



Colliers

Research Report: New York City

Brooklyn Office

Q1 2021

Accelerating success.

Brooklyn Office Report

Brooklyn's leasing activity decreased, quarter over quarter. Meanwhile, the available inventory expanded with negative absorption. The asking rent average, however, increased since Q4 2020.

Leasing Volume Decreased by Half

Brooklyn's Q1 2021 leasing activity (0.23 million square feet) decreased by nearly 50.0% since Q4 2020 (0.46 million square feet) and was 40.7% lower than the leasing activity during Q1 2020 (0.39 million square feet).

Unlike Q4 2020 leasing volume – which included three separate 50,000-99,999 sq. ft. transactions – the largest transactions during Q1 2021 were several 25,000-49,999 sq. ft. deals including the IRS renewal at 2 MetroTech Center (49,000 sq. ft.), a 35,000 sq. ft. new lease by Daedalus Design at 63 Flushing Avenue (Bldg-127) and a 33,000 sq. ft. renewal by HeartShare Human Services at 12 MetroTech Center.

Led by the IRS and HeartShare, the Downtown Brooklyn/MetroTech submarket led leasing volume during Q1 at 81,000 sq. ft. and accounted for more than one-third of Brooklyn leasing activity. The Navy Yard (56,000 sq. ft.) and Industry City (54,000 sq. ft.) submarkets followed.

Average Asking Rent Increased Since Q4

Brooklyn's asking rent average increased by 0.8% since December 2020 to \$48.27/SF. The average was also higher by 0.6%, year-over-year. Sizable (100,000+ and 50,000-99,999 sq. ft.) blocks of above-average priced space were added to the available inventory at 29 Wythe Avenue and 68-92 3rd Street.

Class A asking rents were lower by 1.6% since December 2020 to an average of \$59.01/SF. Meanwhile, the Class B asking rent average

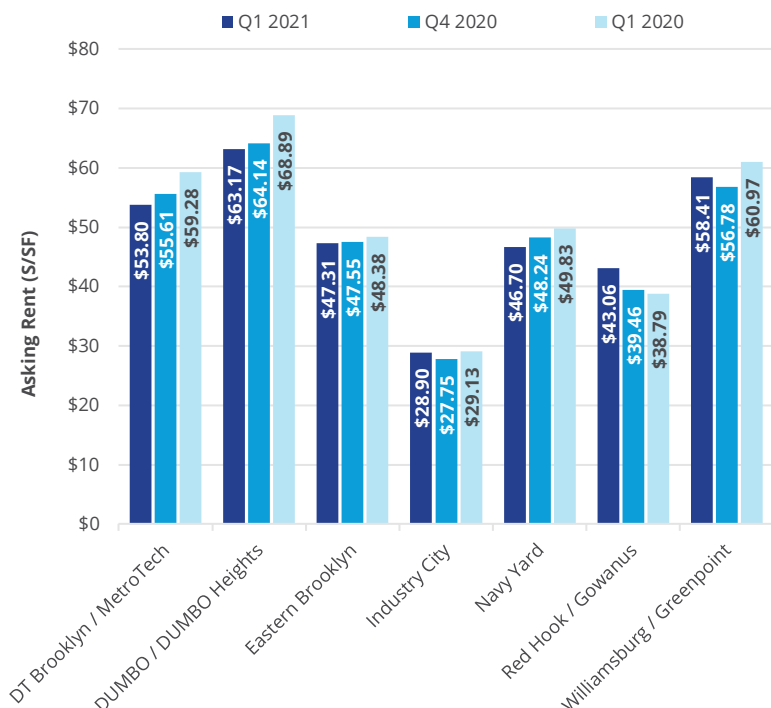
Brooklyn Market Indicators

	Q1 2020	Q4 2020	Q1 2021
Availability Rate	23.1%	23.9%	24.1%
Average Asking Rent (\$/SF/YR)	\$48.00	\$47.88	\$48.27
Leasing Activity	391,540	456,586	232,285
Net Absorption	(1,122,973)	(1,040,079)	(140,498)

50,000+ SF Relocations and Expansions from Manhattan to Brooklyn | 2020-YTD 2021

Qtr/Yr	Tenant	New Location	Size (SF)
Q1 2020	City Harvest	150 52 nd Street	150,000
Q4 2020	Union Square Events	147 41 st Street	70,000
Q3 2020	Mother	94 Ninth Street	61,000

Average Asking Rent by Submarket



Source: Colliers

Brooklyn Office Report

increased by 2.5% to \$35.12/SF while the Class C average increased by 4.7% to \$33.29/SF. Driven by the removal of above-average priced sublet space at 10 Jay Street (59,000 sq. ft.), the sublet asking rent average decreased by 2.7% during Q1 2021 to \$37.01/SF.

Q1 2021 produced lower asking rents across four of Brooklyn's seven submarkets. The Red Hook/Gowanus (\$43.06/SF) asking rent average increased by 9.1% since year-end 2020 due to the block listed at 68-92 3rd Street. Meanwhile, Downtown Brooklyn/MetroTech (\$53.80/SF) had the largest percentage decrease in Brooklyn, lower by 3.3% since Q4 2020. The asking rent decrease mostly stemmed from 100,000+ sq. ft. below-average priced sublet inventory listed at 1 MetroTech Center and lower-repricing within the submarket.

Brooklyn's post-2000 inventory asking rent average decreased by 8.5% since Q4 2020 to \$58.82/SF. Brooklyn's post-2000 inventory was 28.9% less than Lower Manhattan's post-2000 average (\$82.71/SF), 50.4% lower than Midtown's average (\$118.60/SF) and 52.3% lower than Midtown South's average (\$123.33/SF).

