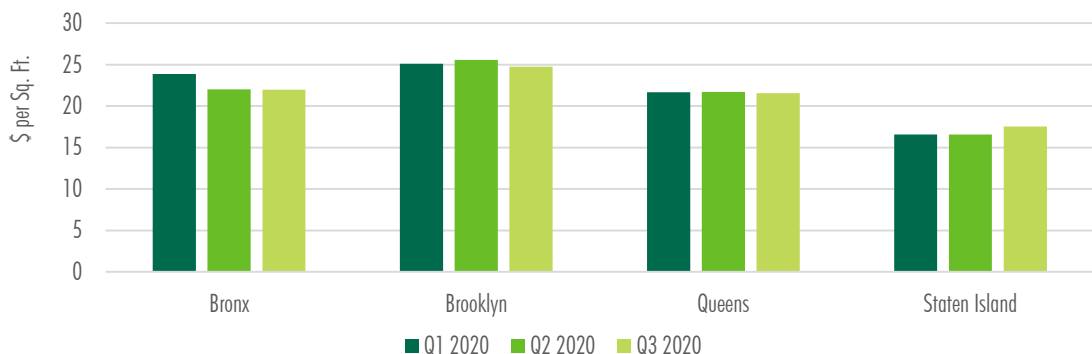
Queens saw the largest amount of negative absorption this quarter at 233,625 sq. ft. The availability rate increased by 40 bps to 7.7%. The negative absorption and higher availability rate can be attributed to low levels of leasing and increases in availability in the

Long Island City, Springfield Gardens and Woodside submarkets.

### AVERAGE ASKING RENT

The average asking rent decreased slightly quarter-over-quarter to \$22.98 per sq. ft. NNN. This represents a quarter-over-quarter decrease of 1.7%, but a substantial year-over-year increase of 11.3%. The impressive year-over-year growth can be attributed to the increased value of industrial property that is in prime areas close to major population hubs. Increased amounts of Class A warehouse and distribution space contribute to a higher average asking rent as they command higher rents and are often built where dated, less expensive warehouses once existed. Owners of existing industrial properties will also raise their asking rents according to the deals that are occurring in their market, even if their property is not on par. The average asking rent in the Bronx remained constant quarter-over-quarter at \$21.97 per sq. ft. NNN and has increased by 14.7% year-over-year. In Brooklyn, the average asking rent decreased by 2.4% quarter-over-quarter to \$24.77 per sq. ft. NNN and has increased by 5.1% year-over-year. In Queens, the average asking rent has been constant quarter-over-quarter and year-over-year at \$21.55 per sq. ft. NNN. The average asking rent on Staten Island increased 5.7% quarter-over-quarter to \$17.53 per sq. ft. NNN. Year-over-year the average asking rent on Staten Island has increased by a whopping 41.6%.

Figure 3: Historic Average Asking Rent



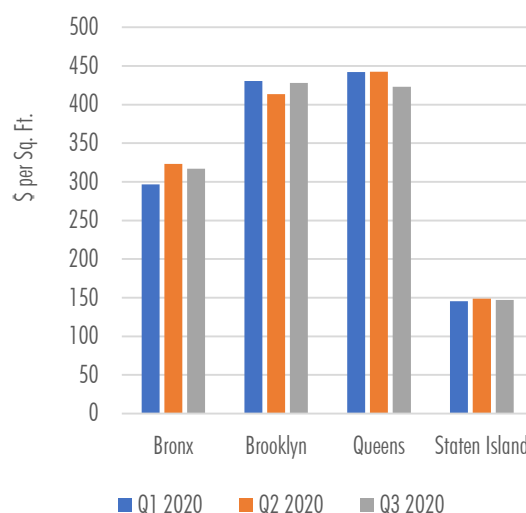
Source: CBRE Research, Q3 2020

## SALES

The NYC industrial market recorded 17 user and investment sales totaling over one million sq. ft. in the third quarter, quarter-over-quarter increase of 77.3%. The Bronx had eight sales totaling over 375,000 sq. ft., Brooklyn had three sales totaling nearly 70,000 sq. ft., and Queens had six sales totaling over 550,000 sq. ft. No sale transactions on Staten Island were recorded in the quarter.

The average asking sale price remained unchanged for the third consecutive quarter at \$381.06 per sq. ft. In the Bronx, the average asking sale price fell by 1.9% to \$317.13 per sq. ft. In Brooklyn, the average asking sale price increased by 3.6% quarter-over-quarter to \$428.15 per sq. ft. In Queens, the average asking sale price fell by 4.5% to \$422.90 per sq. ft. The average asking sale price remained constant quarter-over-quarter on Staten Island at \$147.06 per sq. ft.

