

FIGURES | NEW YORK CITY INDUSTRIAL | Q4 2022

Leasing Velocity and Absorption Soar While Rents Pause

▲ 6.8%

Vacancy Rate

▲ 605,545

SF Net Absorption

▲ 1.5M

SF Leasing Velocity

▼ \$25.06

NNN / Lease Rate

Note: Arrows indicate change from previous quarter.

QUICK FACTS

- Fourth quarter leasing velocity was 1.5 million sq. ft., a quarter-over-quarter increase of 106% and 32% higher than the three-year average.
- The availability rate for all asset classes increased 10 bps quarter-over-quarter to 6.8%.
- The Class A availability rate decreased 120 bps to 6.3%.
- Year-over-year, the average asking rent citywide for all asset classes increased by 12% to \$25.06 per sq. ft.
- Ten properties totaling nearly 5.6 million sq. ft. are under construction, and two properties totaling 1.1 million sq. ft. were delivered this quarter.

MARKET OVERVIEW

The NYC industrial market is in good health as leasing activity gained momentum in Q4 2022 and Class A completions in 2023 are expected to contribute to even more robust leasing while exerting upward pressure on average asking rents.

Leasing velocity, which includes new leases and renewals, jumped to 1.5 million sq. ft. in Q4, a quarter-over-quarter increase of 106% and a year-over-year increase of 115%. Annual leasing velocity was 3.7 million sq. ft. in 2022, representing a 23% increase from 2021. The availability rate for all asset classes increased 10 bps quarter-over-quarter to 6.8%, while the Class A availability rate decreased by 120 bps to 6.3%. The average asking rent for all asset classes decreased by 1.7% quarter-over-quarter to \$25.06 per sq. ft. and the average asking rent for Class A properties increased 1.1% quarter-over-quarter to \$29.92 per sq. ft. Ten properties totaling 5.6 million sq. ft. are under construction: nine Class A properties totaling 5.6 million sq. ft. and one Class B property totaling 38,027 sq. ft.

Economic Overview

The Consumer Price Index has been decelerating due to improved supply chains, lower energy prices, and higher interest rates, however, fears persist that inflation remains embedded in the labor market. Elevated volatility in the financial markets have reduced expectations of earnings growth in 2023 and firms are looking to cut costs as consumer spending falls, resulting in a rising level of layoffs.

Trade, Transportation, and Utilities, a sector which includes warehouse and logistics firms, saw employment fall to 90% of the pre-pandemic level, down from 92% at the end of Q3. The manufacturing sector, another major user of industrial space, improved to 90% of the pre-pandemic level, up from 89% at the end of Q3.

NYC’s unemployment rate was 5.8% as of November 2022, above the pre-pandemic rate of 3.7% and the current national unemployment rate of 3.7%.

Leasing

A total of 84 lease and renewal transactions totaling over 1.5 million sq. ft. were signed in Q4 2022, a quarter-over-quarter increase of 106% and a year-over-year increase of 115%. The Q4 leasing velocity was 31% higher than the three-year quarterly average. DB Schenker, Standard Motor Products and Zerospace signed some of the largest leases that closed this quarter.

Brooklyn recorded 49 lease transactions totaling over 645,000 sq. ft., a quarter-over-quarter increase of 88%. Leasing was concentrated in the Sunset Park/Greenwood, Navy Yard and Greenpoint/Williamsburg submarkets.

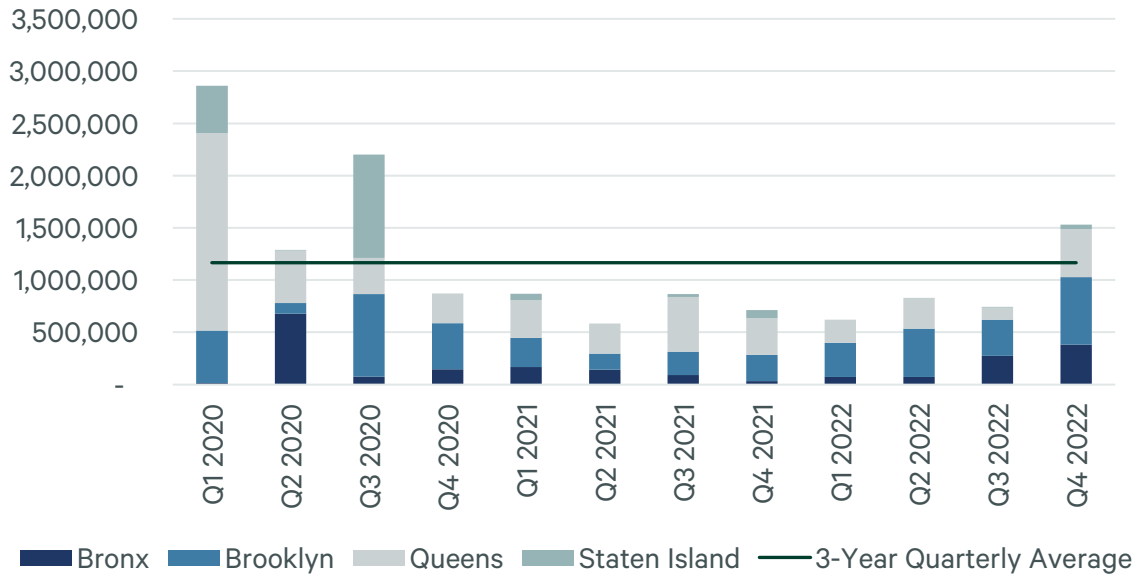
Queens recorded 28 lease transactions totaling 460,000 sq. ft. Leasing was up by 294% quarter-over-quarter. Leasing activity was most prominent in the Maspeth and Long Island City submarkets. The market’s largest lease transaction was by DB Schenker which pre-leased 83,127 sq. ft. at 182-22 150th Ave in Springfield Gardens.

