

Emerging Industrial Markets: New York City

August 11, 2023

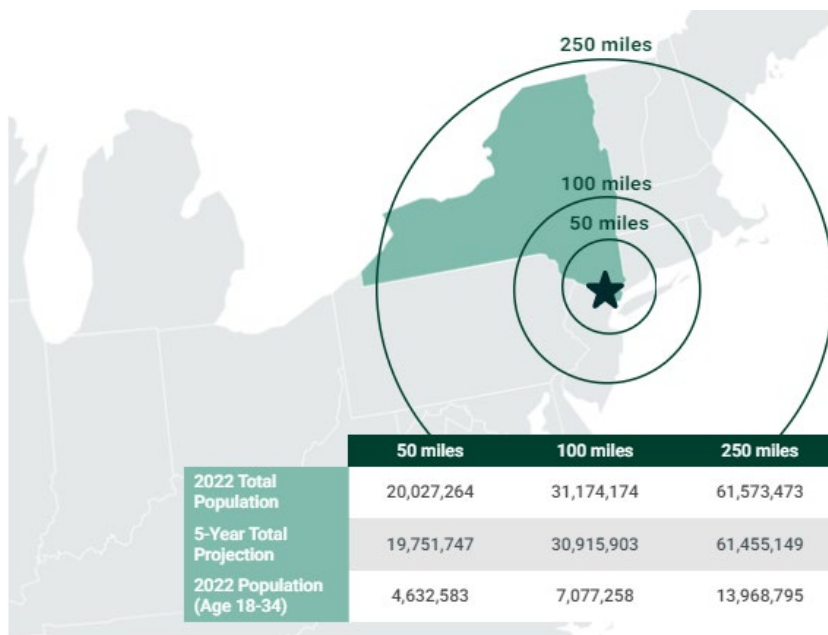
“New York City’s industrial demand is largely driven by e-commerce companies, third-party logistics providers and retailers seeking quick access to the over 20 million people living in the metropolitan region. Innovative, multi-story industrial projects have been built to meet the need for high-tech logistics space, overcoming a challenge of limited developable land.”

John Reinertsen
CBRE Executive Vice President

Demographics

Approximately 20 million people—23% aged 18 to 34—live within 50 miles of New York City, and 61.6 million consumers live within 250 miles (representing most of the Northeastern U.S. population).

Figure 1: New York City Population Analysis



Source: CBRE Location Intelligence.

New York City’s warehouse labor force of 64,444 is expected to grow 21.6% by 2033, according to [CBRE Labor Analytics](#). The average salary for a non-supervisory warehouse worker is \$19.03 to \$22.16 per hour, above the national average of \$17.16. New York City’s unemployment rate was 5.9% as of June 2023, according to the NY State Department of Labor, versus 5.5% a year earlier. Over the same time period, the state’s unemployment rate rose from 4.1% to 4.3%.

Figure 2: New York City Warehouse & Storage Labor Fundamentals



Source: CBRE Labor Analytics.

Location Incentives

Over the past five years, there have been 38 economic incentive deals with employers, valued at more than \$53 million for an average of \$9,200 per new job in the New York City outerboroughs (Bronx, Brooklyn, Staten Island and Queens), fDi Intelligence reports.

According to [CBRE’s Location Incentives Group](#), among the top incentive programs for businesses that locate to the city’s outerboroughs is the Excelsior Program, which provides fully refundable tax credits in exchange for new jobs and investment in the state. Other incentives include a real estate tax abatement, commercial rent tax reduction and the Relocation and Employment Assistance Program (REAP). REAP offers income tax credits for relocating jobs from outside of New York City to one of the four outerboroughs.

Figure 3: Top Incentive Programs

	Excelsior Program	Real Estate Tax Abatement	Commercial Rent Tax Reduction	REAP Program
Source	State of New York, Discretionary	New York City, As of right	New York City, As of right	New York City, As or right
Eligible Locations	All of New York State	Brooklyn, Staten Island, Bronx, Queens	Brooklyn, Staten Island, Bronx, Queens	Brooklyn, Staten Island, Bronx, Queens
Value	<ul style="list-style-type: none"> > Available for new jobs to the State > Up to \$15,000 per new job (conservative) paid over 10 years > Credit refundable for 10 years > Credits paid through State corporate income tax returns > Certain industries receive preferred consideration 	<ul style="list-style-type: none"> > \$2.50/SF for years 1 to 3 > \$1.67/SF for year 4 > \$0.83/SF for year 5 	<ul style="list-style-type: none"> > No commercial rent tax is charged (unlike in Lower Manhattan) 	<ul style="list-style-type: none"> > Tax credit of \$3,000 per job, each year for 12 years > Credit used against NYC corporation or business taxes > Credits refundable for years 1 to 5 > Credits non-refundable for years 6 to 12; unused credits can be carried forward for 5 years
Lease Term	Not applicable	3 to 10 years	Not applicable	3 years
Tenant Improvements	Not applicable	\$2.50 to \$25 per SF	Not applicable	Not applicable
Things to Note	<ul style="list-style-type: none"> > Credits must be negotiated and agreed to before signing a lease, hiring employees, making capital investment, or making a public announcement 	<ul style="list-style-type: none"> > Sub-leases are not allowed > Applications to be filed within 6 months of lease signing > Applicable to pre-1999 buildings 	<ul style="list-style-type: none"> > Sub-leases are not allowed 	

Source: CBRE Location Incentives Group.

