

FIGURES | NEW YORK CITY INDUSTRIAL | Q3 2023

Uptick in Net Absorption Leads to Decreased Vacancy

▼ 5.5%

Vacancy Rate

▲ 487,000

Sq. Ft. Net Absorption

▼ 525,000

Sq. Ft. Leasing Activity

▲ \$26.74

NNN / Lease Rate

Note: Arrows indicate change from previous quarter.

QUICK FACTS

- Third quarter leasing velocity was more than 524,000 sq. ft., a quarter-over-quarter decrease of 47.2% and a year-over-year decrease of 29.4%.
- Quarter-over-quarter, the vacancy rate for all asset classes fell 20 basis points (bps) to 5.5%.
- Class A fundamentals remained strong quarter-over-quarter. The Class A vacancy rate fell to 3.6% and the average asking rent remained constant at \$28.90 per sq. ft.
- The average asking rent citywide for all asset classes increased by 2.4% quarter-over-quarter to \$26.74 per sq. ft.
- Thirteen under construction properties total 5.6 million sq. ft. Additionally, 17 planned and proposed properties totaling 4.8 million sq. ft. are in the development pipeline.

MARKET OVERVIEW

The New York City industrial market showed signs of health during the third quarter of 2023, including reduced vacancy, increased positive net absorption, and a rising average asking rent. The vacancy rate for all asset classes fell 20 bps to 5.5% after net absorption ticked up to 487,000 sq. ft. Vacancy in New York City has been relatively stable in recent quarters compared to other markets in the region where millions of square feet of new product have been delivered without tenants. The average asking rent citywide for all asset classes increased by 2.4% quarter-over-quarter to \$26.74 per sq. ft. while the Class A average asking rent remained constant quarter-over-quarter at \$28.90 per sq. ft. Leasing velocity fell to 525,000 sq. ft., 36.3% below the three-year average. Thirteen properties totaling 5.6 million sq. ft. were under construction with 17 planned and proposed properties totaling 4.8 million sq. ft. in the development pipeline.

Leasing

New leases and renewal transactions totaling 525,000 sq. ft. were signed in Q3 2023, a quarter-over-quarter decrease of 47.2% and a year-over-year decrease of 29.4%. Leasing velocity fell 36.3% below the three-year average. Leasing figures remained relatively consistent quarter-over-quarter in the Bronx, Brooklyn, and Staten Island markets, but fell sharply in Queens. Top drivers of leasing velocity in Q3 2023 included retailers, waste management service providers, and construction merchant wholesalers. The market saw a lack of e-commerce related leasing activity.

Leasing velocity was constant quarter-over-quarter in the Bronx but decreased 76.2% year-over-year to 65,000 sq. ft. Leasing was heavily concentrated to the Eastchester submarket.

Brooklyn recorded the most leasing velocity of any borough with nearly 320,000 sq. ft. leased, a quarter-over-quarter decrease of 1.8% and a year-over-year decrease of 7.2%. The borough recorded the quarter’s largest lease transaction at 1970 Pitkin Avenue in the East New York submarket. Net Zero, an eco-friendly retailer leased 70,000 sq. ft. of warehouse space from landlord Seagis Property Group. In addition to East New York, the Greenpoint/Williamsburg and Canarsie/Flatlands submarkets also had notable leasing.

Queens saw total leasing velocity of just over 133,000 sq. ft., a quarter-over-quarter decrease of 77.7%, but up 14.4% year-over-year. Leasing was most active in the Sunnyside and Springfield Gardens submarkets.