FIGURE 1: Q4 2022 Notable Lease Transactions

	Size (Sq. Ft.)	Address	Market	Submarket
TENANT				
DB Schenker	83,127	182-22 150th Ave	Queens	Springfield Gardens
Standard Motor Products, Inc.	75,000	3718 Northern Blvd	Queens	Long Island City
ZeroSpace	48,000	337-351 Butler St	Brooklyn	Gowanus

Source: CBRE Research, 2022.

FIGURE 2: Leasing Velocity



Source: CBRE Research, 2022.

The Bronx recorded four lease transactions totaling 380,000 sq. ft. in Q4 2022. The quarter’s leasing velocity was up 38% quarter-over-quarter.

Staten Island recorded three lease transactions totaling 44,052 sq. ft. in Q4 2022. This reflects a 611% increase quarter-over-quarter.

Availability and Absorption

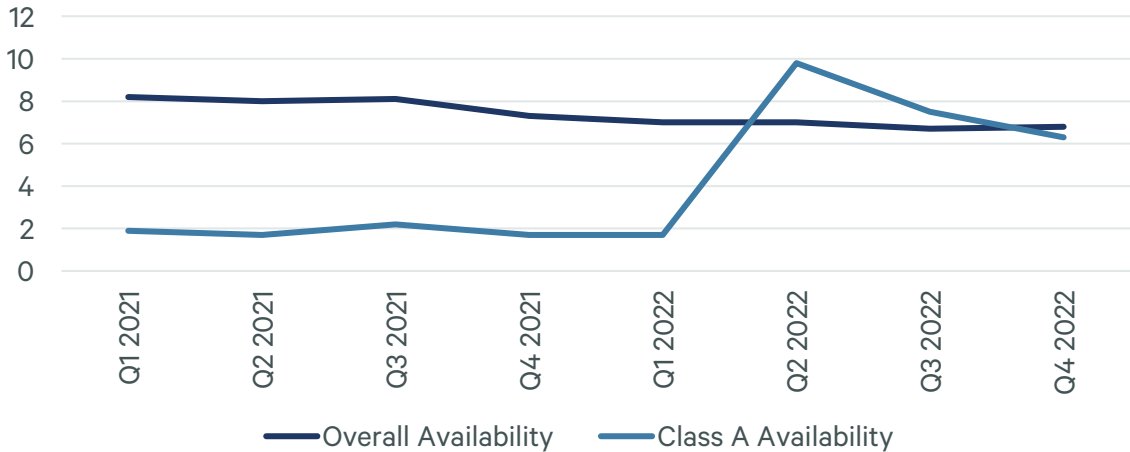
Quarterly net absorption totaled 600,000 sq. ft. The availability rate for all asset classes increased 10 bps quarter-over-quarter to 6.8%, a decrease of 50 bps since year end 2021. The vacancy rate rose 30 bps quarter-over-quarter to 5.6% and annually by 130 bps. The Class A availability rate decreased by 120 bps quarter-over-quarter to 6.3% after two fully leased Class A properties completed construction totaling 1.1 million sq. ft. These newly delivered Class A properties exert downward pressure on the availability rate by increasing the existing Class A space in the market. Existing Class A space totaled 10 million sq. ft. by quarter close.

The Bronx availability rate rose 50 bps quarter-over-quarter to 9.3% after the market posted over 160,000 sq. ft. of negative absorption. Zerega submarket had 114,875 sq. ft. of negative absorption, the most of any Bronx submarket.

