

MARKET REPORT

Industrial
New York Metro Area

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

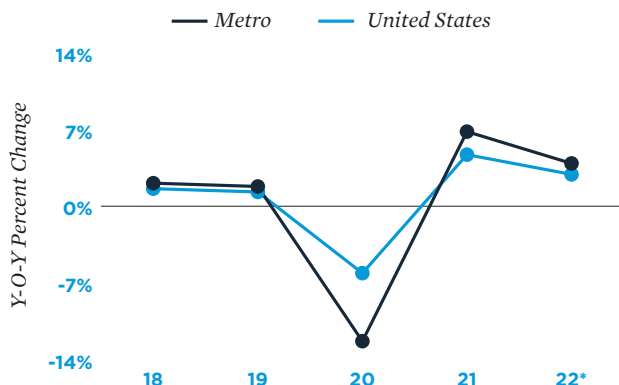
Midyear 2022

Southernmost Boroughs Reap Benefits of Pipeline Expansion

Elevated development activity to continue in the near term. The industrial construction boom is still underway in New York. Supply additions in 2022 are expected to increase inventory by more than 1.0 percent for the third time in the last five years. During the two decades prior, the rate of expansion never exceeded 0.6 percent. Developers are focusing on larger distribution centers, with the majority of the space set to be delivered this year stemming from a single Bronx-based project. Furthermore, the active pipeline as of June approaches 5.8 million square feet, indicating the pace of construction will dramatically accelerate in the near term.

Demand rises in emerging and established zones. Leasing in Staten Island has been bolstered by the borough's position linking the Long Island boroughs and New Jersey. Posting a vacancy rate at just 1 percent at the beginning of April, the island boasts the lowest availability among New York submarkets. Furthermore, supply additions are projected to have little-to-no effect on availability here in the near term. North Brooklyn, comprising 30 percent of the city's industrial stock, posted a 100-basis-point drop in vacancy over the yearlong period ended in March. The availability rate of 3.8 percent is just 20 basis points over the year-end 2019 equivalent. Large blocks of space taken off the market by Amazon and industrial to self-storage conversions indicate demand will remain solid here moving forward.

Employment Trends



* Forecast

Sources: BLS; CoStar Group, Inc.

Industrial 2022 Outlook



**170,000
JOBS**
will be created

EMPLOYMENT:

A May unemployment rate of 6.2 percent indicates the metro has room for job growth, with the amount of positions in the city projected to grow by 3.9 percent in 2022. Still, the five boroughs will end the year 154,000 jobs under the February 2020 level.



**1,900,000
SQ. FT.**
will be completed

CONSTRUCTION:

Nearly all deliveries slated for this year are located in the Bronx and Long Island. A 1 million-square-foot warehouse will come online in the Bronx later this year, expanding the borough's industrial supply by more than 4 percent.



**10
BASIS POINT**
decrease in vacancy

VACANCY:

A second year of net absorption exceeding 1 million square feet translates to another round of vacancy compression. Availability will end 2022 at 4.8 percent, just above the fourth quarter 2019 equivalent.

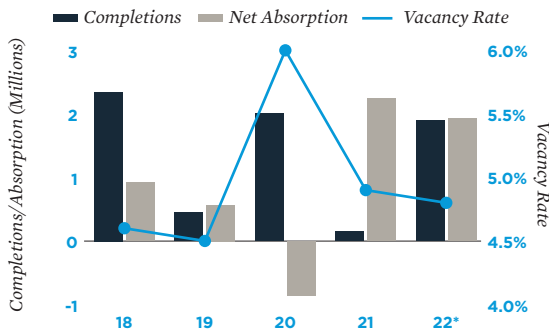


**1.3%
INCREASE**
in asking rent

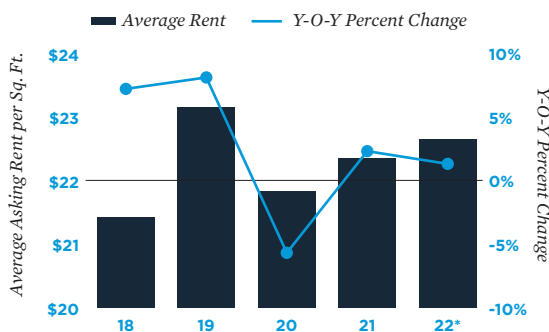
RENT:

