



LONG ISLAND CITY 4Q15 OFFICE MARKET

TECH AND CREATIVE TENANTS DRIVE STRONG YEAR OF LEASING

The Long Island City office market saw an uptick in leasing activity in the second half of 2015, driven by large commitments from TAMI (tech, advertising, media and information) and retail tenants in repositioned industrial buildings. As a result, availability tightened to 8.9% in the fourth quarter from 9.8% in the third quarter, but finished slightly up from 8.6% one year ago due to new availabilities added to the market.

High-Profile Fashion and Tech Firms Establish Footholds

Fashion and retail tenants continued to find value in Long Island City in 2015, with two large high-profile tenants leasing space at the Factory Building in the second half of the year. In the market's largest deal of the year, Macy's signed to relocate its photography studio from Downtown Brooklyn in August, taking 150,000 square feet in the building. The deal was a homecoming of sorts, as the Factory Building was originally owned and operated by Macy's as a furniture warehouse in the early 1900s. In the fourth quarter, Polo Ralph Lauren took 19,105 square feet in the building.

Tech and creative tenants were also highly active in the Long Island City market this year. WeWork established its first location in Queens in September, leasing 51,565 square feet at 35-37 36th Street. Ride-sharing app Uber signed the largest lease of the fourth quarter, taking 20,000 square feet at the Falchi building in December. Uber will become the latest transportation tenant to take space in the building, joining the New York City Taxi and Limousine Commission and Lyft.

Rents Hit Record High Yet Remain Deep Discount to Midtown

Long Island City asking rents reached a new market peak in the fourth quarter, climbing to \$34.28/SF from \$32.90/SF in the third quarter and finishing up 13% from \$30.21/SF at year-end 2014.

Despite the sharp increase, rents in the area still offer a significant discount to tenants looking for value-priced space proximate to Midtown Manhattan. At year-end 2015, Midtown's average asking rent increased to \$80.97/SF, a 136% premium over Long Island City's average asking rents.

Strong leasing pushed total net absorption to positive 98,611 square feet in the fourth quarter. The year-end absorption total finished positive at 308,208 square feet, the largest positive year-end absorption total in five years.

Current Conditions

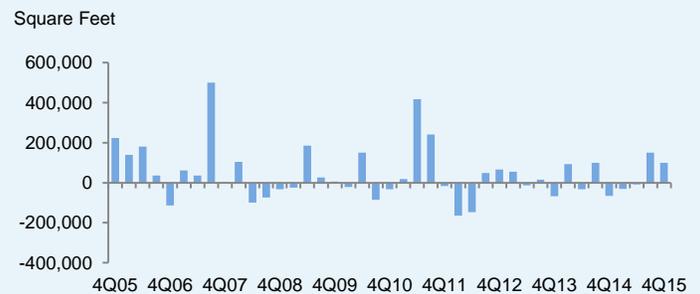
- Asking rents reached a historical high of \$34.28/SF in the fourth quarter, up 13% from year-end 2014.
- Value-driven TAMI and fashion tenants fueled one of the strongest years of leasing in Long Island City.
- Availability dropped 90 basis points to 8.9% from 9.8% in the third quarter.
- The year-end net absorption total finished at positive 308,208 square feet, the largest positive total in five years.

Market Analysis

Asking Rent and Availability



Net Absorption



Market Summary

	4Q15	3Q15	4Q14	12 Month Forecast
Total Inventory	11.2MSF	11.1MSF	11.1MSF	↑
Availability Rate	8.9%	9.8%	8.6%	↓
Quarterly Net Absorption	98,611	150,202	-66,172	↑
Average Asking Rent	\$34.28	\$32.90	\$30.21	↑
Under Construction	48,563	110,033	61,470	↑
Deliveries	61,470	0	0	↑