Queens saw 563,000 sq. ft. of absorption in Q4, due in large part to the completion of the new Grand Logistics Center, a 770,000 sq. ft. multi-story distribution center that is leased to Amazon . Despite this, the Queens availability rate rose 20 bps to 6.7%, as additions of listings such as 18220 Liberty Ave in Jamaica and 4105-4109 21st in Long Island City added more space to the market. Deliveries of fully leased properties, while boosting absorption, have a much smaller effect on the overall availability rate than space coming on the market, therefore the Queen’s availability rate rose modestly while net absorption was strongly positive.

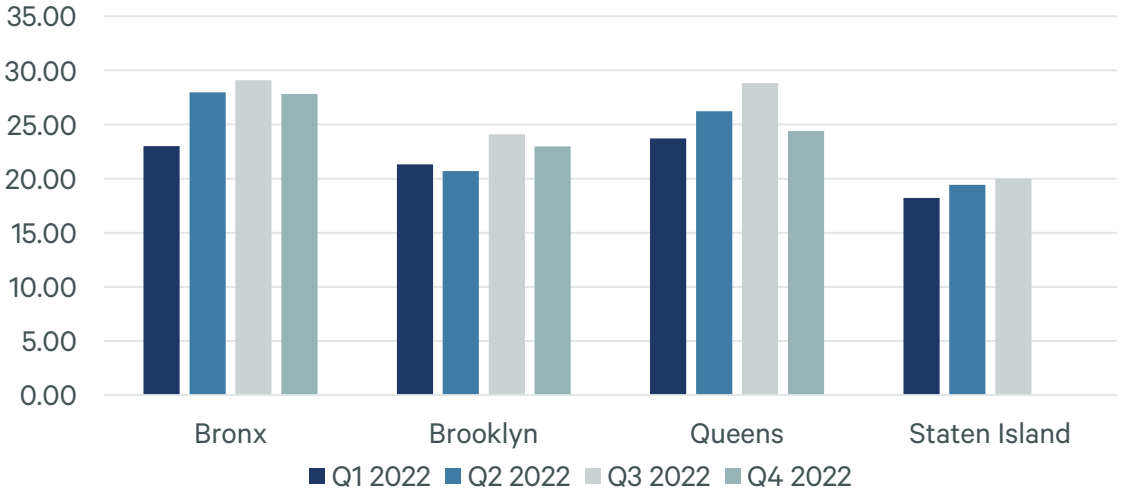
The availability rate in Brooklyn remained constant quarter-over-quarter at 6.5% despite 210,000 sq. ft. of positive absorption. This was due to the delivery of 280 Richards Street, a fully leased 311,796 sq. ft. building. The absorption and availability dynamics mentioned for the Queens market apply to this instance as well.

FIGURE 3: Figure Name



Source: CBRE Research, 2022.

FIGURE 4: Average Asking Rents



Source: CBRE Research, 2022.

Average Asking Rent

The average asking rent for all asset classes declined slightly by 1.7% quarter-over-quarter to \$25.06 per sq. ft. but was up 12% year-over-year. The average asking rent for Class A properties increased by 1.1% to \$29.92 per sq. ft. and remained constant year-over-year.

The average asking rent in the Bronx decreased by 4.3% quarter-over-quarter. The average asking rent in Brooklyn decreased by 4.7% quarter-over-quarter to \$22.96 per sq. ft. Queens saw a quarter-over-quarter decrease of 15% to \$24.39 per sq. ft.

