CBRE

STRONG LEASING VELOCITY DRIVEN BY VARIETY OF TENANT TYPES

▶ **4.8%**
Vacancy Rate

▲ **81,220**
Sq. Ft. Net Absorption

▶ **4.4 Million**
Sq. Ft. Under Construction

▲ **1.1 Million**
Sq. Ft. Leasing Velocity

▲ **$36.58**
NNN / Class A Lease Rate Per Sq. Ft.

▲ **$29.95**
NNN / Lease Rate Per Sq. Ft.

Note: Arrows indicate change from previous quarter.

Market Overview

The first quarter of 2024 began with above average leasing driven by a variety of different tenant types. A lack of net absorption prevented any vacancy rate changes, but a robust development pipeline filled with Class A properties threatens to raise future vacancy. The average asking rent for all asset types increased 11% quarter-over-quarter to $29.95 per square foot (sq. ft.), while the average asking rent for Class A properties rose 20% quarter-over-quarter to $36.58 per sq. ft.

FIGURE 1: Notable Lease Transactions, Q4 2023

Tenant	Size (Sq. Ft.)	Address	Market	Submarket
The MBS Group	145,000	66-35 Otto Road	Queens	Glendale
ReadySpaces	115,898	18410-18460 Jamaica Ave	Queens	Jamaica
The MBS Group	95,000	66-31 Otto Road	Queens	Glendale

Source: CBRE Research, Q1 2024

Demand

First quarter leasing velocity was off to an excellent start with over 1.1 million sq. ft. leased, 29% higher than the two-year average. Users showed an increased demand for mid-size spaces with eight deals over 50,000 sq. ft., which contributed to this quarter's average deal size being 24% higher than the two-year average. Landlords of Class B and C properties were more likely to negotiate base rents and provide concessions, which led to more deals getting signed. Landlords of Class A properties were less inclined to negotiate, and those availabilities went unleased. A lack of large deals signed by third-party logistics providers and e-commerce companies continued into the quarter. Unlike the previous quarter in which manufacturing tenants were the most active tenants, the market saw a more diverse mix of video production, lessors of miniwarehouses, government agencies, and retail/wholesale companies.

Supply

Of the 4.4 million sq. ft. under construction, most is Class A space that is expected to deliver by year-end 2024. With a pre-lease rate of 35%, these deliveries may lead to an oversupply of Class A space in the market. The gap in landlord-tenant expectations was wide enough to hamper Class A leasing. Tenants cut costs wherever they could and put off large expenditures. They hoped for greater landlord concessions and lower pricing, but Class A landlords are unable to budge on base rents due to underwriting. Class B and C landlords had greater flexibility when it comes to pricing and were willing to negotiate to get deals done.

The difference in landlord-tenant expectations is expected to continue as more unleased, under- construction Class A availabilities deliver. A lack of construction deliveries during the quarter and a balance between move-outs and move-ins resulted in an unchanged vacancy rate. Only one property broke ground in Q1 2024 totaling 100,000 sq. ft. in the Bronx. The property is a Class A space expected to deliver in Q2 2025. Projects earlier on in the approval process are delaying groundbreaking until new construction space is absorbed.

Rent Trends

The average asking rent for all asset types increased 11% quarter-over-quarter to $29.95 per sq. ft. due to high-quality logistics availabilities bringing up the overall average. The average asking rent for Class A properties continued an upward trend. The average asking rent for Class A properties increased 20% quarter-over-quarter to $36.58 per sq. ft. The average asking rent for existing Class B and C space was lower at $27.33 per sq. ft. Occupiers looking to make long term commitments began to see greater incentives from some landlords. Class B and C landlords are getting more aggressive with taking rents to get deals signed.

FIGURE 2: Historical Leasing Velocity (Sq. Ft.)
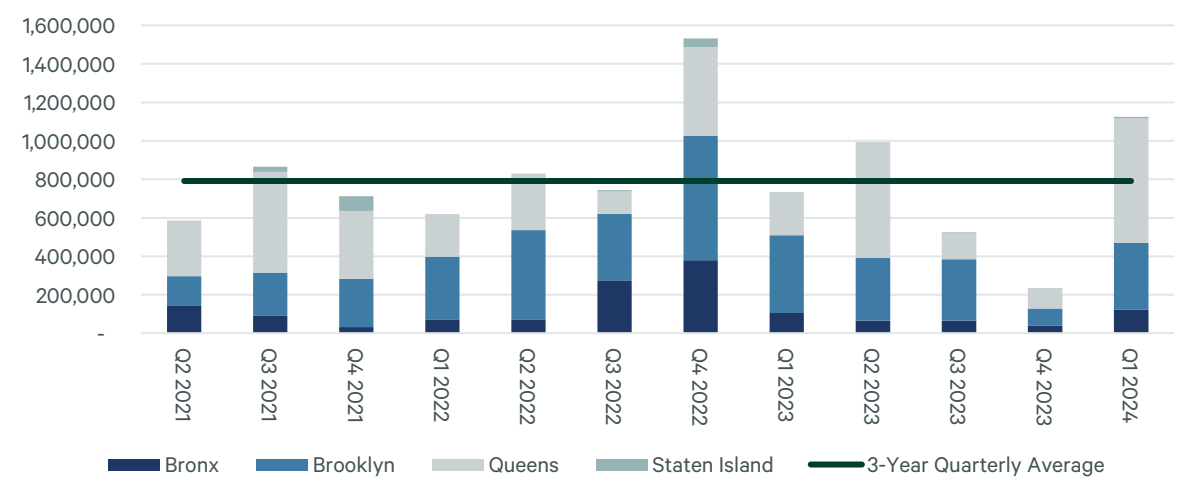
Source: CBRE Research, Q1 2024

