



## LONG ISLAND CITY 1Q16 OFFICE MARKET

# POTENTIAL FOR FUTURE MARKET GROWTH FUELING INFLUX OF INVESTMENT

Following a strong fourth quarter of 2015, leasing activity in the Long Island City office market tailed off in the opening quarter of 2016. However, the area continued to attract significant investment from prominent developers and landlords.

### Factory Building Attracts Two Tenant Commitments

There were two notable leases signed at the Factory Building in the first quarter. United Healthcare Services signed the largest deal of the quarter, leasing 19,401 square feet in the building in January. Additionally, online apparel subscription service Gwynnie Bee expanded its operations in the Factory Building in March. The technology firm, which originally leased space in the building last May, added 6,306 square feet for a total occupancy of 19,008 square feet.

Two mid-sized blocks came online in the Factory District this quarter: At the Factory Building, 62,044 square feet of space was made available in February, while 54,437 square feet of direct space hit the market at the Falchi Building in January. With the limited amount of activity this quarter, the two spaces pushed the quarterly net absorption total into negative territory with 118,415 square feet. Additionally, supply was so limited that the spaces drove availability up 100 basis points to 11.5% from the previous quarter. Availability finished up from 10.3% one year ago.

The influx of space in prime buildings drove asking rents up to \$36.72/SF from \$34.28/SF in the previous quarter. Long Island City rents have risen 13% from \$32.45/SF one year ago and 68% in just five years.

### Growing Demand Attracts Prominent Landlords and Developers

With rising demand and a limited supply of prime space, Long Island City is in the midst of significant inventory expansion, which is taking the form of both new construction and repositioning of warehouse to office space. Several new projects were initiated this quarter, as developers continued to invest opportunistically in Long Island City's nascent office market.

Tishman Speyer is planning a new 600,000-square-foot office tower at 28-10 Queens Plaza South, which is scheduled to begin construction in 2017. The Related Companies and GreenOak Real Estate bought two large commercial buildings for \$110 million in March, with the intent to convert both properties into top-tier office space. The two buildings encompass a combined 280,000 square feet.

Additionally, city officials with the Economic Development Corporation announced plans to develop two sites on the Long Island City waterfront. The plans call for the rezoning of the existing properties to allow for 300,000 square feet of office space as well as a residential component.

### Current Conditions

- Asking rents jumped to \$36.72/SF in the first quarter, up 13% from \$32.45/SF one year ago.
- Several new development projects were initiated this quarter, as landlords expand inventory to capture demand.
- Mid-sized blocks of space hitting the market drove availability up to 11.5% from 10.5% at year-end 2015.
- The quarterly net absorption total finished at negative 118,415 square feet.

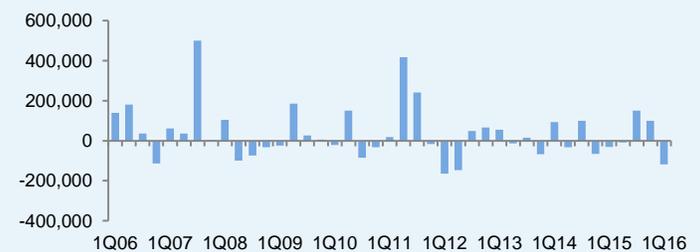
### Market Analysis

#### Asking Rent and Availability



#### Net Absorption

Square Feet



### Market Summary

	1Q16	4Q15	1Q15	12 Month Forecast
Total Inventory	12.0MSF	12.0MSF	11.4MSF	↑
Availability Rate	11.5%	10.5%	10.3%	↑
Quarterly Net Absorption	-118,415	98,611	-30,713	↑
Average Asking Rent	\$36.72	\$34.28	\$32.45	↑
Under Construction	48,563	48,563	656,470	↑
Deliveries	0	61,470	0	↑




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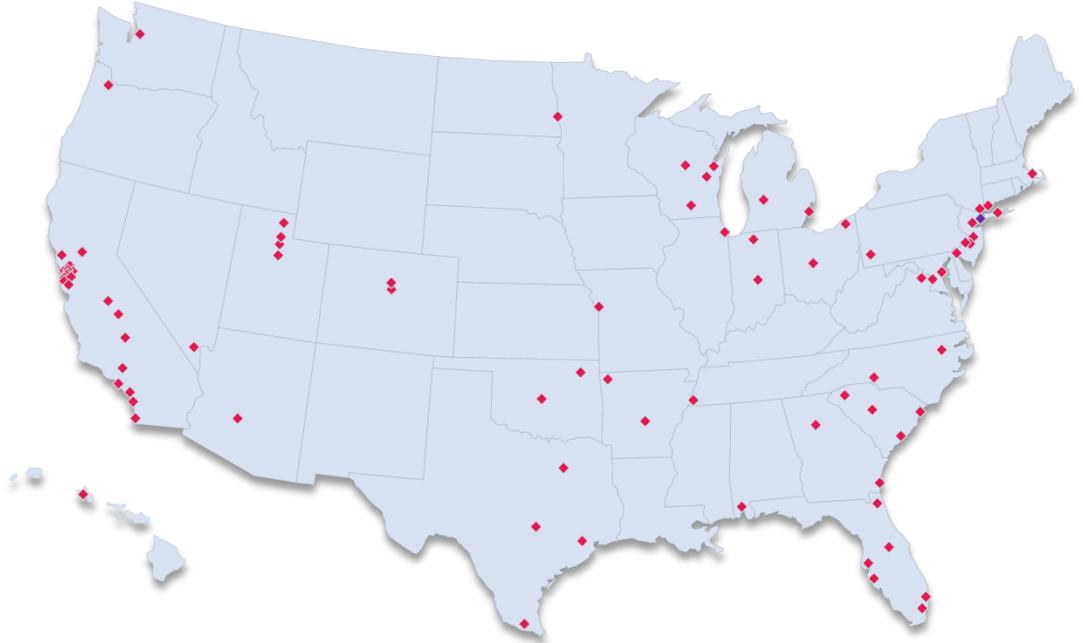
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### Newmark Grubb Knight Frank United States Office Locations



**Newmark Grubb Knight Frank has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective rents.**

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