Falling vacancy will keep upward pressure on rents, bringing the average asking rent to \$22.65 per square foot across the five boroughs. Tight conditions in Staten Island could translate to higher rent momentum here.

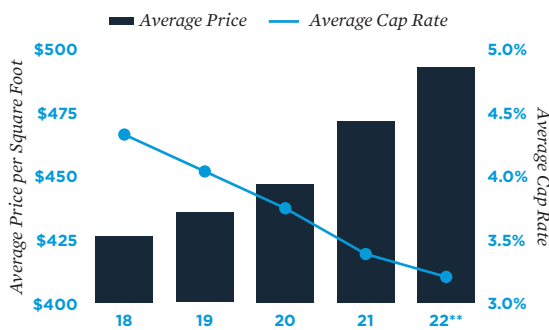
Supply and Demand



Rent Trends



Sales Trends



* Forecast ** Through 1Q

Sources: CoStar Group, Inc.; Real Capital Analytics

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Price: \$250

1Q 2022 - 12-Month Period



CONSTRUCTION

151,000 sq. ft. completed

- Projects this period were limited to a small amount of arrivals in Brooklyn, as New York observed its lowest 12-month completion total since 2013.
- Despite the slowdown observed over the trailing year ended in March, finalizations will accelerate later this year. As of June, the average size of projects in the active pipeline exceeded 450,000 square feet.



VACANCY

110 basis point decrease in vacancy Y-O-Y

- The decline observed over the yearlong span was the largest 12-month downward movement since 2015, lowering vacancy to 4.7 percent.
- Outside of Staten Island, the submarkets with more than 8 million square feet of inventory reporting the lowest vacancy were Northeast and Central Queens. Availability there was 3.4 percent and 3.7 percent, respectively.



RENT

1.0% increase in the average asking rent Y-O-Y

- The average asking rent ended the first quarter at \$22.38 per square foot, more than 3 percent under the year-end 2019 equivalent.
- While rents citywide have yet to recover to previous highs, Staten Island entered April with a mean marketed rent of \$16.93 per square foot, the single borough to see an all-time high in this metric during the first quarter.

Investment Highlights

- Trading velocity for the 12-month period ended in March crested 25 percent above the 2019 calendar year equivalent. The jump in activity was driven both by long-time investors returning to the sector, and additional buyers drawn to the market by solid pandemic-era property performance.
- Buyer activity drove a 9 percent pricing gain this period, the largest 12-month jump since 2015. The average price per square foot among assets traded in this span was \$492, nearly double that of the next-costliest market on the Eastern Seaboard. A 50-basis-point cap rate compression, the most rapid 12-month downward movement since 2004, brought the average yield to 3.2 percent, the lowest nationwide.
- Investors remained active in the Long Island boroughs, with Brooklyn and Queens comprising about 70 percent of the trades observed during the yearlong period ending the first quarter. Most properties traded here fell into the high-2 to 3 percent yield tranche. Investors are being convinced to accept lower returns here by the sub-4 percent availability rates in the area's tighter submarkets.

The information contained in this report was obtained from sources deemed to be reliable. Every effort was made to obtain accurate and complete information; however, no representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. Metro-level employment growth is calculated based on the last month of the quarter/year. Sales data includes transactions sold for \$1 million or greater unless otherwise noted. 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. Sources: Marcus & Millichap Research Services; Bureau of Labor Statistics; CoStar Group, Inc.; Real Capital Analytics