

FIGURES | NEW YORK CITY INDUSTRIAL | Q2 2023

Despite Increased Leasing, Vacancy Edges Higher

▲ 5.7%

Vacancy Rate

▼ (719,327)

SF Net Absorption

▲ 993,759

SF Leasing Activity

▲ \$26.11

NNN / Lease Rate

Note: Arrows indicate change from previous quarter.

QUICK FACTS

- Second quarter leasing velocity was nearly one million sq. ft., a quarter-over-quarter increase of 27% and 18% higher than the two-year average.
- Quarter-over-quarter, the vacancy rate rose 40 bps to 5.7%.
- The Class A vacancy rate remained constant quarter-over-quarter at 6.1%.
- The average asking rent citywide for all asset classes increased by 2% quarter-over-quarter to \$26.11 per sq. ft.
- Thirteen properties totaling 5.8 million sq. ft. are under construction.

MARKET OVERVIEW

The New York City industrial market remains healthy and demand for mid-size availabilities is high. Leasing velocity, which includes new leases and renewals, increased 27% quarter-over-quarter and 11% year-over-year to 994,000 sq. ft. in Q2 2023. The vacancy rate rose 40 bps to 5.7% as the market posted negative net absorption of 719,327 sq. ft. The availability rate for all asset classes decreased by 10 bps to 5.7%, while the Class A availability rate remained at 6.1%. The average asking rent for all asset classes rose 2% quarter-over-quarter and year-over-year to \$26.11 per sq. ft. Class A average asking rent stayed constant quarter-over-quarter at \$28.83 per sq. ft. Thirteen properties totaling 5.8 million sq. ft. are under construction: twelve Class A properties totaling over 5.7 million sq. ft. and one Class B property of 38,027 sq. ft.

Leasing

New leases and renewal transactions totaling 994,000 sq. ft. were signed in Q2 2023, a quarter-over-quarter increase of 27% and a year-over-year increase of 11%, led by the uptick in leasing activity in Queens, boosted by the 200,000 sq. ft. lease signed at Terminal Logistics Center next to JFK Airport. Leasing velocity was consistent with the three-year average. Tenants from a variety of industries were active in the market, including food and beverage, third-party logistics, recreational goods rental, and movers.

The Bronx recorded transactions totaling 66,000 sq. ft. Quarter-over-quarter leasing velocity was down by 37%. The borough’s leasing velocity was down 52% relative to the two-year average.

In Brooklyn, leasing was concentrated in the Sunset Park/Greenwood, Navy Yard, and Greenpoint/Williamsburg submarkets. Brooklyn recorded 326,000 sq. ft. of velocity which represented a quarter-over-quarter decrease of 19% which was 7% lower than the borough’s two-year average.

Queens recorded transactions totaling 600,000 sq. ft. Leasing was up considerably by 173% quarter-over-quarter and 76% higher than the borough’s two-year average. Leasing was most active in the Long Island City and Sunnyside submarkets. The largest lease of the quarter occurred at the currently under construction Terminal Logistics Center in Queens. DO & CO, a company specializing in airline catering, leased 200,000 sq. ft. at the property.