There were seven contiguous blocks of space greater than 250,000 sq. ft. in Brooklyn, compared to six in Q4 2020. Pricing for these large blocks in Q1 was \$59.11/SF, a 22.5% premium to the market average compared to a 13.6% premium in Q4 2020 when the large block average rent was \$54.39/SF.

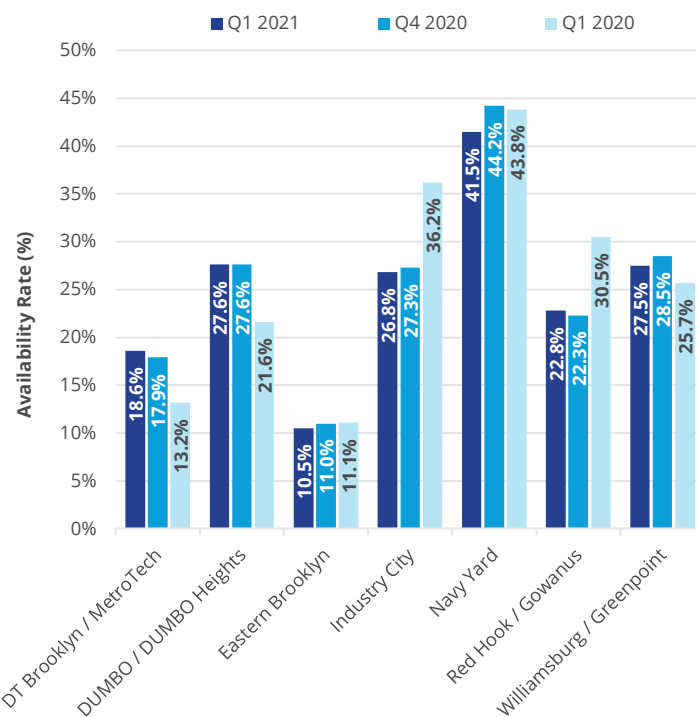
Net Availability Increased by 5.2% Since Q1 2020

Brooklyn's Q1 2021 availability rate grew by 0.2 pp (percentage points) since December 2020 to 24.1%. Year-over-year, availability increased by 1.0 pp. An additional sizable block of space was listed during the quarter at 295 Front Street (78,000 sq. ft.). Brooklyn's net availability increased by 5.2%, year-over-year. Meanwhile, absorption for the quarter was nearly flat at negative 0.14 million square feet.

Availability tightened since the previous quarter in four Brooklyn submarkets. The Navy Yard's availability rate (41.5%) tightened by 2.7 pp since Q4 2020, the largest percentage point drop in Brooklyn. Downtown Brooklyn/MetroTech's 0.7 pp increase during Q1 2021 to 18.6% was the largest supply gain throughout Brooklyn. DUMBO/DUMBO Heights (27.6%), however, had the largest yearly increase, after expanding by 6.0 pp during the year.

Sublet space represented 12.5% of Brooklyn's overall availability, higher than the 11.8% share during Q4 2020, but significantly less than Manhattan's 24.5% share. Since March 2020, sublet availability in Brooklyn doubled after increasing by 0.64 million square feet.

Availability Rate by Submarket



Source: Colliers

Top Five Lease Transactions of Q1 2021

Tenant	Address	Size (SF)	Transaction Type
Internal Revenue Service	2 MetroTech Center	48,710	Renewal
Daedalus Design & Production	63 Flushing Avenue-Bldg 127 (Brooklyn Navy Yard)	35,000	New
HeartShare Human Services of New York	12 MetroTech Center	32,696	Renewal
Guggenheim Museum	140 58 th Street (Brooklyn Army Terminal)	31,200	Renewal
Cowtan & Tout	148 39 th Street (Industry City)	23,200	New

480 offices in 67 countries on 6 continents

United States: 160
Canada: 49
Latin America: 14
Asia Pacific: 43
Australia & New Zealand: 54
EMEA: 108



\$3.3B
in revenue



2B
square feet under management



18,000 +
professionals

Colliers' statistical sample set for Brooklyn totals 39 million square feet and includes all commercial office properties with at least 25,000 sq. ft. of office space/light manufacturing space within the submarket borders. Colliers' availability rate includes only space scheduled for tenant build-out within 12 months. In tracking leasing activity, Colliers includes all lease types: renewals, expansions, relocations, and the occasional sale-leaseback.

About Colliers

Colliers (NASDAQ, TSX: CIGI) is a leading diversified professional services and investment management company. With operations in 67 countries, our more than 15,000 enterprising professionals work collaboratively to provide expert advice to real estate occupiers, owners and investors. For more than 25 years, our experienced leadership with significant insider ownership has delivered compound annual investment returns of almost 20% for shareholders. With annualized revenues of \$3.0 billion (\$3.3 billion including affiliates) and \$40 billion of assets under management, we maximize the potential of property and accelerate the success of our clients and our people.

Contributors:

Franklin Wallach

Senior Managing Director, New York
+1 212 716 3603
franklin.wallach@colliers.com

Chemerie Cheng

Managing Director, New York
+1 212 716 3829
chemerie.cheng@colliers.com

Brennan Yerman

Director, New York
+1 212 716 3686
brennan.yerman@colliers.com



1114 Sixth Avenue
New York, NY 10036
+1 212 716 3500
colliers.com

