

UNLEASED CLASS A DELIVERIES RAISE VACANCY, AVERAGE ASKING RENTS HOLD STEADY

▲ 5.8%

Vacancy Rate

▲ 720,717

Sq. Ft. Net Absorption

▼ 3.7 Million

Sq. Ft. Under Construction

▲ 567,533

Sq. Ft. Leasing Velocity

▲ \$36.81

NNN / Class A Lease Rate Per Sq. Ft.

▶ \$28.96

NNN / Lease Rate Per Sq. Ft.

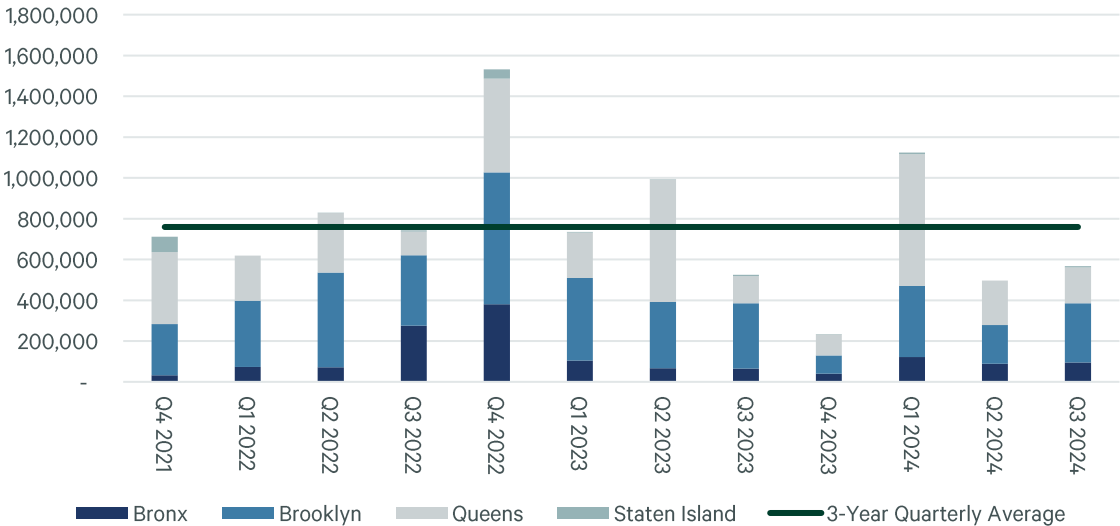
Note: Arrows indicate change from previous quarter.

Market Overview

Total leasing velocity increased by 14.4% quarter-over quarter after demand from warehousing and storage companies, manufacturing, and third-party logistics providers drove demand growth. Positive absorption increased quarter-over-quarter, but the continued influx of unleased, newly delivered Class A space to the market outpaced demand, leading to an increase in the vacancy rate.

The development pipeline fell to 3.7 million sq. ft. under construction after three Class A properties totaling 730,000 sq. ft. delivered in Brooklyn and Queens. The average asking rent for all existing asset types was constant quarter-over-quarter at \$28.96 per sq. ft., but Class A average asking rents saw gains. Rents for existing and under-construction Class A space increased 3% quarter-over-quarter to \$36.81 per sq. ft. after new, available space was added to the market.

FIGURE 1: Historical Leasing Velocity (Sq. Ft.)



Source: CBRE Research, 2024.

Demand

Leasing velocity outpaced the previous quarter with 565,000 sq. ft. leased, in Q3 a 14.4% increase over Q2 2024, but 25.2% below the three-year average. Demand was driven by warehousing and storage companies, manufacturing, and third-party logistics providers. Tenants had the greatest appetite for small spaces in Brooklyn and Queens. Demand for mid- and large-sized spaces continued to decline or be non-existent, with only one deal totaling more than 50,000 sq. ft.

Supply

The construction pipeline fell to 3.7 million sq. ft. after three properties delivered. The properties were all Class A and largely unleased, which caused the Class A availability rate to tick up to 18.3% for existing properties. Supply for this segment of the market was considerably higher than the 5.8% availability for all asset classes. The pandemic-era ramp-up in Class A property development coupled with dampened demand resulting from interest rate increases in 2022 led to an overstock in Class A logistics space. One Class A property totaling 331,700 sq. ft. broke ground on Staten Island during the quarter. Proposed permitting requirements and growing anti-industrial development sentiment in New York City may affect the future development of last-mile delivery warehouses and reign in Class A oversupply.