Figure 4: Average Asking Sale Price Growth



Source: CBRE Research, Q3 2020

Figure 5: Notable Sales Transactions | Q3 2020

Size (Sq. Ft.)	Property	Market	Submarket	Buyer	Price (\$/SF)
505,430	SilverCup Studios Portfolio	Queens, Bronx	Sunnyside, Port Morris	Hackman Capital Partners, Square Mile Capital	1,107.97
214,820	27-11 49 <sup>th</sup> Avenue	Queens	Long Island City	Traub	349.13
75,000	24-02 Queens Plaza South	Queens	Long Island City	The Carlyle Group	533.33
42,828	920 East 149 <sup>th</sup> Street	Bronx	Port Morris	Dune Real Estate Partners LP	758.85

Source: CBRE Research, Q3 2020

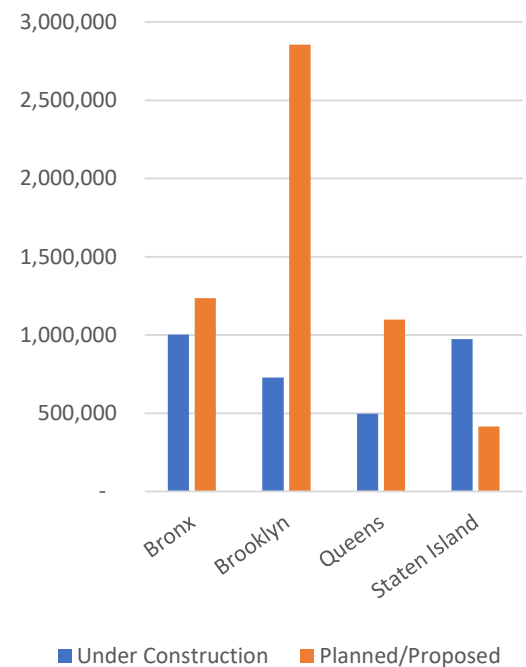
## CONSTRUCTION AND DEVELOPMENT

Ten industrial projects are currently under construction in the NYC market totaling over 3.2 million sq. ft. of space. Additionally, there are twelve planned or proposed buildings totaling over 5.6 million sq. ft. Most properties currently under construction are Class A warehouse and distribution space and multi-story facilities. E-commerce tenants are driving these developments, with their willingness to pay above-market rents for premium space that provides quick access to NYC households who want fast delivery of goods purchased online.

The Bronx has two properties under construction totaling over one million sq. ft. and one planned property totaling over 1.2 million sq. ft. Both under-construction properties are available for lease. The planned 1.2 million sq. ft. Bronx Logistics Center is expected to begin marketing available space soon, as construction is slated to begin in 2021. The only property to break ground in the third quarter was the 336,500-sq.-ft., three-story warehouse at 640 Columbia Street in the Red Hook submarket of Brooklyn. The property is leased and expected to complete construction in 2021. Brooklyn currently has five properties under construction totaling almost 730,000 sq. ft. that are 64.8% pre-leased and five planned or proposed buildings totaling over 2.8 million sq. ft., 45.5% of which is available. Queens has

two properties under construction totaling nearly 500,000 sq. ft. that are 47.3% pre-leased and four planned or proposed properties totaling nearly 1.1 million sq. ft. that are 27.3% pre-leased. On Staten Island, one property under construction totaling 975,000 sq. ft. is 100% pre-leased and two proposed properties totaling almost 415,000 sq. ft. are available for lease.

Figure 6: Construction Pipeline



Source: CBRE Research, Q3 2020

Figure 7: Major Under Construction and Planned Projects

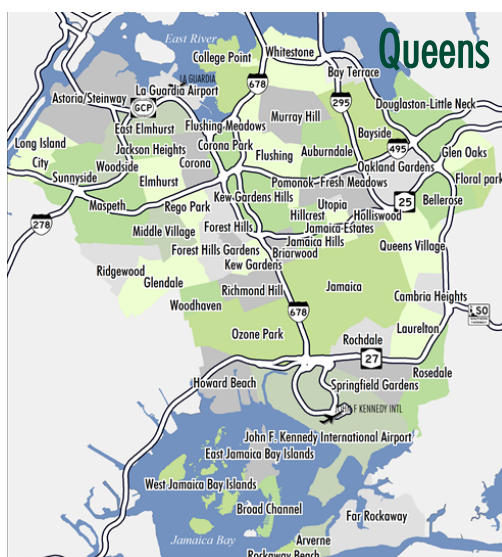
Project	Size (Sq. ft)	Type	Market	Submarket	Est. Completion
Last Mile Logistics Facility	83,000	Warehouse/Dist.	Brooklyn	Red Hook	Q4 2020
Building IV — Matrix Global Logistics Park	975,000	Warehouse/Dist.	Staten Island	Mid-Island	Q4 2020
Terminal Logistics Center	262,119	Warehouse/Dist.	Queens	Ozone Park	Q1 2021
640 Columbia St	336,500	Warehouse/Dist.	Brooklyn	Red Hook	Q4 2021
2505 Bruckner Blvd	968,000	Warehouse/Dist.	Bronx	Zerega	Q2 2022
Sunset Industrial Park	1,300,000	Warehouse/Dist.	Brooklyn	Sunset Park/Greenwood	TBD
280 Richards St	311,796	Warehouse/Dist.	Brooklyn	Red Hook	TBD

Source: CBRE Research, Q3 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	24,978,357	1,973,778	7.9	21.97	317.13	75,300	112,283
Brooklyn	66,472,853	5,700,404	8.6	24.77	428.15	790,471	89,128
Queens	61,763,565	4,749,485	7.7	21.55	422.90	344,973	(233,625)
Staten Island	5,453,394	288,162	5.3	17.53	147.06	991,500	16,968
Total	158,668,169	12,711,829	8.0	22.98	381.06	2,202,244	(15,246)

Source: CBRE Research, Q3 2020



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