FIGURE 3: Historical Vacancy
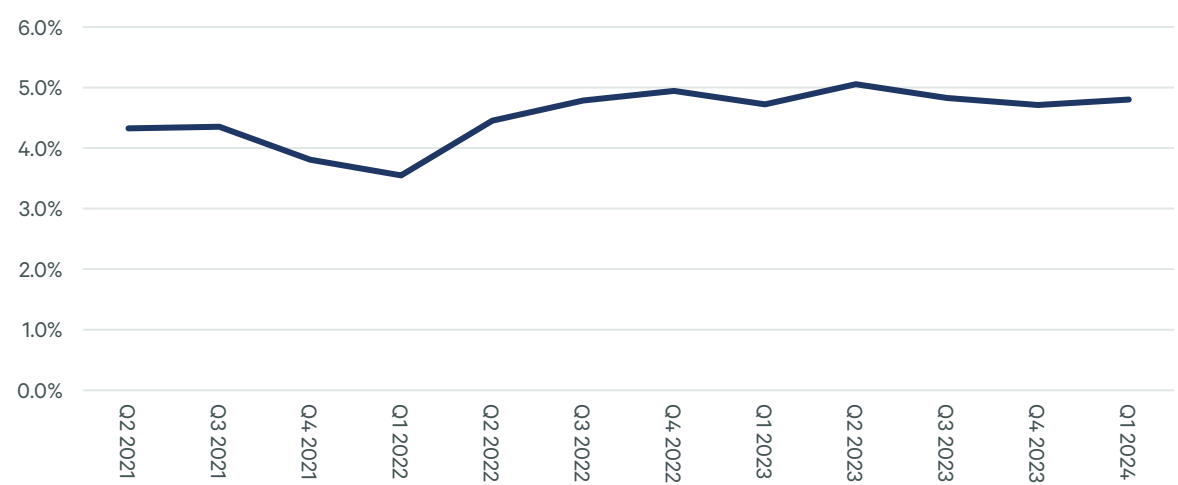
Source: CBRE Research, Q1 2024

Local Economic Overview

Industrial employment in New York City increased slightly in Q1, with employers adding 1,800 positions quarter-over-quarter (+0.6%). Year-over-year, industrial employment in New York City has contracted by 10,500 positions (-1.6%). Manufacturing employment shed 400 positions (-0.4%) quarter-over-quarter while trade, transportation, and utilities – a sector which includes logistics and fulfillment center employment – added 2,200 positions (+0.8%). Industrial employment in the five boroughs currently stands at 90.4% of its December 2019 level as manufacturing industries continue to retreat from the city. New York City's overall unemployment rate currently stands at 5.1%, above the national unemployment rate of 3.9%. The Fed will likely make three, 25 basis point cuts this year but recovery is not expected until the first cut is delivered. Better than expected growth over the last 18 months has been helpful in holding real estate vacancy down, notably in the industrial, retail and multifamily sectors.
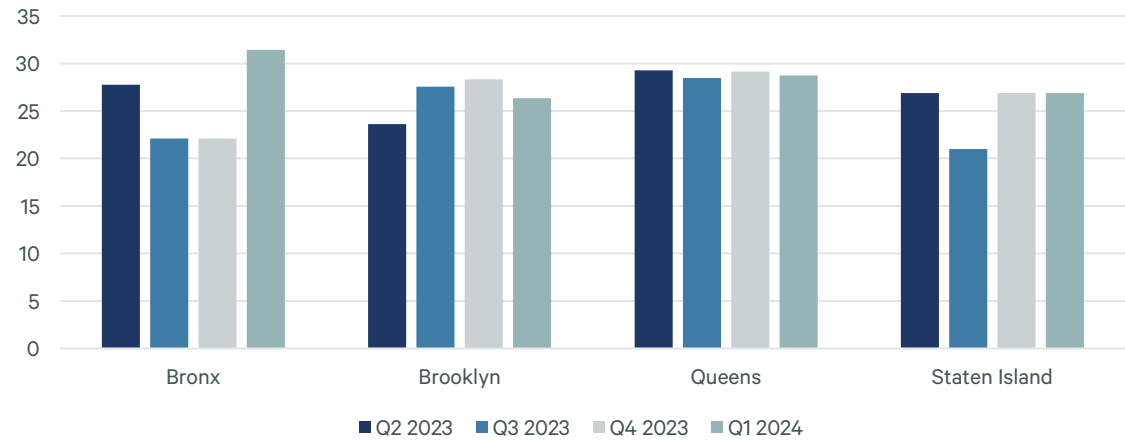
FIGURE 5: Historical Average Asking Rents ($/Sq. Ft.)

