



LONG ISLAND CITY 4Q16 OFFICE MARKET

SLOW LEASING UPSTAGED BY CAPITAL MARKET ACTIVITY

Long Island City finished the year with a quiet quarter of leasing. Rents were flat from last quarter, finishing the year at \$37.77/SF. Year-over-year, rents increased by 10.2%, outpacing the 9.3% growth rate per annum seen since 2010. The Hunters Point submarket saw a notable drop in rents, from \$38.47/SF last quarter to \$35.12/SF this quarter. This drop was offset by slight increases in the Factory District and Astoria submarkets.

Availability dropped from 13.2% to 12.0% over the fourth quarter. This speaks to Long Island City's increasing viability as a more affordable alternative to the larger markets of Manhattan and Brooklyn, which both saw relative spikes in availability this quarter. Absorption was a positive 22,461 square feet this quarter but finished the year at negative 314,138 square feet. Vacancy was flat, ending the quarter at 8.6%.

Factory District Availability Drops

The Factory Building at 30-30 47th Avenue led the market in leasing throughout the year. In the second quarter, J. Crew signed one of the largest leases of the year for 59,626 square feet. The City of New York Employees Retirement System inked a 30,559-square-foot deal in the third quarter. United Healthcare Services took 19,401 square feet in the first quarter. There were also several smaller deals signed within the building and within other buildings in the Factory District submarket. As a result, availability dropped sharply from 16.2% at the beginning of the year to 13.5% at year-end.

Capital Markets and Retail Fuel Transactions

Savanna secured a \$200 million loan from Blackstone for its purchase of the Falchi Building this quarter. The developer has plans for \$35 million worth of capital improvements to the property, including upgraded amenities and renovated common areas.

In other capital markets transactions, the 256,000 square-foot warehouse at 48-49 35th Street hit the market. The warehouse, which is owned by Matsil Bros., a former Queens-based clothing manufacturer, is 80% leased and will offer unique office leasing options in the penthouse once purchased. Earlier in the year, Boyce Technologies, a transit technology manufacturer, purchased another industrial building, 47-22 Pearson Place, to be redesigned and renovated to suit its purposes.

Long Island City is also emerging as a destination for retail tenants. As office and residential investments continue to flow into the market, retail follows. In the area surrounding Court Square, several retail tenants leased space this year, including a Toby's Estate Coffee and multiple eateries. The added amenities are sure to attract office users to the developing area.

Current Conditions

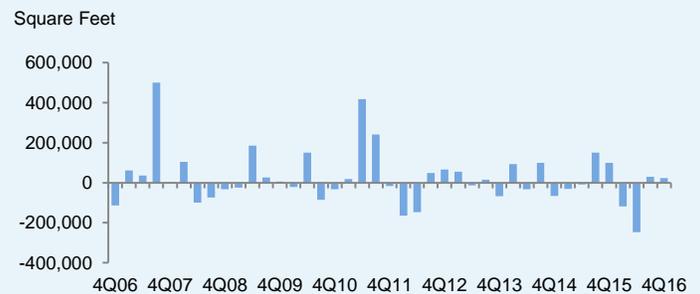
- Long Island City rents increased 10.2% year-over-year.
- Availability dropped 120 basis points this quarter, to finish the year at 12.0%.
- Absorption posted negative 314,138 square feet for the year.
- Savanna completed its purchase of the Falchi Building this quarter, with plans to upgrade and renovate the property.

Market Analysis

Asking Rent and Availability



Net Absorption



Market Summary

	4Q16	3Q16	4Q15	12 Month Forecast
Total Inventory	11.7MSF	11.7MSF	11.4MSF	↑
Availability Rate	12.0%	13.2%	10.5%	↑
Quarterly Net Absorption	22,461	28,934	98,611	↓
Average Asking Rent	\$37.77	\$37.78	\$34.28	↑
Under Construction	172,074	172,074	172,074	↑
Deliveries	0	0	61,470	↑



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Long Island City Submarkets



Newmark Grubb 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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