

LONG ISLAND CITY OFFICE MARKET

AMAZON PULLS OUT OF PLANNED HQ2

The dominant storyline of the fourth quarter of 2018 was the selection of Long Island City as one of the two locations for Amazon's HQ2. That narrative changed drastically in the first quarter of 2019, as the technology giant suddenly withdrew from the neighborhood.

Since its decision to move into Long Island City, Amazon had been opposed by both residents and politicians who believed the jobs created by the project would not be worth the billions of dollars in incentives promised to the company. Prior to its abrupt exit, Amazon had signed an LOI at 1 Court Square for approximately 1.0 million square feet. The building owner, Savanna, is currently looking to fill this space with interest from companies representing several industries, including health care company Centene.

AVERAGE ASKING RENTS DECLINE FOR THE FIRST TIME IN SEVEN QUARTERS

Average asking rents fell to \$46.76/SF, the first quarter-over-quarter decrease in seven quarters. This is a 3.0% percent decrease from the record high set last quarter and a 10.4% increase from this time last year. Asking rents in prime buildings, which make up 66.5% of the total RBA in Long Island City, decreased 40 basis points from last quarter to \$49.39/SF.

In each of the three submarkets Astoria, Hunters Point and The Factory District the availability rate fell from last quarter. The overall availability rate fell to 20.9%, a decline of 4.1% from last quarter, although this still represents an increase of 6.3% from a year ago.

Absorption ended the quarter at 567,856 square feet, a considerable departure from 2018's year-end total of negative 1,319,218 square feet. This past quarter's strong showing is due in large part to Hunters Point, which posted 324,809 square feet of absorption. This can be directly attributed to the success of its new developments, including the 1.1 million square foot *The JACX*.

The largest lease of the quarter was signed in this Tishman Speyer development by Macy's, which added 300,000 square feet to the 567,000 square foot lease it had already signed. Other big moves this quarter were Estée Lauder, which took 95,723 square feet at 27-01 Queens Plaza North.

**Prime buildings include repositioned and Class A buildings.*

CURRENT CONDITIONS

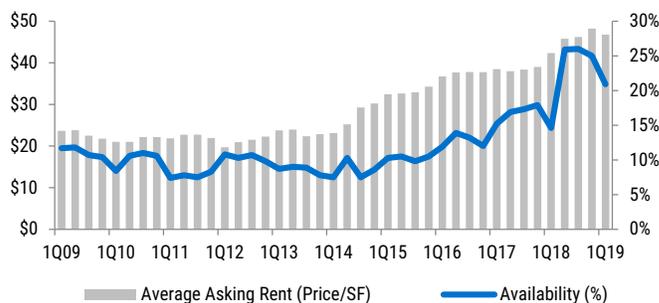
Amazon renounced its prior commitment to establish a new headquarters in Long Island City.

Long Island City asking rents fell 3.0% from last quarter, marking the first time since the second quarter of 2017 that this number has fallen.

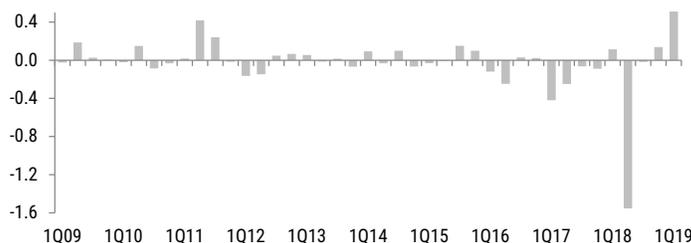
Despite the loss of Amazon, other tenants continue to move into the area, as demonstrated by the fact that *The JACX* is fully leased.

MARKET ANALYSIS

Asking Rent and Availability



Net Absorption (SF, Millions)



MARKET SUMMARY

	Current Quarter	Prior Quarter	Year Ago Period	12 Month Forecast
Total Inventory	13.7 MSF	13.7 MSF	13.7 MSF	↑
Availability Rate	20.9%	25.0%	14.6%	↓
Quarterly Net Absorption	567,856	137,416	114,632	↑
Average Asking Rent	\$46.76	\$48.21	\$42.33	↑
Under Construction	1.8 MSF	1.8 MSF	1.8 MSF	↔
Deliveries	0	0	0	↑


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Newmark 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. Newmark Knight Frank Research Reports are available at www.ngkf.com/research

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