

LONG ISLAND CITY OFFICE MARKET

ASKING RENT INCREASES ACROSS LONG ISLAND CITY

Market fundamentals improved across all three submarkets this quarter. Quarter over quarter, average asking rent increased by 6.1%, led by The Factory District and Astoria. These submarkets grew by 9.8% and 7.2%, respectively. Hunters Point saw a 3.3% increase in average asking rent.

Availability fell 1.3 percentage points in Long Island City between the third and fourth quarters of 2019. Hunters Point saw the largest drop in availability with 1.7 percentage points, followed by Astoria and The Factory District, falling 1.1 and 0.9 percentage points, respectively. This quarter brought an increase in negative absorption, but strong leasing in the first half of 2019 and the decrease in availability this quarter allowed for 113,205 square feet of positive absorption for the year.

Fourth-quarter activity consisted of small deals. The largest deal was Madewell's short-term sublease at The Factory, 30-30 47th Avenue, for 19,008 square feet. The transaction was one of four deals signed in that building during the quarter. In the largest expansion of the quarter, the Department of Transportation increased its occupancy by 19,000 square feet at 3300 Northern Boulevard. These deals capped off a year of otherwise positive momentum.

NEW DEVELOPMENT DELIVERED FULLY LEASED

The majority of construction in Long Island City has consisted of warehouse conversions, but this quarter marked a new phase for the market. Tishman Speyer completed construction on The JACX, a 1.2 million-square-foot development containing a retail platform and two office towers. Unlike most conversion projects in Long Island City, which traditionally have delivered with few, if any, committed tenants, The JACX delivered fully leased. Macy's/Bloomingdales will occupy the entire East Tower, also known as One Jackson, and a portion of the West Tower, Three Jackson. WeWork will occupy the balance of the West Tower. The quick absorption of this space drove a 16.8% drop in rents for the submarket. However, despite that drop, rents are still 27.0% higher than they were before space at The JACX was added to the market in the first quarter of 2018.

Construction in Long Island City is seeing additional diversification, as the market is quickly becoming a hub for life science. Several projects in the planning stages will bring nearly 500,000 square feet of repositioned lab space to the market. These include The Bindery, 30-02 48th Avenue and 45-18 Court Square West.

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

CURRENT CONDITIONS

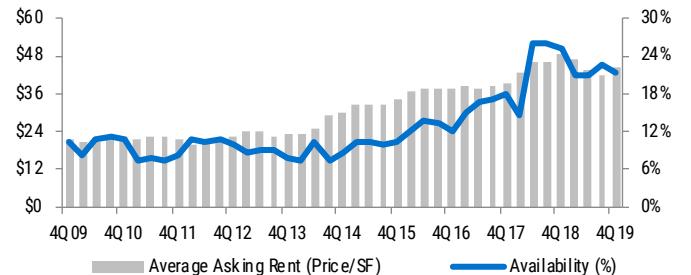
Overall asking rent jumped 6.1% quarter over quarter and each submarket saw an increase in asking rent.

Availability fell to 21.5% across the market. After reaching a record high of 26.0% in the third quarter of 2018, availability has been trending down.

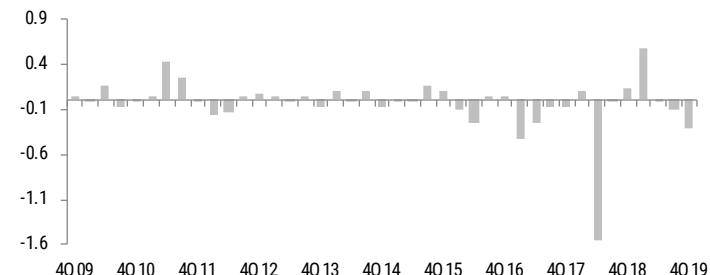
Leasing activity fell this quarter, but a strong start to the year, including two large deals totaling nearly 650,000 square feet at 1 Court Square by Centene Corp. and Altice USA, kept absorption positive at 113,205 SF for the year.

MARKET ANALYSIS

Asking Rent and Availability



Net Absorption (SF, Millions)



MARKET SUMMARY

	Current Quarter	Prior Quarter	Year Ago Period	12 Month Forecast
Total Inventory	15.0 MSF	14.7 MSF	13.7 M SF	↑
Availability Rate	21.5%	22.8%	25.0%	↓
Quarterly Net Absorption	-320,548	-101,376	137,416	↑
Average Asking Rent	\$44.19	\$41.63	\$48.21	↑
Under Construction	924,860	1.7 MSF	1.0 MSF	↔
Deliveries	1.2M SF	240,526	0	↑

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