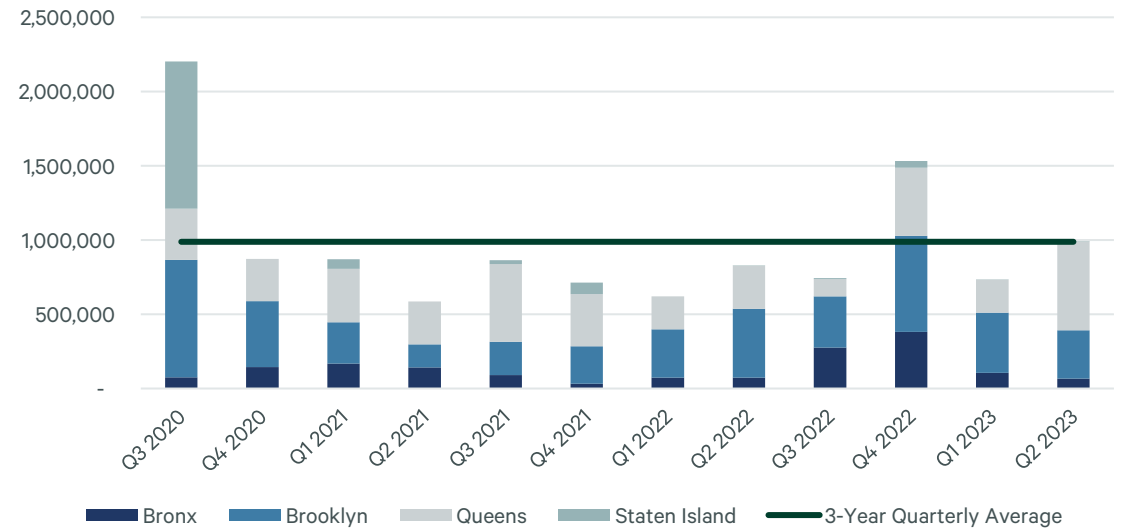
Staten Island recorded just one lease transaction totaling 1,500 sq. ft. in Q2 2023.

FIGURE 1: Notable Lease Transactions

	Size (Sq. Ft.)	Address	Market	Submarket
TENANT				
DO & CO.	200,000	130-24 S Conduit Ave	Queens	Ozone Park
Nippon Express U.S.A	54,470	230-19 International Airport Center Blvd	Queens	Springfield Gardens
Motivate	49,000	4211 9th St	Queens	Long Island City
United States Postal Service	45,000	966-988 Alabama Ave	Brooklyn	East New York

Source: CBRE Research, 2023.

FIGURE 2: Leasing Velocity



Source: CBRE Research, 2023.

Vacancy and Absorption

Quarterly net absorption totaled negative 720,000 sq. ft., which resulted in a rise in vacancy of 40 basis points (bps) quarter-over-quarter and 130 bps year-over-year to 5.7%. The Class A vacancy rate remained constant quarter-over-quarter at 6.1%.

Net absorption in the Bronx totaled 45,000 sq. ft. The Bronx vacancy rate fell 30 bps quarter-over-quarter and 10 bps year-over-year to 7.3%. Positive absorption was highest in the Zerega submarket after Kamco Supply moved into 1200 Zerega Avenue.

The vacancy rate in Brooklyn increased 50 bps quarter-over-quarter to 5.4%. due to negative quarterly net absorption of over 405,000 sq. ft. Most of this negative absorption occurred in the Greenpoint/Williamsburg and Red Hook submarkets.

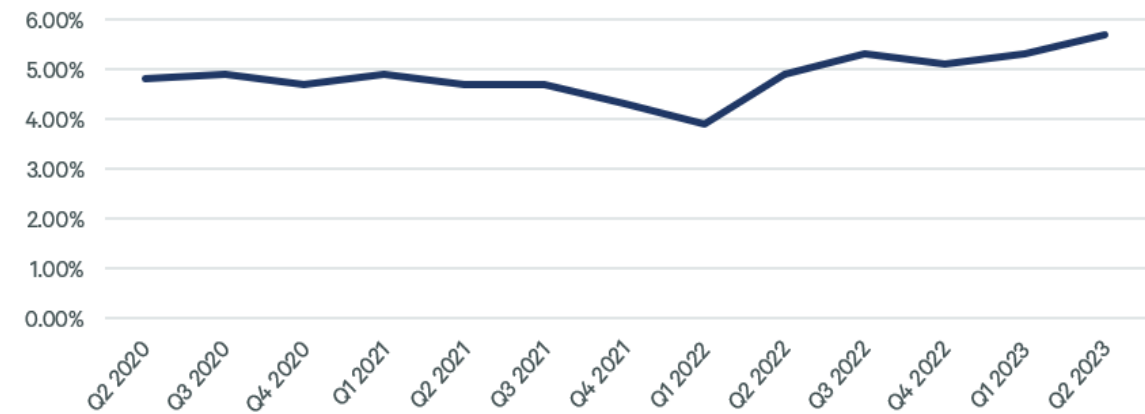
Queens saw negative absorption of over 355,000 sq. ft. Total vacancy increased 60 bps quarter-over-quarter and 130 bps year-over-year to 5.8%. The Glendale and Long Island City submarkets saw the largest negative net absorption.