Source: CBRE Research, Q1 2024

FIGURE 4: Market Statistics

Market	Inventory (SF)	Availability (SF)	Availability Rate (%)	Avg. Asking Rent ($/SF)	Leasing Velocity (SF)	Net Absorption (SF)
Bronx	23,933,639	1,802,282	7.5	31.45	122,150	14,629
Brooklyn	66,401,201	2,997,686	4.5	26.36	347,914	(9,156)
Queens	62,422,276	2,935,096	4.7	28.73	646,649	113,287
Staten Island	6,139,985	45,000	0.7	26.88	7,460	(37,540)
JFK*	5,472,821	449,087	8.2	28.95	19,600	31,572
NYC Total	158,897,101	7,780,064	4.9	29.95	1,124,173	81,220

*The JFK submarket is a combination of areas from Queens and Nassau County that primarily serve JFK Airport.
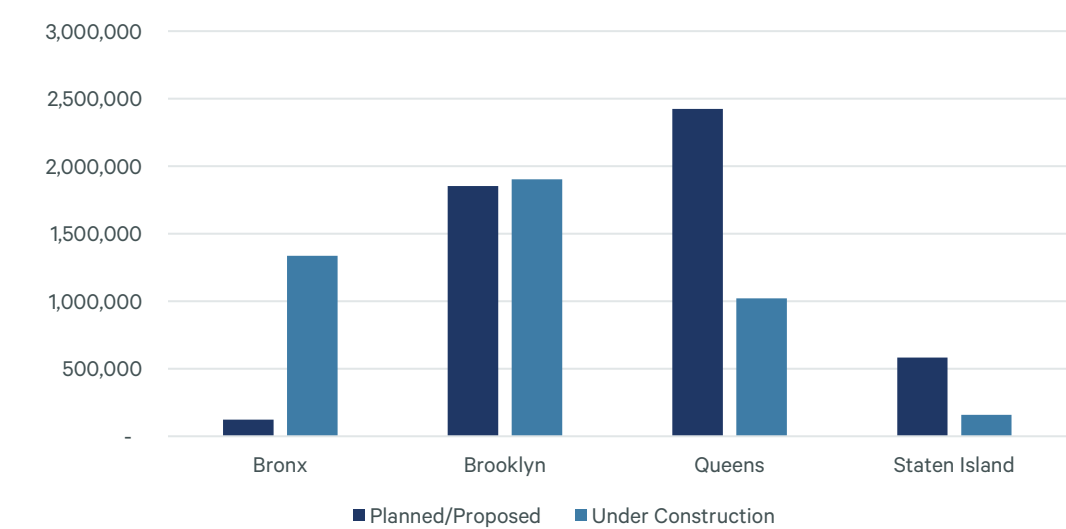
Source: CBRE Research, Q1 2024

FIGURE 6: Development Pipeline (Sq. Ft.)

Source: CBRE Research, Q1 2024

FIGURE 7: The Bronx

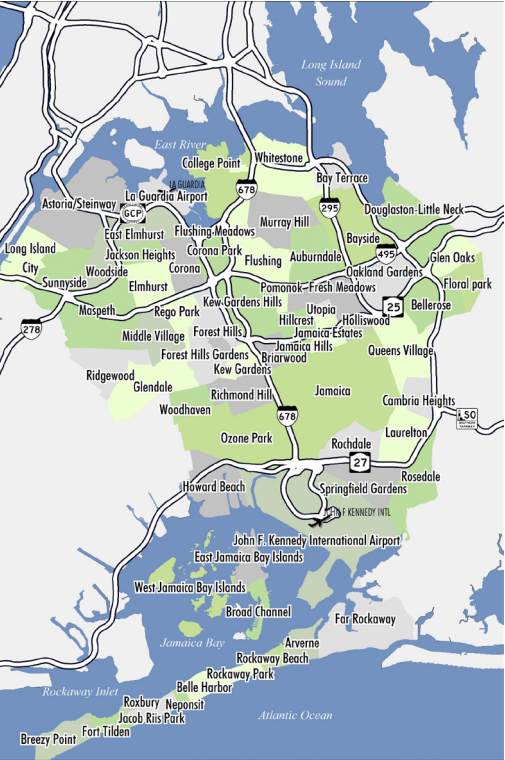FIGURE 8: Brooklyn

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

CBRE