

BROOKLYN OFFICE MARKET

AMAZON MUSIC MARKS LARGEST TAMI DEAL SINCE 3Q 2019

Brooklyn experienced a rise in overall leasing velocity after an especially quiet second quarter. Several deals over 20,000 square feet closed in the third quarter and activity increased from tech and creative tenants expanding and relocating from Manhattan. In the quarter's largest TAMI deal, Amazon Music signed a lease for 40,000 square feet at the recently completed 25 Kent Avenue, bringing the new development to nearly 20% leased and recording the company's first New York City office lease since the pandemic began. In addition, The Garage, a marketing and production company, will move to Industry City from Midtown Manhattan after signing a 14,682-square-foot deal in August. HelloFresh also signed a lease for 9,294 square feet in Industry City for a content and production studio and will relocate from Chelsea. The meal kit delivery company also has a 42,945-square-foot office at 28 Liberty Street in Downtown Manhattan.

These expansions and relocations reflect a bright spot in the slowing trend of creative tenants moving from Manhattan to the boroughs. Amazon's deal is the largest such transaction since thelab completed a 42,542-square-foot lease at 175 Pearl Street in Dumbo Heights in July 2019, relocating their offices from Chelsea.

In other key Brooklyn activity, Estuniga, an apparel company, is opening its first New York City office in 27,900 square feet at the Briq Building in Sunset Park, adjacent to Industry City.

RISING SUBLEASE SPACE PUSHES DUMBO AVAILABILITY HIGHER

Despite this uptick in activity, absorption remained negative for the second consecutive quarter in part due to additional sublease space now on the market in DUMBO. Rent the Runway, 10 Jay Street's anchor tenant, has made their entire 83,051-square-foot office available, marking the second largest Brooklyn sublease added since the pandemic began, following JP Morgan Chase's 116,000-square-foot sublease added at 1 MetroTech Center last quarter. With this addition and several other new direct availabilities, DUMBO's availability rose to 24.0% and marked the biggest jump year over year across Brooklyn submarkets. Despite this change, availability rates in Williamsburg and the Navy Yard still eclipse those in DUMBO, where the respective 31.8% and 27.3% rates are driven by a significant amount of new construction available in those areas. In the third quarter, 228,863 square feet was delivered in Williamsburg across two properties, The Dime and 200 Kent Avenue, which were both delivered vacant. Year to date, more than 470,000 square feet has been delivered in Brooklyn with another 2.4 million square feet still under construction.

CURRENT CONDITIONS

Amazon signed its first New York City office lease since the pandemic began at 25 Kent Avenue, committing to 40,000 square feet for its Amazon Music division.

The sublease availability rate increased to 2.5%, after more than 80,000 square feet came online in DUMBO from Rent the Runway.

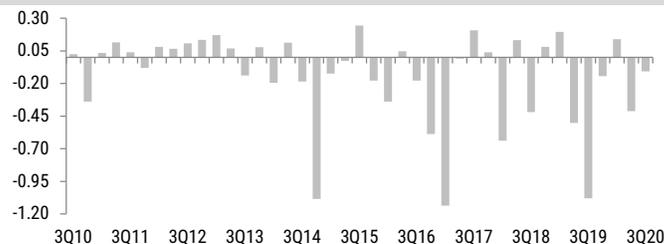
More than 228,000 square feet was delivered in Brooklyn after the completion of The Dime and 200 Kent Avenue in Williamsburg in the third quarter.

MARKET ANALYSIS

Asking Rent and Availability



Net Absorption (SF, Millions)



MARKET SUMMARY

	Current Quarter	Prior Quarter	Year Ago Period	12 Month Forecast
Total Inventory	37.3 MSF	36.8 MSF	36.4 MSF	↑
Availability Rate	18.1%	17.3%	18.5%	↑
Quarterly Net Absorption	-107,263	-410,932	-297,585	↓
Average Asking Rent	\$53.69	\$53.66	\$52.80	↓
Under Construction	2.4 MSF	2.4 MSF	2.9 MSF	↓
Deliveries	228,863	245,000	2.1 MSF	↑



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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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