Vacancy in Staten Island was unchanged quarter-over-quarter and 20 bps higher year-over-year at 0.5%.

Average Asking Rent

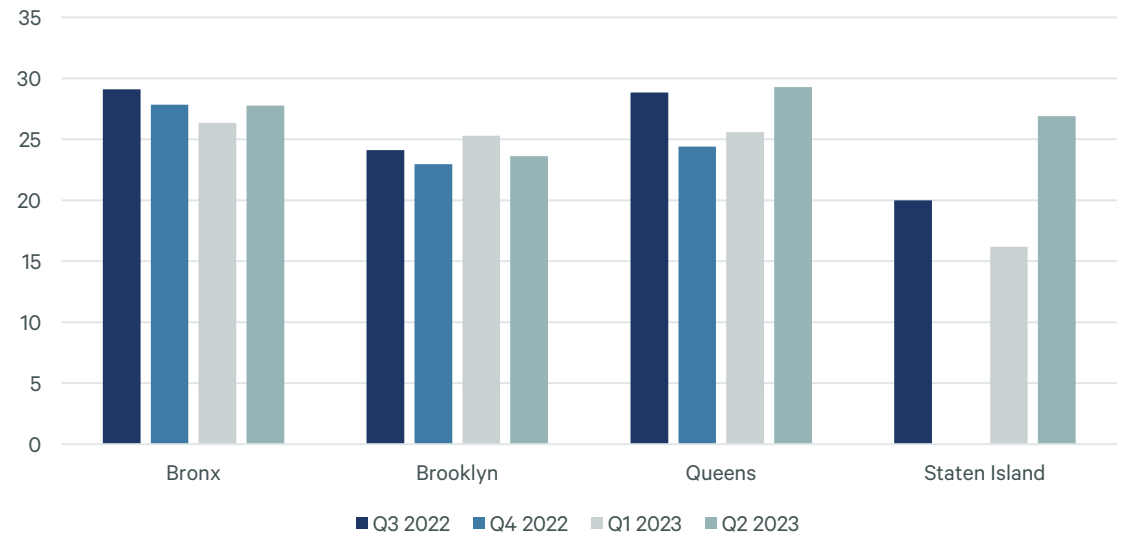
The average asking rent for all asset classes increased by 2% quarter-over-quarter to \$26.11 per sq. ft. Year-over-year the average asking rent is up 2%. The average asking rent for Class A properties remained constant quarter-over-quarter at \$28.83 per sq. ft. but decreased 3.5% year-over-year. The average asking rent in the Bronx increased by 5% quarter-over-quarter to \$27.76 per sq. ft. and remained constant year-over-year. In Brooklyn, the average asking rent fell by 7% quarter-over-quarter to \$23.61 per sq. ft. but increased 14% year-over-year. Queens saw a quarter-over-quarter increase of 15% to \$29.29 per sq. ft. and a year-over-year increase of 12%. Staten Island had a quarter-over-quarter increase of 66% to \$26.88 per sq. ft. after new availability was added to the borough's tight market.

FIGURE 3: Vacancy



Source: CBRE Research, 2023.

FIGURE 4: Average Asking Rents



Source: CBRE Research, 2023.

Construction

After completions of 366,500 sq. ft. in Q1 2023, zero properties completed construction in Q2. Two properties started construction this quarter, 683-728 Court Street (392,000 sq. ft.) in Red Hook, Brooklyn and 2807 Arthur Kill Road (136,346 sq. ft.) in the South Shore submarket of Staten Island. Active construction rose to thirteen properties totaling 5.8 million sq. ft. The projects under construction have a strong prelease rate of 52%. Fourteen additional buildings totaling 4.1 million sq. ft. are planned or proposed.

The Bronx has one property under construction totaling 1.2 million sq. ft., Turnbridge’s Bronx Logistics Center at 920-980 E 149th Street. In Brooklyn, five properties are under construction totaling 2.4 million sq. ft., including the 1.3 million sq. ft. Sunset Industrial Park at 18 20th Street. Queens has five properties under construction totaling 2.0 million sq. ft., the largest being the 680,000 sq. ft. warehouse at 2330 Borden Avenue. One new development is under construction in Staten Island, the 136,346 sq. ft. distribution and logistics center at 2807 Arthur Kill Road.