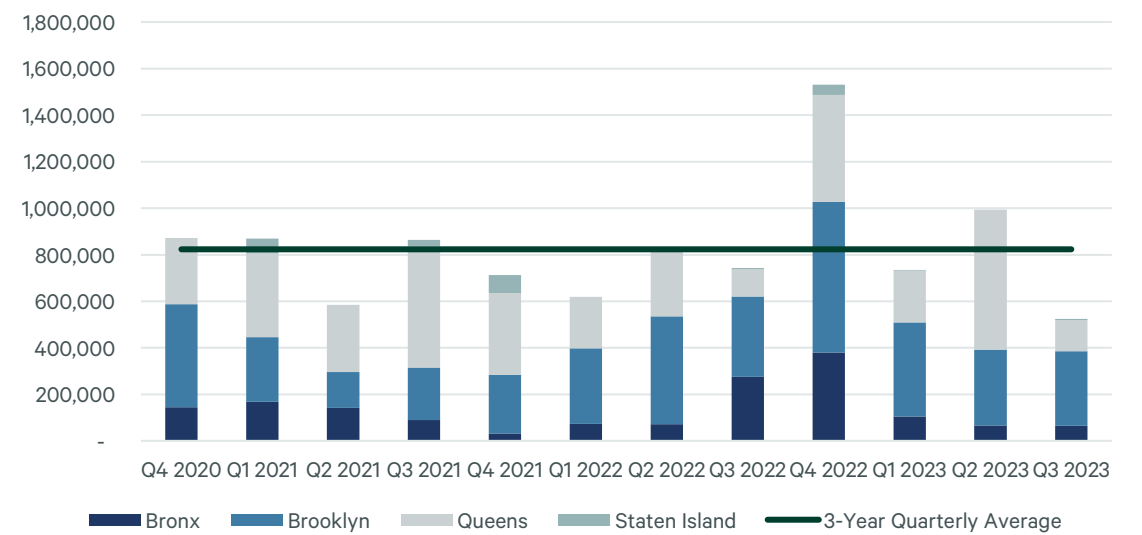
FIGURE 1: Notable Transactions

	Size (Sq. Ft.)	Address	Market	Submarket
TENANT				
Net Zero	70,200	1970 Pitkin Ave	Brooklyn	East New York
Interstate Waste and Recycling	68,000	1427 Ralph Ave	Brooklyn	Canarsie/Flatlands
Champion Concrete NY	38,919	3536 Peartree Ave	Bronx	Eastchester
New York City Fire Department*	35,000	59-81 Paidge Ave	Brooklyn	Greenpoint/Williamsburg

Source: CBRE Research, 2023.

*Renewal.

FIGURE 2: Leasing Velocity



Source: CBRE Research, 2023.

Vacancy and Absorption

Quarterly net absorption totaled 487,000 sq. ft. in Q3 2023, which resulted in a decrease in vacancy of 20 basis points (bps) quarter-over-quarter and 120 bps year-over-year to 5.5%. The Class A vacancy rate fell 260 bps to 3.6%.

Net absorption in the Bronx totaled 363,000 sq. ft. The Bronx vacancy rate fell 150 bps quarter-over-quarter and 120 bps year-over-year to 5.8%. Positive absorption was highest in the Zerega (275,000 sq. ft.) and West Farms (90,000 sq. ft.) submarkets.

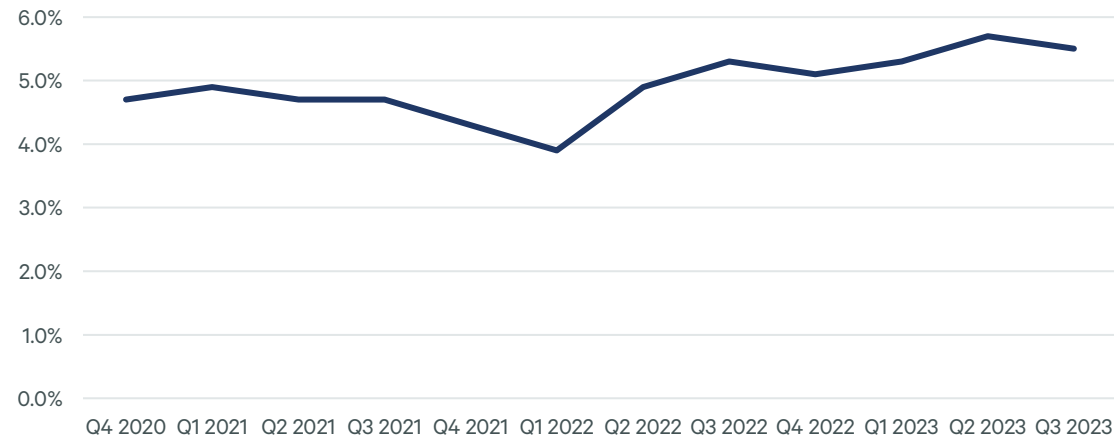
The vacancy rate in Brooklyn remained constant year-over-year but decreased 10 bps quarter-over-quarter to 5.3% due to positive quarterly net absorption of just under 120,000 sq. ft. Most positive absorption occurred in the Sunset Park/Greenwood (83,000 sq. ft.) and East New York (77,000 sq. ft.) submarkets, while the Navy Yard submarket saw a notable amount of negative absorption (-124,000 sq. ft.).

Queens saw positive net absorption of just under 10,000 sq. ft. Total vacancy increased 40 bps quarter-over-quarter and 120 bps year-over-year to 6.2%. The Ozone Park submarket saw the highest amount of positive absorption (262,000 sq. ft.) with the delivery of Terminal Logistics Center, a 386,000 sq. ft. development near JFK airport leased to DO & CO.