Rent Trends

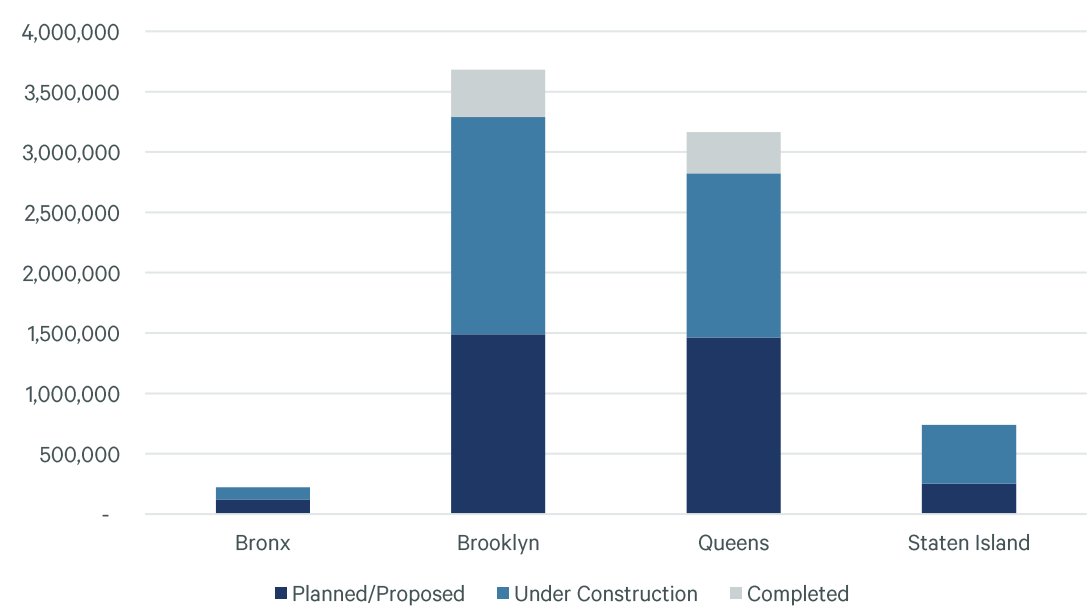
The average asking rent for all existing asset types remained constant quarter-over-quarter at \$28.96 per sq. ft., but Class A average asking rents saw gains. The average asking rent

FIGURE 2: Notable Lease Transactions, Q3 2024

Tenant	Size (Sq. Ft.)	Address	Market	Submarket
Globe Storage & Moving	44,000	59-50 59th Place	Queens	Maspeth
Otto Environmental Systems	39,058	807 Bank Street	Brooklyn	Canarsie/Flatlands
WHOLESALE ELECTRIC CARIBE	26,144	18220 Liberty Avenue	Queens	Jamaica

Source: CBRE Research, 2024.

FIGURE 3: Development Pipeline (Sq. Ft.)



Source: CBRE Research, 2024.

for existing and under-construction Class A space increased 3% quarter-over-quarter to \$36.81 per sq. ft. after new space was added to the market. The average asking rent for Class B and C space remained constant quarter-over-quarter at \$26.49 per sq. ft. In Brooklyn, the average asking rent decreased by 2.0% quarter-over-quarter after high-priced availabilities were leased off the market. In Queens, the average asking rent increased 3.2% quarter-over-quarter due to premium-priced completions coming onto the market.

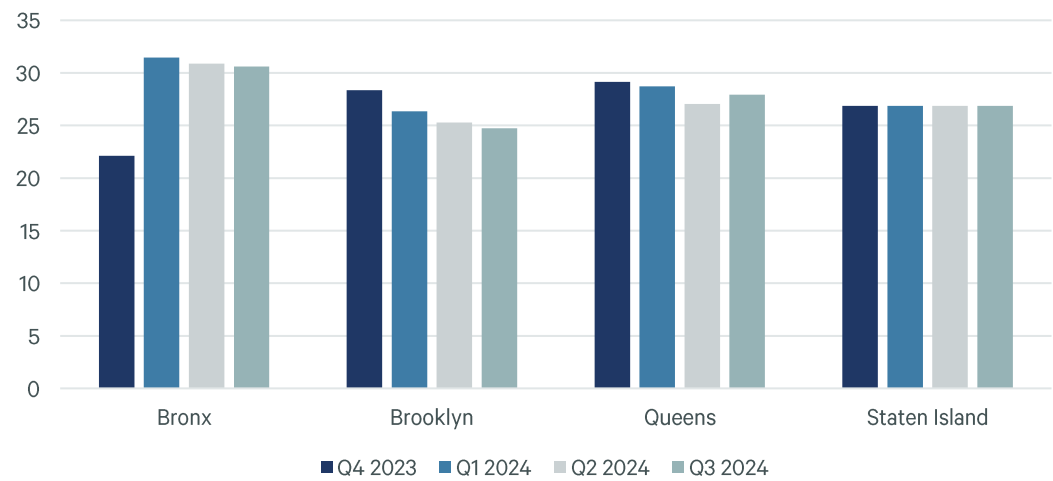
Economic Overview

Soft landings are rare, but recent data suggest that this outcome for the economy is increasingly likely. Business investment is holding its own and consumer distress is confined to a few vulnerable segments. A reason for concern is the decline in the share of private industries that are creating jobs. On the other hand, companies are not shedding workers at a particularly high rate. The labor market has slowed, but it is not slumping.

