



LONG ISLAND CITY 2Q16 OFFICE MARKET

CAPITAL INVESTMENTS PROPEL MARKET FUNDAMENTALS

Availability in Long Island City reached 13.9% in the second quarter of 2016, a 200-basis-point jump from the first quarter driven mainly by a 127,024-square-foot block that came to market at 27-01 Queens Plaza North. This large addition of space, in congruence with several mid-sized spaces coming to market this quarter, pushed the absorption total to negative 247,118 square feet.

Asking rents continued to reach new heights this quarter, rising to \$37.66/SF from \$36.72/SF in the first quarter, propelled by the aforementioned block of space at 27-01 Queens Plaza North. Rents increased 15.4% from this time last year, driven by increased demand and the addition of new construction and recently renovated buildings.

Fashion Tenants Drive Leasing

Madewell, a division of J. Crew, signed the largest deal of the quarter, leasing 59,680 square feet in The Factory Building, relocating from 770 Broadway in the East Village. In the second-largest deal of the quarter, fashion design and manufacturing tenant Eloquii leased 10,807 square feet at 37-18 Northern Boulevard. Gwynnie Bee also signed a 6,306-square-foot expansion at the Factory Building in second-quarter 2016, for a total occupancy of 19,008 square feet. The deal comes one year after the tenant moved to the Factory Building from 43-01 22nd Street in Long Island City.

Madewell and Eloquii join a growing roster of fashion tenants relocating to—or expanding in—Long Island City from other markets. Polo Ralph Lauren leased 18,987 square feet in fourth-quarter 2015 in a move from Manhattan, and Macy's signed 150,202 square feet at the same address in third-quarter 2015, moving from Brooklyn. These tenants were attracted by the value, amenities and convenient transit access in Long Island City.

These moves further establish Long Island City as a hub of fashion and creativity. High-profile retailers Barneys and Bergdorf Goodman each have offices in the area.

Construction Rises as Investors Chase Opportunity

About 171,962 square feet is currently under construction in Long Island City, with another 1.1 million square feet being repositioned for office use. At 28-10 Northern Boulevard, Tishman Speyer is planning a 600,000-square-foot office development that WeWork has agreed to anchor, committing to 250,000 square feet. Curbcut Urban Partners' 38-01 Queens Boulevard, which is scheduled to break ground in January of 2017, will add an additional 125,000 square feet to the market. Another building on the radar is Criterion's 31-16 Northern Boulevard, which will be 300,000 to 400,000 square feet and is scheduled for delivery in 2018.

Current Conditions

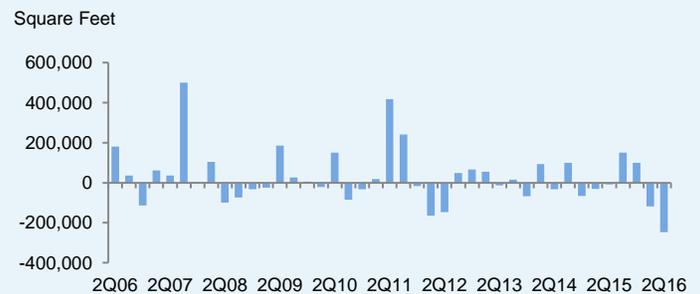
- Asking rents jumped to \$37.66/SF in the second quarter, up 15.4% from \$32.63/SF one year ago.
- Currently 1.1 million square feet of industrial space is in the pipeline to be repositioned for office use.
- Multiple blocks of space hitting the market drove availability up to 13.9% from 11.9% in the first quarter.
- The quarterly net absorption total finished at negative 247,118 square feet.

Market Analysis

Asking Rent and Availability



Net Absorption



Market Summary

	2Q16	1Q16	2Q15	12 Month Forecast
Total Inventory	11.7MSF	11.7MSF	11.4MSF	↑
Availability Rate	13.9%	11.9%	10.5%	↑
Quarterly Net Absorption	-247,118	-118,415	-8,503	↓
Average Asking Rent	\$37.66	\$36.72	\$32.63	↑
Under Construction	171,962	171,962	656,470	↑
Deliveries	0	0	0	↑



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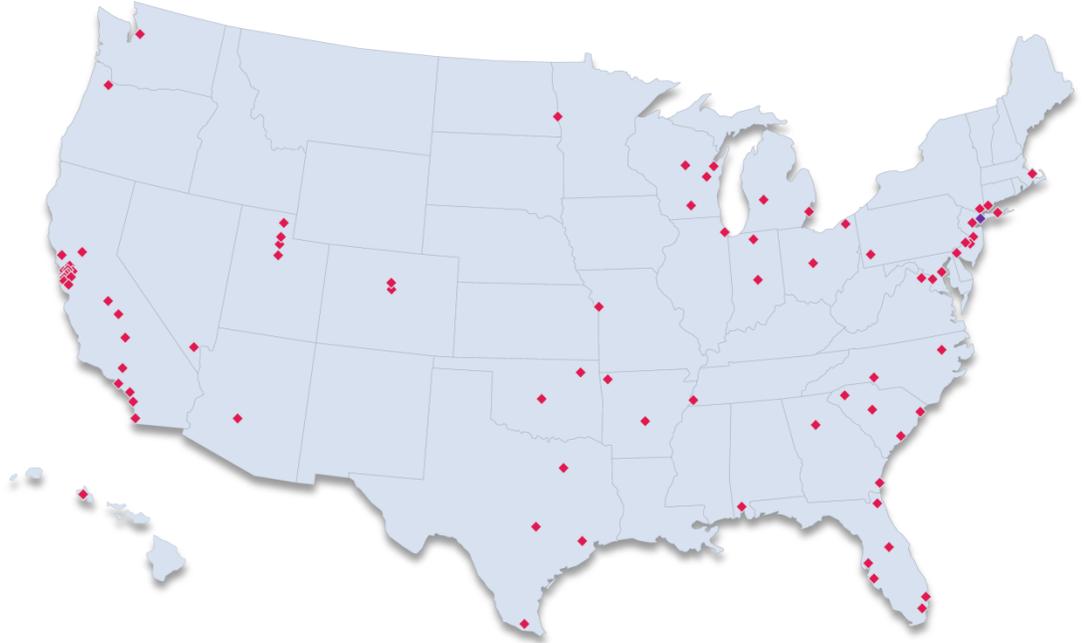
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Newmark Grubb Knight Frank United States Office Locations



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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