

# LONG ISLAND CITY OFFICE MARKET

## ABSORPTION NEGATIVE FOR FIFTH CONSECUTIVE QUARTER

In the second quarter, Long Island City posted 604,463 square feet of negative absorption after leasing slowed to a near halt and several large space additions came on the market. Since the pandemic began, the pipeline of sublease space coming to market has expanded substantially across New York City. To date, the largest New York City addition is in Hunters Point where Macy's is now subleasing 329,952 square feet of its 867,000-square-foot lease at the newly completed JACX. Combined with 99,000 square feet added for direct lease at One Court Square, these new listings pushed Hunters Point's availability rate up 740 basis points to 30%.

Outside of Hunters Point, the largest new availability is at The Alexandria Center in the Factory District. Alexandria Real Estate Equities, the nation's largest owner of life science-focused real estate, is marketing 189,000 square feet as potential office and/or lab space. In recent years, Long Island City has emerged as a key life science cluster in the metropolitan area. Life sciences are expected to be a resilient occupier through the pandemic, as other industries contract real estate or reassess their plans.

With all of these additions, the overall availability rate climbed to 27.9%, a record high for this market's history.

## PANDEMIC SLOWS LEASING FURTHER

While COVID-19 has negatively impacted leasing across New York City for the last several months, Long Island City's office leasing velocity had already been low prior to the pandemic. The market's last deal over 50,000 square feet was in August 2019, when the New York Times committed to 57,846 square feet at Court Square Place. Since then, there have not been any deals signed over 20,000 square feet.

Meanwhile, the inventory of new construction in Long Island City continues to grow. There is currently 943,860 square feet under construction, after this quarter's 100,000-square-foot delivery in the Kaufman Arts District at 34-11 36th Street. Currently, 100% of these developments remain available. The most recent deal signed in new development was in early 2019 when Macy's expanded their lease at the JACX by 300,000 square feet. Some of that same expansion is back on the market for sublease and may compete with other new construction yet to deliver.

Developers with an eye toward the future of Long Island City continue to identify opportunities. In late June, Silverstein Properties, Bedrock Real Estate Partners and Kaufman Astoria Studios announced plans for a mixed-use development that will include 250,000 square feet of office space in Astoria. In addition, a coalition of developers led by TF Cornerstone are pursuing a rezoning of the 28-acre site once planned for Amazon's New York City headquarters.

## CURRENT CONDITIONS

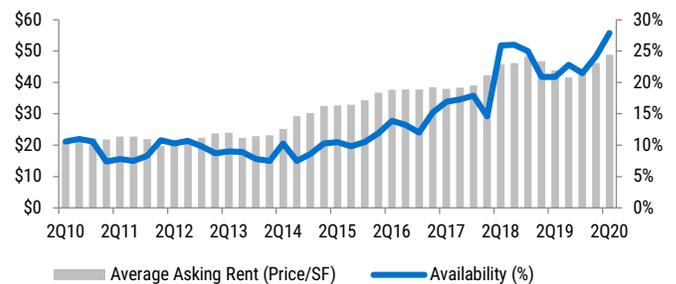
Availability increased 370 basis points to 27.9%, driven largely by the addition of a large sublease from Macy's at the JACX.

Leasing slowed further in Long Island City with the third consecutive quarter of lackluster activity.

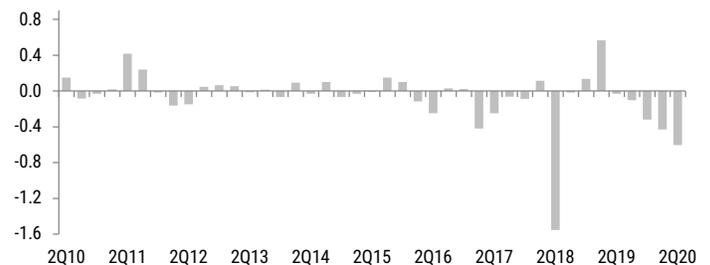
Nearly one million square feet are under construction, with new plans announced for future commercial development in Long Island City.

## MARKET ANALYSIS

### Asking Rent and Availability



### Net Absorption (SF, Millions)



## MARKET SUMMARY

	Current Quarter	Prior Quarter	Year Ago Period	12 Month Forecast
Total Inventory	15.3 MSF	15.2 MSF	14.7 MSF	↑
Availability Rate	27.9%	24.1%	21.4%	↑
Quarterly Net Absorption	-604,463	-430,032	114,691	↓
Average Asking Rent	\$48.78	\$46.17	\$43.87	↔
Under Construction	943,860	1 MSF	1.8 MSF	↓
Deliveries	100,000	0 SF	0	↑


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