



LONG ISLAND CITY 3Q15 OFFICE MARKET

HIGH-PROFILE CREATIVE TENANTS DRIVE STRONG LEASING

Long Island City office leasing accelerated in the third quarter of 2015, as two large, high-profile TAMI (tech, advertising, media and information) tenants signed leases this quarter. Co-working space provider WeWork agreed to establish its first outpost in Queens, leasing 51,565 square feet at Studio Square in July. The following month, Macy's signed to relocate its photography studio from Downtown Brooklyn to the Factory Building, taking 150,000 square feet. 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.

These two deals marked the largest leases signed in Long Island City this year and contributed to the strongest quarter of leasing since year-end 2013. The surge in activity pushed availability down 70 basis points to 9.8% from 10.5% in the second quarter. However, the availability rate finished up from 7.5% one year ago.

Total net absorption swung positive with 150,202 square feet in the third quarter, bringing the year-to-date total into positive territory at 110,986 square feet.

Long Island City asking rents continued to climb steadily, reaching \$32.90/SF in the third quarter from \$32.63/SF in the second quarter. Rents finished up 12% from \$29.25/SF at this time last year. However, rents in Long Island City still offer a significant discount to tenants looking for value-priced space proximate to Midtown Manhattan. During the third quarter, Midtown's average asking rent increased to \$83.24/SF, a 153% premium over Long Island City's average rents.

Leasing Market Benefiting from Influx of Young Professionals

While the supply of repositioned industrial product remains a key factor in attracting value-driven TAMI tenants to the area, Long Island City's shifting demographics have also played a major role in its renewed appeal. Long Island City contains a higher percentage of millennials than both Manhattan and New York City overall, with young professionals flocking to the area in recent years. According to U.S. Census data, people aged 25 to 34 comprise 21.2% of the 2015 Manhattan population, while in Long Island City that number jumps to 27.3%.

Court Square Development Site Receives Major Investment

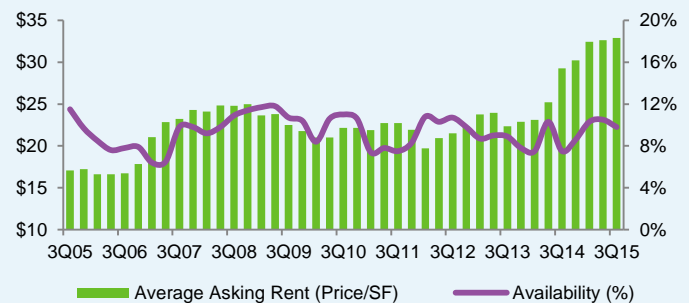
The area surrounding One Court Square continued to see investment activity in the third quarter. In July, Citibank sold a large development site sitting just north of One Court Square to developer Jia Shu Xu for \$143.0 million. The site encompasses 780,000 buildable square feet and is zoned for a mix of uses.

Current Conditions

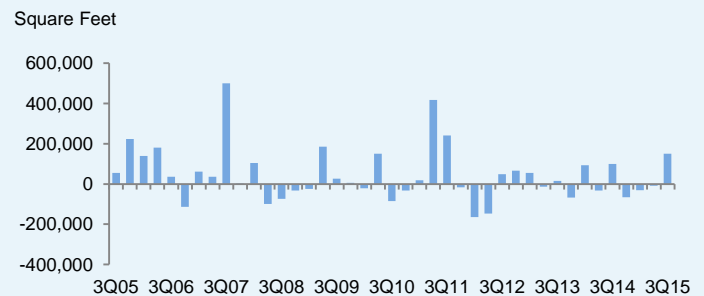
- The third quarter marked the strongest quarter of leasing since year-end 2013, driven by large commitments from Macy's and WeWork.
- Long Island City's repositioned industrial spaces continue to attract value-driven creative tenants.
- Availability fell to 9.8% from 10.5% in the second quarter.
- Asking rents rose to \$32.90/SF from \$32.63 last quarter and finished up 12% year-over-year.

Market Analysis

Asking Rent and Availability



Net Absorption



Market Summary

| | 3Q15 | 2Q15 | 3Q14 | 12 Month Forecast |
|--------------------------|---------|---------|---------|-------------------|
| Total Inventory | 11.1MSF | 11.1MSF | 11.1MSF | ↑ |
| Availability Rate | 9.8% | 10.5% | 7.5% | ↓ |
| Quarterly Net Absorption | 150,202 | -8,503 | 99,979 | ↑ |
| Average Asking Rent | \$32.90 | \$32.63 | \$29.25 | ↑ |
| Under Construction | 595,000 | 595,000 | 595,000 | ↑ |
| Deliveries | 0 | 0 | 0 | ↑ |



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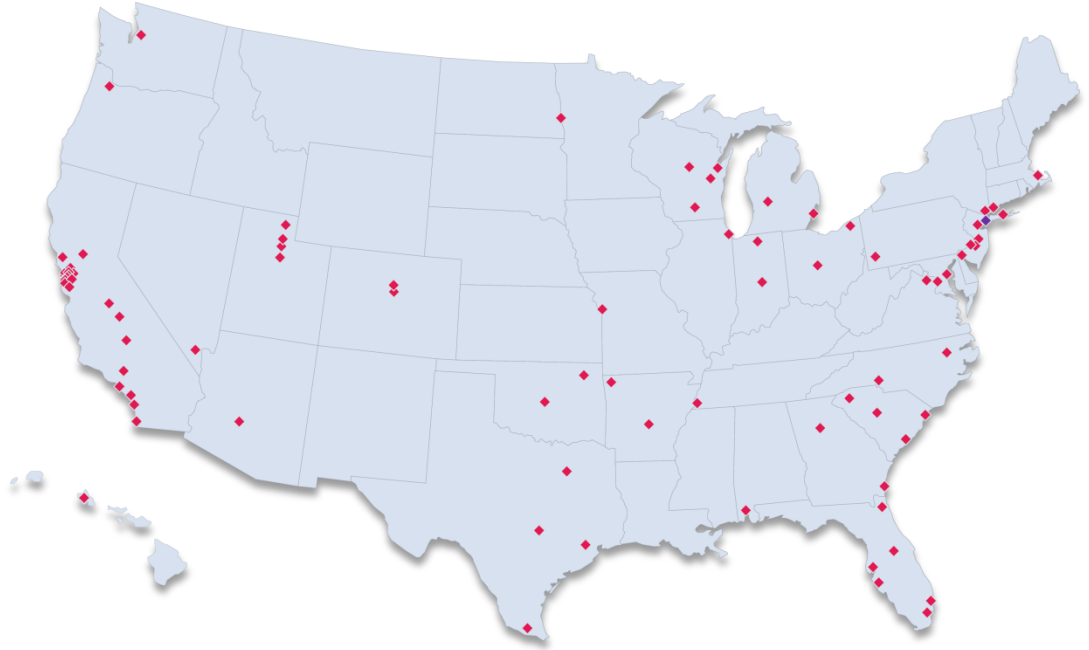
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Newmark Grubb Knight Frank United States Office Locations



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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