

LONG ISLAND CITY OFFICE MARKET

NEW ASKING RENT RECORD

Asking rents continue to scale new heights. The second quarter of 2018 marked the fifth consecutive quarter that rents have set a new record. The second quarter ended at \$46.39/SF, more than double the asking rent from five years ago. This quarter marks the second consecutive quarter to have rents in the \$40s. New developments and large renovations caused this rise over the last five years.

Overall asking rent growth grew 8.69% quarter-over-quarter. The addition of high-priced space was offset by several buildings lowering asking rents from mid \$40s to low \$40s in an effort to catalyze leasing velocity and combat increased availability rates.

Vacancy grew to 16.4%, a new high, though only 10 basis points higher than the previous quarter's record of 16.3%. Availability jumped from 18.4% in the first quarter to 26.0%. The sharp increase in availability is largely due to Citibank's 949,273-square-foot block of space at One Court Square hitting the market. This is one of the largest blocks to become available in market history.

CITIBANK SHEDS SPACE

The increase in availability had a strong impact on absorption, which also saw a record this quarter. Negative absorption changed from 268,599 square feet in the first quarter of 2018 to 1,091,474 square feet in the second quarter. The vast majority of this negative absorption came from Citibank vacating One Court Square. The building is currently home to telecommunications giant Altice, which relocated from Long Island to nearly 100,000 square feet in One Court Square in 2017. Healthcare software company HHA eXchange also moved into the building in 2017.

STRONG QUARTER FOR TAMI TENANTS

Long Island City continues to attract and retain creative and TAMI tenants. These include two new TAMI tenants that inked deals this quarter in the Factory Building: Spin Master, a children's entertainment company, signed a deal for 25,000 square feet; and TransCore, a software company specializing in transportation, expanded to nearly 20,000 square feet.

The warehouse at 12-01 44th Avenue will undergo a complete renovation before becoming the home of Wirecutter, a website The New York Times Company acquired in 2016. This manufacturing-to-office-conversion trend is seen across the market, including one of the most recent conversions, 43-10 23rd Street, which began marketing this quarter. The 203,184 square foot building is targeting creative and TAMI tenants with industry specific amenities. Current TAMI tenants cite amenities and the large concentration of other creative tenants as draws to the market.

CURRENT CONDITIONS

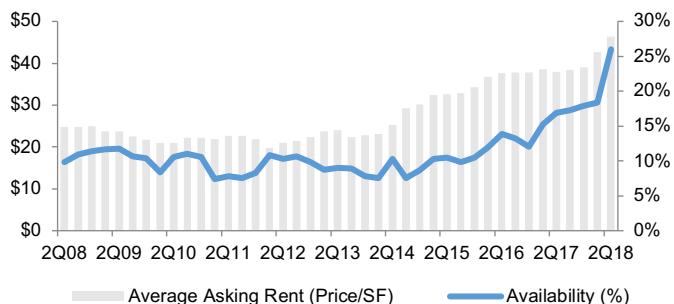
Asking rent reaches a new record of \$46.39/SF.

Vacancy and absorption increase as Citibank adds a 949,273-square-foot block of space to the market.

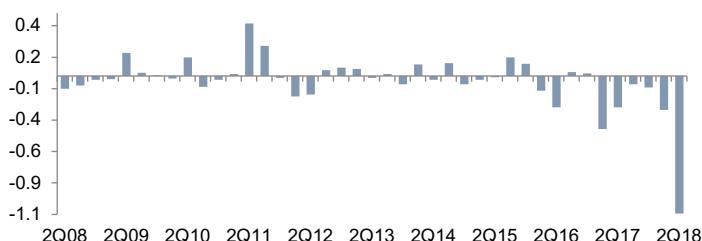
Manufacturing-to-office conversions remain prevalent in the market as two new developments make headlines.

MARKET ANALYSIS

Asking Rent and Availability



Net Absorption (SF, Millions)



MARKET SUMMARY

	Current Quarter	Prior Quarter	Year Ago Period	12 Month Forecast
Total Inventory	13.7 MSF	13.4 MSF	12.3 MSF	↑
Availability Rate	26.0%	18.4%	16.9%	↑
Quarterly Net Absorption	1,091,474	-268,599	-248,863	↓
Average Asking Rent	\$46.39	\$42.68	\$37.97	↓
Under Construction	1.8 MSF	1.8 MSF	1.8 MSF	↑
Deliveries	0	0	0	↑

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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. Newmark Knight Frank Research Reports are available at www.ngkf.com/research

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