

LONG ISLAND CITY 3Q17 OFFICE MARKET

AVAILABILITY ON THE RISE AS ASKING RENTS GROW

Availability in Long Island City reached an all-time high of 17.3% in the third quarter of 2017, continuing the upward trend that has seen vacancy increase from 8.5% to 15.4% over the past year. Strong leasing activity in Astoria reduced the net absorption total to negative 63,475 square feet, an improvement over last quarter's negative 248,862 square feet of net absorption.

Average asking rent was up 100 basis points this quarter, as a result of a large block of prime space hitting the market in the Factory District. The completion of The Bindery at 30-02 Forty-Eighth Avenue added 136,545 square feet. However, the positive effect of this completion was limited by two new Class C spaces at 47-09 30th Street totaling 21,500 square feet.

Asking rents increased 1.5% year-over-year, from \$37.78/SF to \$38.35/SF in the third quarter of 2017. This growth in asking rent is the result of strong averages in Hunter's Point and the Factory District over the past year, while rents in Astoria have stabilized.

CO-WORKING SPACE DRIVES ABSORPTION POSITIVE IN ASTORIA

Two of the three largest deals this quarter were signed by co-working tenants in Astoria. WeWork subleased 42,926 square feet from MetLife in the Brewster Building. This additional space will allow WeWork to ramp up its membership before its property at 28-10 Queens Plaza South comes on the market with 250,000 square feet in 2019. Additionally, Green Desk, which offers turnkey environmentally friendly office space, took an additional two floors at 34-18 Northern Boulevard, totaling 15,000 square feet.

New deals this quarter increased the overall footprint of co-working in Long Island City by 16.0%. There are now five co-working providers offering eight locations in LIC.

MetLife continued to reduce its office footprint in the Brewster Building, subleasing the entire 11th floor of 21,463 square feet to Fidelis Care. Two other notable deals in Long Island City involved athletic space. Powerhouse Gym took 12,323 square feet at the Apple Building at 30-30 Northern Boulevard, and Barre3 Studio inked a deal for 9,169 square feet at 44-16 23rd street.

NYC HOUSING AUTHORITY RENEWS AT 23-02 49TH AVENUE

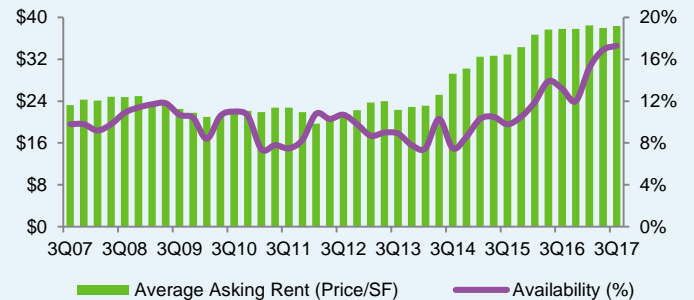
The New York City Housing Authority signed a 20-year renewal and expansion at 23-02 Forty-Ninth Avenue, taking an additional 155,000 square feet for a total 595,000 square feet. Although the space that never came onto the market was excluded from absorption calculations, this was easily the largest deal signed in LIC in the third quarter.

Current Conditions

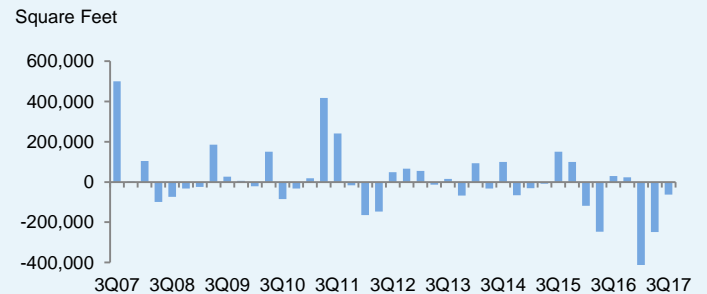
- Asking rents increased year-over-year, from \$37.78/SF to \$38.35/SF in the third quarter of 2017
- Availability reached 17.3% in the third quarter of 2017
- The completion of construction of The Bindery at 30-02 Forty-Eighth Avenue added 136,545 SF to the market

Market Analysis

Asking Rent and Availability



Net Absorption



Market Summary

	3Q17	2Q17	3Q16	12 Month Forecast
Total Inventory	12.4MSF	12.3MSF	11.7MSF	↑
Availability Rate	17.3%	16.9%	13.2%	↑
Quarterly Net Absorption	-63,475	-248,863	28,934	↓
Average Asking Rent	\$38.35	\$37.97	\$37.78	↑
Under Construction	1.8 MSF	1.8 MSF	196,076	↑
Deliveries	0	0	61,470	↑

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Long Island City Submarkets



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.

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