



RESEARCH Q1 2021

Brooklyn Office Market

Average Asking Rent Drops 180 Basis Points in Largest Decline Since Pandemic Began

Brooklyn's average asking rent fell for the second consecutive quarter to \$52.41/SF, with declines across all submarkets. The overall average fell 180 basis points in the largest quarterly drop since the pandemic began. Price reductions were recorded in direct space in several new construction projects as well as existing product, with owners signaling flexibility in taking rents to draw activity as the pandemic surpassed its one-year anniversary. In addition, several new competitively priced availabilities influenced this quarterly drop. More than 78,160 square feet is now available at 295 Front Street, a converted factory in DUMBO, where asking rents are below the submarket's average. In the Navy Yard, another 70,000 square feet of creative office space is now available at Building 77, a recently renovated flex office building, where office floors are priced below other new construction in this submarket.

Leasing Activity Remains Subdued in First-Quarter 2021

Brooklyn inked about 200,000 square feet of leases in the first quarter, with volume steady from last quarter. While activity remained lackluster, particularly among large users, several noteworthy deals closed. The IRS signed the quarter's largest deal with a 48,710-square-foot renewal at 2 MetroTech Center in Downtown Brooklyn. In addition, Smart Design, a design consulting firm, will relocate from Manhattan to Building 127 in the Navy Yard, marking the building's first office lease since the redeveloped building delivered in second-quarter 2020. Finally, Signature Bank signed a deal to relocate and consolidate two existing Brooklyn offices in 13,499 square feet at 185 Broadway in Williamsburg. Despite these leases, activity was down 34.9% from first-quarter 2020.

New Construction Expands in Williamsburg

Over 1.8 million square feet of construction is underway in Brooklyn, with activity split between Williamsburg/Bushwick and Downtown Brooklyn after The Hall, a 674,00-square-foot Navy Yard redevelopment, delivered in first-quarter 2021. In Williamsburg, there are three projects under construction, including 29 Wythe Avenue, a ground-up development including 160,000 square feet of office space. Overall, 68.3% of Williamsburg's office market is under construction or has delivered since 2014. In Downtown Brooklyn, two of its three projects under construction are set to deliver later this year, including One Willoughby Square and The Paxton at 532 Fulton Street.

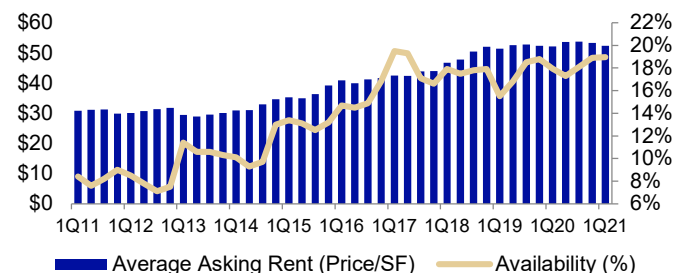
NEWMARK

Current Conditions

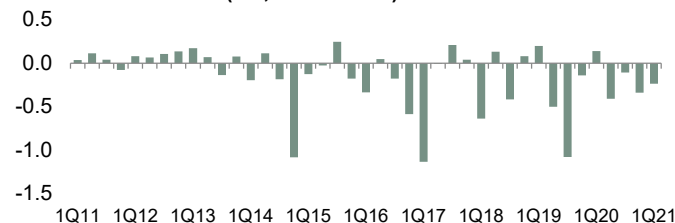
- Availability rose to 19.0%, reaching its highest level in four years.
- The overall average asking rent declined 180 basis points to \$52.41/SF, posting its largest drop during the pandemic.
- More than 1.8 million square feet remains under construction after the delivery of The Hall in the Navy Yard in the first quarter of 2021 and a new project added in Williamsburg.

Market Analysis

ASKING RENT AND AVAILABILITY



NET ABSORPTION (SF, MILLIONS)



Market Summary

	Current Quarter	Prior Quarter	Prior Year	12-Month Forecast
Total Inventory	37.4 MSF	37.3 MSF	36.8 MSF	↑
Availability Rate	19.0%	18.9%	17.9%	↑
Quarterly Net Absorption	-236,034	-340,674	140,035	↓
Avg. Ask Rent	\$52.41	\$53.36	\$52.18	↓
Under Const.	1.9 MSF	2.0 MSF	2.2 MSF	↑
Deliveries	674K	412K	0	↑

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Newmark 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 Research Reports are available at ngkf.com/research.

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