

# MARKET REPORT

INDUSTRIAL

New York Metro Area

IPA INSTITUTIONAL  
PROPERTY  
ADVISORS

2Q/21

## E-Commerce Leasing Provides Some Stability as Market Recovers During a Lull in Construction

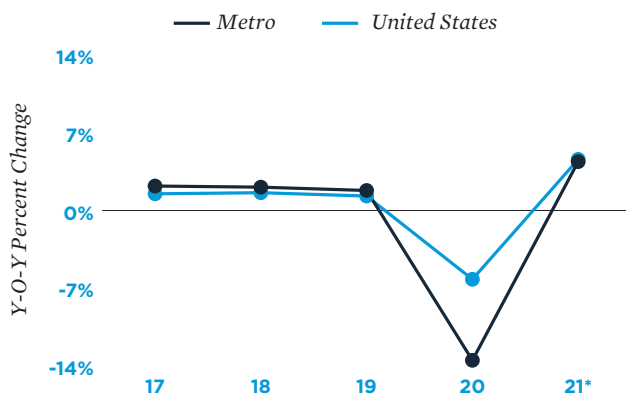
### Amazon bolsters leasing market during time of disruption.

Amid broader uncertainty that curbed space demand for some tenants, Amazon continues to be the dominant industrial lessee in New York. The company has moved into 1.2 million square feet since January 2020, with another 1.3 million square feet in future commitments. Regional and non-distribution businesses have faced challenges, though. As such, more space was vacated than occupied last year. Net absorption improved in early 2021, however, as climbing import volumes into the Port of New York and New Jersey aid demand for storage and distribution facilities. A broader economic improvement will also foster new small-business space needs down the line.

### Break in construction allows demand to catch up with supply.

Performance fundamentals will begin to recover in 2021, aided by a respite in development. A three-story, 337,000-square-foot warehouse in North Brooklyn constitutes this year's primary delivery. Rounding out the pipeline are a 68,000-square-foot warehouse in South Brooklyn and an Amazon last-mile distribution facility in North Brooklyn that spans 83,000 square feet. Arrivals will be greater in 2022, however, with 1.5 million square feet already underway, largely comprising Class A distribution centers that are likely to be highly sought after. Space demand should be sufficiently recovered by then, aided by lessening health restrictions and added jobs, to support the new inventory.

### Employment Trends



\* Forecast

Sources: BLS; CoStar Group, Inc.

## Industrial 2021 Outlook



**180,000  
JOBS**

*will be created*

### EMPLOYMENT:

The creation of over 67,000 jobs through the first four months of the year puts the metro's employment base on track to expand by 4.4 percent this year. Total staff counts will climb to within 10 percent of the pre-health crisis benchmark.



**488,000  
SQ. FT.**

*will be completed*

### CONSTRUCTION:

Development for 2021 is limited, with completions focused in Brooklyn. The pipeline beyond this year remains sizable, however, with over 1.5 million square feet already underway for delivery in 2022.



**10  
BASIS POINT**

*decrease in vacancy*

### VACANCY:

A marked slowdown in construction will give the leasing market needed time to recover. The vacancy rate is set to dip down to 6.1 percent this year as net absorption turns positive. The measure is nevertheless the second highest in at least the past 15 years.