Note: The extent of state and local incentive offerings depends on location and scope of the operation.

Logistics Drivers

New York City consists of four main industrial markets, with total inventory of 158.9 million sq. ft.: Bronx (23.9 million sq. ft.), Brooklyn (66.5 million sq. ft.), Queens (62.2 million sq. ft.) and Staten Island (6.2 million sq. ft.). New York City is accessible by two main interstate highways (I-87 and I-495) and two main U.S. and state routes (9 and 27). I-87 is the major north/south thoroughfare running from the Bronx up to the Canadian border. Route 9 connects to I-87 and runs through Delaware, New Jersey and New York. It is also one of only two highways in the U.S. with a ferry connection. U.S. Route 27 runs from Fort Wayne, Indiana to Miami, Florida. By sea, the [Port of New York and New Jersey](#) is the East Coast's largest container port, handling almost 9.5 million TEU containers—a record—in 2022. It was the U.S.'s second busiest port in H1 2023, after the Port of Los Angeles.

By air, two of the country's top 20 cargo-ranked airports serve the region. [John F. Kennedy International Airport](#) landed over five billion pounds of cargo in 2021 and 4.5 billion pounds in 2022.¹ It is 10th in the country for most cargo landed. The international airport is located in Queens, New York. The [Newark Liberty International Airport](#) landed over 3 billion pounds of

cargo in 2022 and 3.1 billion pounds in 2021. The airport ranks 17th in the United States. By rail, CSX Transportation and New York & Atlantic Railway freight lines can access the region.

New York City’s manufacturing and logistics real estate is utilized by many industries. The use of AI and robotic automation is improving warehouse productivity and the [NYCEDC](#) (New York City Economic Development Corporation) is further advancing this through increased investments. New York City ranked third out of 50 markets for tech talent in CBRE’s [Scoring Tech Talent 2023](#) report.

¹ FAA 2022 preliminary figures

Supply & Demand

New York City has 158.9 million sq. ft. of existing industrial space, the majority of which (46.3 million sq. ft.) is in facilities between 10,000 to 49,999 sq. ft. Secondly, 37 million sq. ft. of buildings are 50,000 to 99,999 sq. ft. At the end of Q2 2023, leasing had increased by 27% quarter-over-quarter and 11% year-over-year. Nearly one million sq. ft. in new lease and renewal transactions took place between April and June of 2023. One of the year’s largest transactions was in Jamaica, Queens, where DO & CO (an Austrian gourmet catering and restaurant company) leased 200,000 sq. ft. Average asking rents in New York City increased 4.2% from Q4 2022 to Q2 2023, to \$26.11 NNN per sq. ft. Asking rents are highest in Queens, at \$29.29 NNN per sq. ft. Overall rents are up 2% year-over-year.

By Q2 2023, thirteen buildings (5.8 million sq. ft. in total) were under construction, with 52% preleased. Brooklyn contains the most active construction, at 2.4 million sq. ft. Multi-story developments are becoming increasingly popular due to New York City’s geographical constraints. Since 2015, 37 multi-story industrial properties have been built in the region, totaling nearly 5.5 million sq. ft. Ten multi-story structures totaling over 4.6 million sq. ft. are currently underway, representing the majority of the construction pipeline. An additional 9 multi-story industrial properties totaling over 3.2 million sq. ft. are planned or proposed.

Industrial occupiers and investors can greatly benefit from New York City’s dense population base—the largest in the U.S.—and abundant economic incentives.

Figure 4: New York City, Historical Data

	YTD 2023	2022	2021	2020	2019
Inventory	158,957,542	158,662,623	160,843,190	160,373,167	154,579,673
Overall Vacancy Rate	5.7%	6.8%	4.3%	4.7%	5.3%
YTD Net Absorption	-115,056	150,532	1,443,102	1,017,597	2,400,000
Average Asking Rental Rates (Direct/SF/Year)	\$26.11	\$25.06	\$22.39	\$22.56	\$21.37
Construction Completions	366,500	2,395,258	995,613	1,643,700	946,000

Source: CBRE Research, 2023.

Figure 5: New York City, Size Range Comparison

	Q2 2023 Existing Inventory	Q2 2023 Overall Vacancy Rate	Q2 2022 Existing Inventory	Q2 2022 Overall Vacancy Rate
10k-49,999	46,316,932	5.9%	46,831,654	5.3%
50k-99,999	37,021,919	6.3%	37,051,697	4.1%
100k-249,999	35,432,596	4.5%	36,004,677	4.8%
250k-499,999	19,425,767	1.2%	18,784,267	1.9%
500,000+	20,760,328	9.4%	19,990,328	8.3%

Source: CBRE Research, 2023.