Average Asking Rent

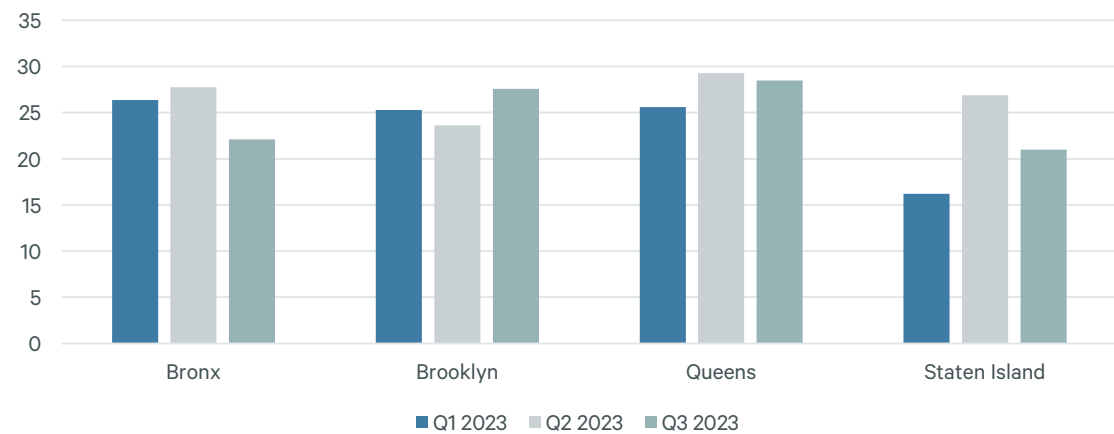
The average asking rent for all asset classes increased by 2.4% quarter-over-quarter but was constant year-over-year at \$26.74 per sq. ft. The average asking rent for Class A properties remained constant quarter-over-quarter at \$28.90 per sq. ft. but decreased 2.3% year-over-year. The average asking rent in the Bronx decreased by 20.4% quarter-over-quarter and 24.0% year-over-year to \$22.10 per sq. ft. In Brooklyn, the average asking rent increased by 16.8% quarter-over-quarter and 14.4% year-over-year to \$27.58 per sq. ft. Queens saw a quarter-over-quarter decrease of 2.7% and a year-over-year decrease of 1.2% to \$28.49 per sq. ft.

FIGURE 3: Vacancy



Source: CBRE Research, 2023.

FIGURE 4: Average Asking Rents



Source: CBRE Research, 2023.

Construction

Terminal Logistics Center was the only property to complete construction this quarter. The 262,000 sq. ft. development in the Ozone Park submarket near JFK Airport delivered fully leased by DO & CO, a company specializing in airline catering. No properties broke ground during the quarter. Thirteen under construction properties totaling 5.6 million sq. ft. have a strong pre-lease rate of 48.3%. Additionally, 17 planned and proposed properties totaling 4.8 million sq. ft. are in the development pipeline.

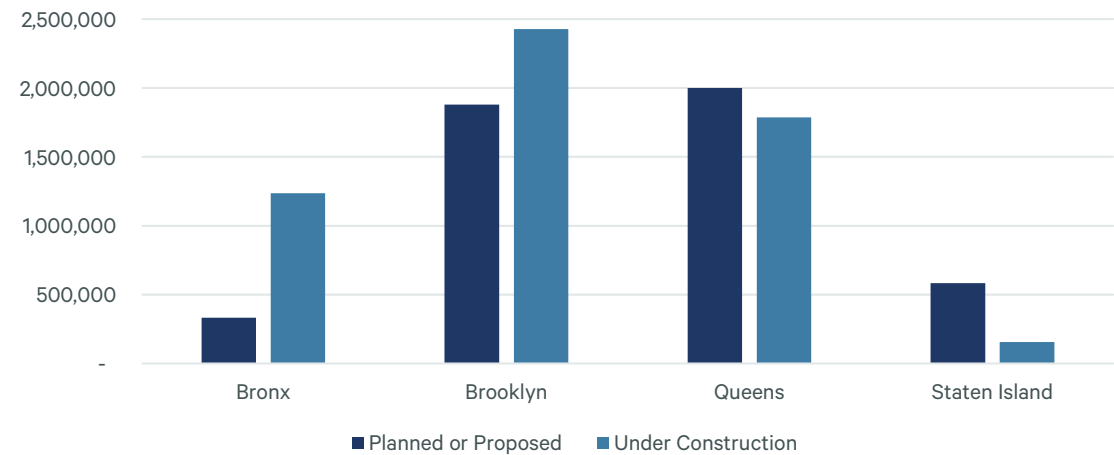
The Bronx has one property under construction totaling 1.2 million sq. ft. and three proposed properties totaling 332,000 sq. ft. In Brooklyn, five properties totaling 2.4 million sq. ft. are under construction with four planned or proposed properties totaling 1.9 million sq. ft. . Queens has five properties under construction totaling nearly 1.8 million sq. ft. and seven proposed properties totaling 2 million sq. ft. in the development pipeline. On Staten Island two properties are under construction totaling 157,000 sq. ft. and three proposed properties total 582,000 sq. ft.