New York City’s industrial employment experienced impressive growth in Q3 2024 as manufacturing employment rose by 200 positions (+0.4%) quarter-over-quarter and the significantly larger trade, transportation, and utilities sector – which includes logistics and fulfillment center employment – added 4,400 positions (+0.8%). Overall, New York City gained 4,600 industrial positions in Q3 2024 but remained at 91.1% of the 2019 level.

New York City’s overall unemployment rate was 5.2%, up from 4.8% at the end of Q2 2024 and above the national unemployment rate of 4.2%. The most consequential policy lever has already been pulled via the FOMC’s 50 bps September cut and signaling another 50 by year-end. This easing of financial conditions combined with continued economic growth should support modest hiring and consumption growth.

FIGURE 4: Historical Average Asking Rents (\$/Sq. Ft.)



Source: CBRE Research, 2024.

FIGURE 5: Market Statistics

Market	Inventory (SF)	Availability (SF)	Availability Rate (%)	Avg. Asking Rent (\$/SF)	Leasing Velocity (SF)	Net Absorption (SF)
Bronx	25,168,639	2,981,876	11.9	30.60	95,789	70,996
Brooklyn	67,062,276	3,259,573	4.9	24.75	289,913	17,963
Queens	63,711,791	3,087,535	4.9	27.93	174,543	629,270
Staten Island	6,161,446	48,000	0.8	26.88	7,288	2,488
JFK*	5,551,621	655,925	11.8	29.39	5,500	(139,488)
NYC Total	162,104,152	9,376,984	5.8	28.96	567,533	720,717

*The JFK submarket is a combination of areas from Queens and Nassau County that primarily serve JFK Airport.

Source: CBRE Research, 2024.

FIGURE 6: The Bronx

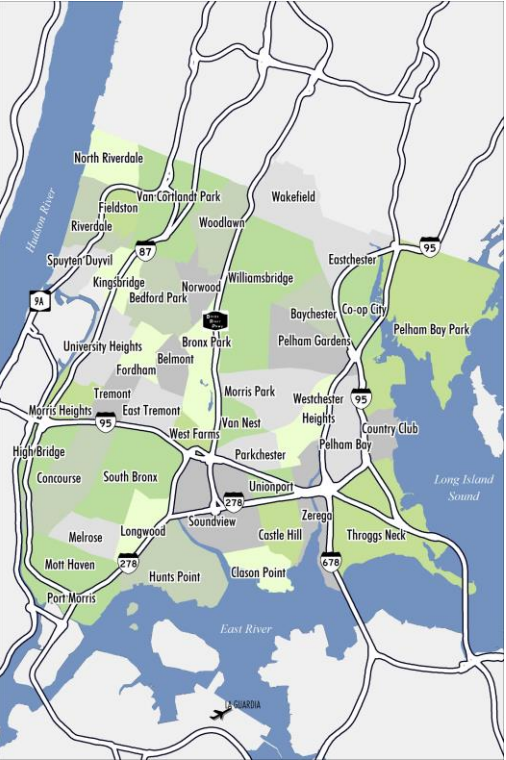


FIGURE 7: Brooklyn



FIGURE 8: Queens

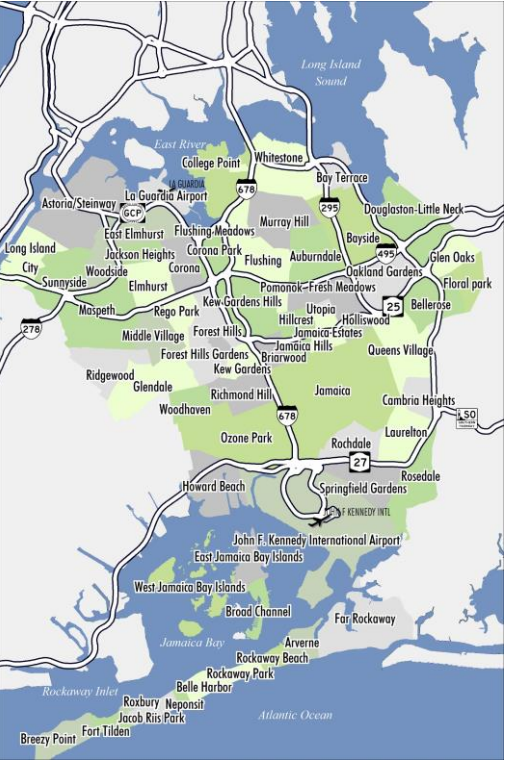


FIGURE 9: Staten Island



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