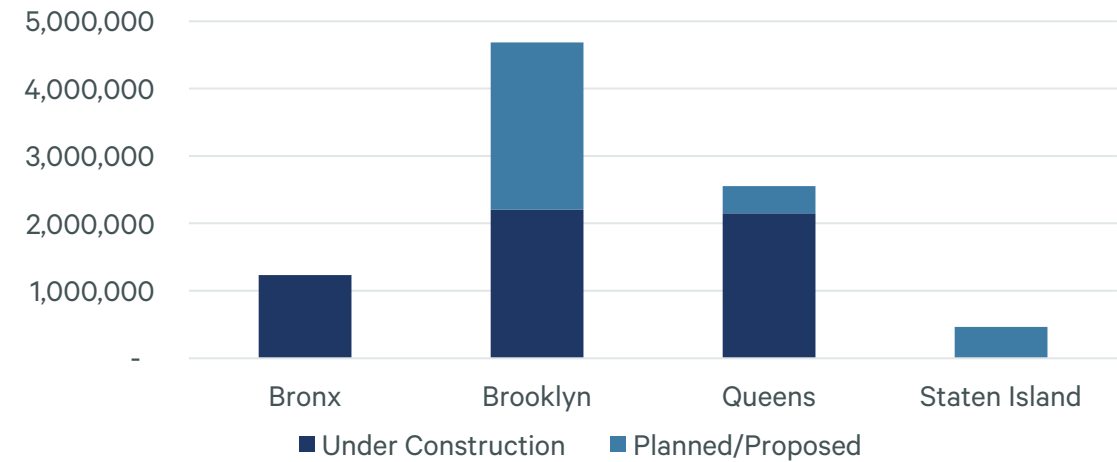
Construction and Development

Two properties completed construction in Q4 2022, the 770,000 sq. ft. Grand Logistics Center at 55-15 Grand Ave in Queens and the 311,796 sq. ft. building at 280 Richards Street in Brooklyn. No properties broke ground in the fourth quarter, as the market pauses during the current financial and economic uncertainties.

Ten properties totaling nearly 5.6 million sq. ft. were under construction in Q4: nine Class A properties totaling 5.6 million sq. ft. and one Class B property of 38,027 sq. ft. The projects under construction have a strong prelease rate of 67%. Asking rents for available space at these projects range from \$28 to \$39 per sq. ft. Additionally, thirteen buildings totaling 3.4 million sq. ft. are planned or proposed.

The Bronx has one property under construction totaling over 1.2 million sq. ft., Turnbridge’s Bronx Logistics Center at 920-980 E 149th Street, located within the Port Morris submarket. Four properties are under construction in Brooklyn totaling 2.2 million sq. ft., including the 1.3 million sq. ft. Sunset Industrial Park at 18 20th St. Queens has five properties under construction totaling over 2.2 million sq. ft., the largest being the 900,000 sq. ft. warehouse at 2330 Borden Ave. There are currently no new developments under construction in Staten Island.

FIGURE 5: Figure Name



Source: CBRE Research, 2022.

FIGURE 6: Figure Name

	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	2,221,576	9.3	27.83	356.25	380,441	-162,914
Brooklyn	66,216,774	4,300,914	6.5	22.96	467.64	646,799	214,048
Queens	62,313,745	4,164,897	6.7	24.39	434.93	459,930	563,263
Staten Island	6,164,962	68,300	1.1	-	359.60	44,052	-8,852
Total	158,662,623	10,755,687	6.8	25.06	429.78	1,531,222	605,545

Source: CBRE Research, 2022.

This map provides a comprehensive overview of the Queens, New York area. Key features include:

- Water Bodies:** East River, Long Island Sound, Jamaica Bay, Rockaway Inlet, and the Atlantic Ocean.
- Neighborhoods and Landmarks:** Astoria/Steinway, La Guardia Airport, College Point, Whitestone, Bay Terrace, Douglaston-Little Neck, Bayside, Glen Oaks, Floral park, Bellerose, Queens Village, Cambria Heights, Laurelton, Rosedale, Springfield Gardens, Howard Beach, East Jamaica Bay Islands, West Jamaica Bay Islands, Broad Channel, Far Rockaway, Arverne, Rockaway Beach, Rockaway Park, Belle Harbor, Roxbury, Neponsit, Jacob Riis Park, Forti Tilden, Breezy Point, Ridgewood, Glendale, Woodhaven, Richmond Hills, Ozone Park, Forest Hills, Forest Hills Gardens, Kew Gardens, Briarwood, Jamaica Hills, Jamaica Estates, Utopia, Hillcrest, Fresh Meadows, Pomonok, Flushing, Auburndale, Murray Hill, Flushing Meadows, Corona, Elmhurst, Jackson Heights, Woodside, Sunnyside, Maspeth, Middle Village, Rego Park, New Gardens Hills, and East Elmhurst.
- Highways:** I-278, I-678, I-495, and I-27.
- Airports:** La Guardia Airport and John F. Kennedy International Airport.

A map of New York City and its surrounding areas. The map shows the five boroughs of New York City: Manhattan (light gray), Bronx (light gray), Queens (light blue), Richmond (light blue), and Kings (light blue). The map also shows the surrounding areas of New Jersey (light gray) and Connecticut (light gray). The map is labeled with the names of the boroughs and surrounding areas: New York City, New Jersey, Connecticut, Manhattan, Bronx, Queens, Richmond, Kings, New York Bay, Upper New York Bay, Lower New York Bay, Raritan Bay, North Shore, Mid-Island, South Shore, and Newark. The map also shows the locations of the New York City Department of Transportation, the New York City Police Department, and the New York City Fire Department. The map is a detailed map of New York City and its surrounding areas, showing the five boroughs and the surrounding areas of New Jersey and Connecticut. The map is a detailed map of New York City and its surrounding areas, showing the five boroughs and the surrounding areas of New Jersey and Connecticut.

Nicole LaRusso

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