

INVESTMENT FORECAST

Industrial
New York

IPA
INSTITUTIONAL
PROPERTY
ADVISORS






2022

Redirected Shipping Jolts Fundamental Recovery; Industrial Outperforms Other Asset Classes

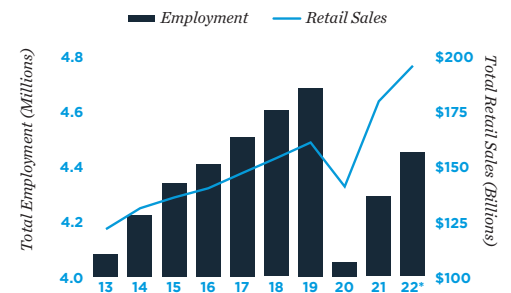
Elevated demand for delivered goods drives leasing activity. Following declining rents in the early stages of the health crisis, rising e-commerce sales have contributed to positive momentum in New York's industrial sector since. Leasing activity has been driven by shipping giants UPS and FedEx, alongside multiple online retailers. Amazon recently inked a 975,000-square-foot lease in Staten Island, constituting nearly 12 percent of the borough's inventory. Additionally, supply chain issues have diverted ships from other coastal metros to New York ports, generating record levels of tonnage. As the global supply chain headwinds could extend into late 2022 and beyond, short-term storage for these shipments will keep demand for warehouse space elevated. Despite high leasing appetites, rapid construction may weigh on the rent recovery. Developers are poised to bring the five-year completion total to near 7.2 million square feet by the end of 2022, setting a multidecade record for inventory growth. Over 1 million square feet will come online in North Brooklyn alone, where asking rents have yet to reach pre-pandemic highs.

Space demand from distributors intrigues buyers pursuing stable revenue streams. New York's high proportion of warehouse space left the industrial sector ripe for bidding activity in the wake of the e-commerce boom. Contrasting other property types, cap rates on industrial assets have continually compressed throughout the pandemic, as investors noted enthusiastic leasing demand relative to other asset classes. Yields for industrial properties entered the year averaging in the mid-3 percent band, which is 120 basis points under the next-lowest property type. Due to high demand for shipped items, interest surrounding warehouse properties should remain elevated, even as the performance of other asset classes improves as the city emerges from the pandemic.

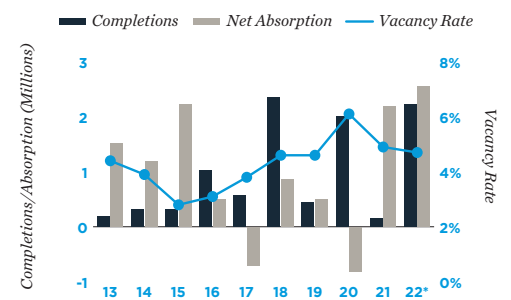
2022 Market Forecast

- Employment**  New York City recovers another 160,000 jobs in the wake of last year's hiring surge, when 236,000 positions were filled.
up 3.7%
- Construction**  The market undergoes its second-fastest year of stock expansion in over two decades, just under the previous record of 2.3 million square feet finalized in 2018.
2.2 million sq. ft.
- Vacancy**  Vacancy compression continues as net absorption exceeds 2 million square feet for the second year in a row. Available space declines to 4.7 percent of inventory.
down 20 bps
- Rent**  After rents declined 4.1 percent in 2020, recovery is still ongoing. The average asking rent is projected to end the year at \$22.90 per square foot, six cents under the previous high.
up 1.8%
- Investment**  As the need for last-mile delivery space continues to generate high warehouse leasing demand, industrial properties may draw capital from investors who typically operate in sectors that are facing a more prolonged recovery.

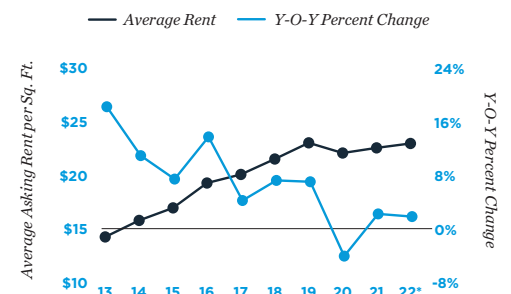
Economic Trends



Supply and Demand



Rent Trends



* Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

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Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of February 2022. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Forecasts for employment and retail data are made during the first quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guaranty regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.