Local Economic and Labor Overview

New York City’s industrial employment contracted slightly in Q3 2023 with manufacturing employment shedding 200 positions (-0.4%) quarter-over-quarter and trade, transportation, and utilities – a sector which includes logistics and fulfillment center employment – letting go of 2,300 positions (-0.4%). Altogether, New York City’s industrial-using sector fell by 2,500 positions since the end of Q2 2023 and remains at 87% of the pre-pandemic level.

New York City’s overall unemployment rate currently stands at 5.3%, above the national unemployment rate of 3.8%. Although CBRE expects economic growth to deteriorate, it is likely that real estate valuations will stabilize during 1H 2024.

FIGURE 5: Development Pipeline



Source: CBRE Research, 2023.

FIGURE 6: Market Statistics

	Inventory (SF)	Availability (SF)	Availability Rate (%)	Avg. Asking Rent (\$/SF)	Leasing Velocity (SF)	Net Absorption (SF)
MARKET						
Bronx	23,967,142	1,746,337	7.3	22.10	65,715	363,012
Brooklyn	66,542,538	4,266,367	6.4	27.58	319,626	119,988
Queens	62,525,019	4,183,813	6.7	28.49	133,626	9,746
Staten Island	6,184,962	73,400	1.2	21.00	5,670	-6,100
Total	159,219,661	10,269,917	6.5	26.74	524,637	486,646

Source: CBRE Research, 2023.

FIGURE 7: The Bronx



FIGURE 8: Brooklyn



FIGURE 9: Queens

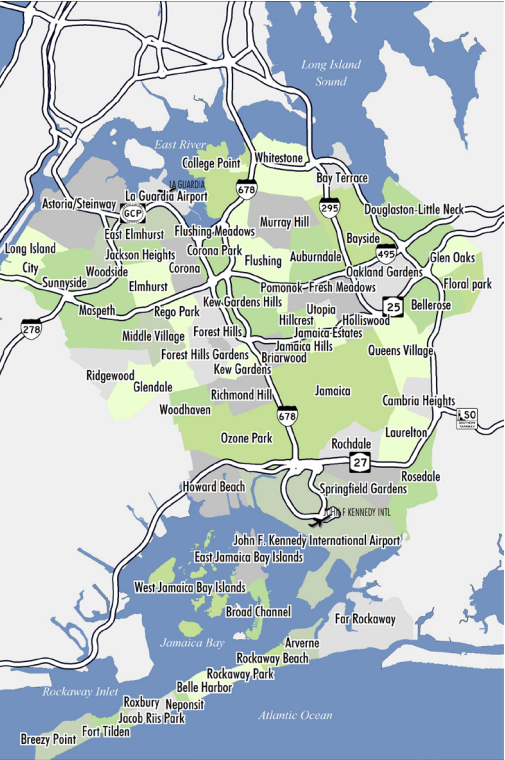


FIGURE 10: Staten Island



Contact

Nicole LaRusso

U.S. Head of Field Research & Data
Intelligence
+1 212 984 7188
Nicole.LaRusso@cbre.com

Joe Gibson

Associate Director of Research,
Philadelphia
+1 610 727 5922
Joseph.Gibson@cbre.com

Brian Klimas

Field Research Manager
+1 201 712 5633
Brian.Klimas@cbre.com

Anna Schaeffer

Senior Field Research Analyst
+1 212 984 6653
Anna.Schaeffer@cbre.com

Cezar Camilo-Eloufir

Field Research Analyst
+1 613 370 6017
Cezar.CamiloEloufir@cbre.com

© Copyright 2021. All rights reserved. This report has been prepared in good faith, based on CBRE's current anecdotal and evidence based views of the commercial real estate market. Although CBRE believes its views reflect market conditions on the date of this presentation, they are subject to significant uncertainties and contingencies, many of which are beyond CBRE's control. In addition, many of CBRE's views are opinion and/or projections based on CBRE's subjective analyses of current market circumstances. Other firms may have different opinions, projections and analyses, and actual market conditions in the future may cause CBRE's current views to later be incorrect. CBRE has no obligation to update its views herein if its opinions, projections, analyses or market circumstances later change.

Nothing in this report should be construed as an indicator of the future performance of CBRE's securities or of the performance of any other company's securities. You should not purchase or sell securities—of CBRE or any other company—based on the views herein. CBRE disclaims all liability for securities purchased or sold based on information herein, and by viewing this report, you waive all claims against CBRE as well as against CBRE's affiliates, officers, directors, employees, agents, advisers and representatives arising out of the accuracy, completeness, adequacy or your use of the information herein.