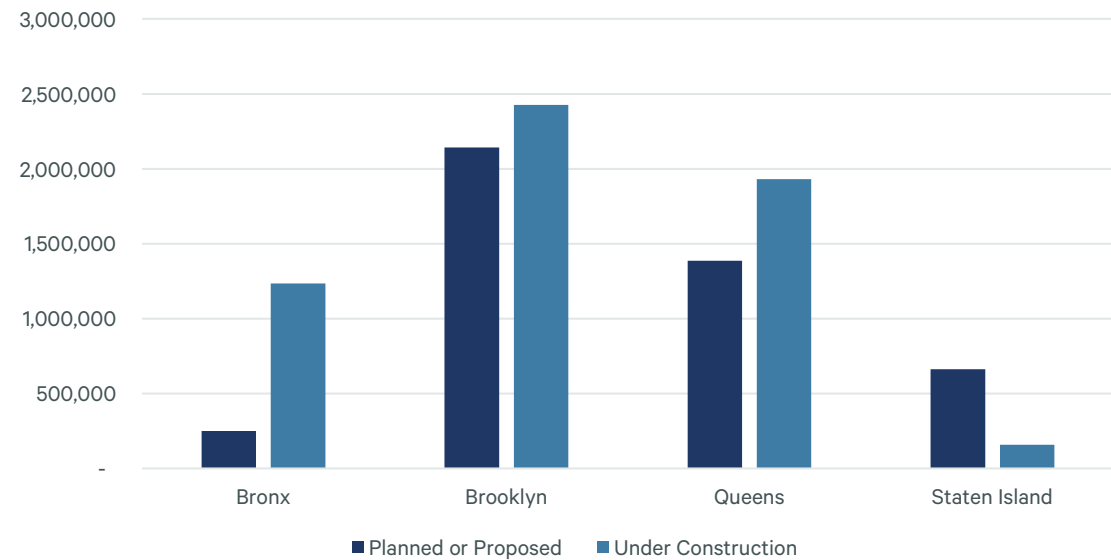
Local Economic and Labor Overview

The consensus among economists has been that the United States would find itself on the brink of a recession in the latter half of 2023. This narrative has been challenged by a surprisingly resilient consumer and labor market. Indeed, GDP growth in Q2 2023 is poised to hit the mid-2% range (p.a.). Beneath this veneer of health lies a fragile economy, which will probably lapse into recession, albeit a little later than previously expected.

New York City’s industrial employment struggled in Q2 2023 with manufacturing employment shedding 200 positions (-0.3%) quarter-over-quarter and trade, transportation, and utilities – a sector which includes logistics and fulfillment center employment – letting go of 5,200 positions (-0.9%). Altogether, New York City’s industrial-using sector has decreased by 5,400 positions since the end of Q1 2023. New York City’s industrial using employment remains roughly 10% below the pre-pandemic level.

New York City’s overall unemployment rate was 5.3% in May, having remained roughly unchanged since the same time last year. New York City lags the national unemployment rate of 3.7%.

FIGURE 5: Development Pipeline



Source: CBRE Research, 2023.

FIGURE 6: Market Statistics

	Inventory (SF)	Availability (SF)	Availability Rate (%)	Avg. Asking Rent (\$/SF)	Avg. Asking Sale Rate (\$/SF)	Leasing Velocity (SF)	Net Absorption (SF)
MARKET							
Bronx	23,967,142	2,117,690	8.8	27.76	431.30	66,184	44,010
Brooklyn	66,542,538	4,167,014	6.3	23.61	496.90	325,744	-408,276
Queens	62,262,900	3,864,825	6.2	29.29	458.06	600,331	-356,061
Staten Island	6,184,962	67,300	1.1	26.88	374.10	1,500	1,000
Total	158,957,542	10,216,829	6.4	26.11	468.91	993,759	-719,327

Source: CBRE Research, 2023.

FIGURE 10: Staten Island



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