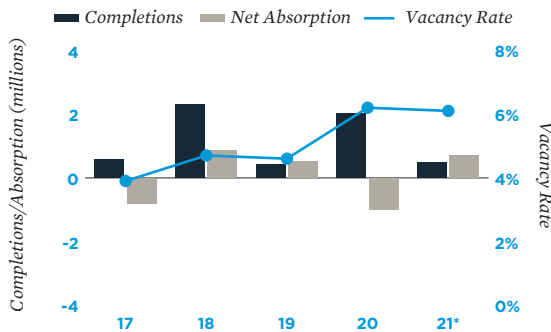
**1.0%  
INCREASE**

*in asking rent*

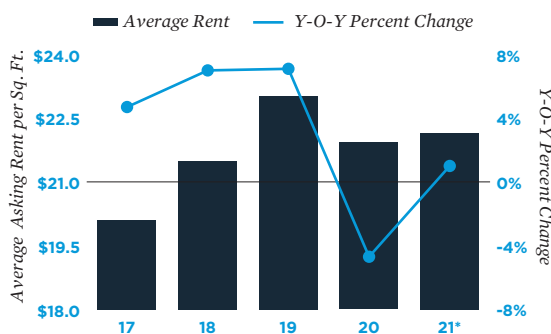
### RENT:

Following a decline of 4.7 percent last year, the average asking rate will improve to \$22.15 per square foot in 2021. A lack of new space for lease will drive competition for existing floor plans as the improving economy aids small-business space demand.

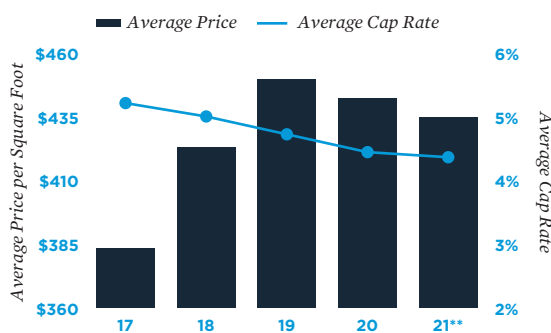
### Supply and Demand



### Rent Trends



### Sales Trends



\* Forecast \*\* Through 1Q

Sources: CoStar Group, Inc.; Real Capital Analytics

#### IPA Industrial

##### Alan L. Pontius

Senior Vice President, National Director

Tel: (415) 963-3000 | apontius@ipausa.com

For information on national industrial trends, contact:

##### John Chang

Senior Vice President, National Director | Research Services

Tel: (602) 707-9700 | jchang@ipausa.com

## 1Q21 – 12-Month Period



### CONSTRUCTION

**1,369,000** square feet completed

- The completion of the 975,000-square-foot Matrix Global Logistics Facility for Amazon in Staten Island last October comprised the bulk of completions made over the past four quarters.
- A nine-story, 394,200-square-foot warehouse in Brooklyn Navy Yard marked the other notable delivery completed over the past 12 months.



### VACANCY

**130** basis point increase in vacancy Y-O-Y

- A 2.5 million-square-foot increase in vacant space from April to December of last year pushed the vacancy rate up to 6.2 percent, where it remained as of March 2021 despite recent positive net absorption.
- Among the metro's major industrial submarkets, vacancy was highest in South Brooklyn at 8.1 percent, up 60 basis points year over year.



### RENT

**0.7%** increase in the average asking rent Y-O-Y

- Asking rents had slid before the onset of the health crisis, which added further downward pressure. Upward momentum returned this year, lifting the metro average to \$22.21 per square foot in March.
- Most submarkets reported rent dips, with Central Queens as an exception. Some high-quality space became available, lifting the average.

## Investment Highlights

- The number of properties traded over the 12-month period ended in March was down about 25 percent compared with the prior annual span. After a subdued spring and summer, sales activity improved markedly in the final quarter of 2020 before tempering slightly in the first three months of this year.
- Of the reduced deal flow, the most properties changed hands in Queens, followed closely by Brooklyn. Properties in these areas, predominantly Class C warehouses, were traded at per square foot prices in the high-\$200 to low-\$500 range. In some cases, smaller assets were acquired at higher prices for their future build-out potential.
- The average sales price dropped 3 percent over the 12-month period ended in March to \$435 per square foot. A slightly higher concentration of Class C trades likely influenced the change. At the same time, acute buyer demand for those assets that are available has compressed the mean cap rate 30 basis points to 4.4 percent, a new low.

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. Note: 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: IPA Research Services; Bureau of Labor Statistics; CoStar Group, Inc.; Real Capital Analytics