

# New York Regional Industrial and Flex Topics & Trends – Q1 2021

Since June 2011, following the Great Recession, the US Industrial market displayed steadily rising prices through Q2 2021. As exhibited below, the RCA CPPI index has been increasing for the last 10 years with no current signs of slowing down. A big driver of this growth is the emergence of e-commerce and proliferation of warehouses and logistics facilities.

## Regional Industrial and Flex Market

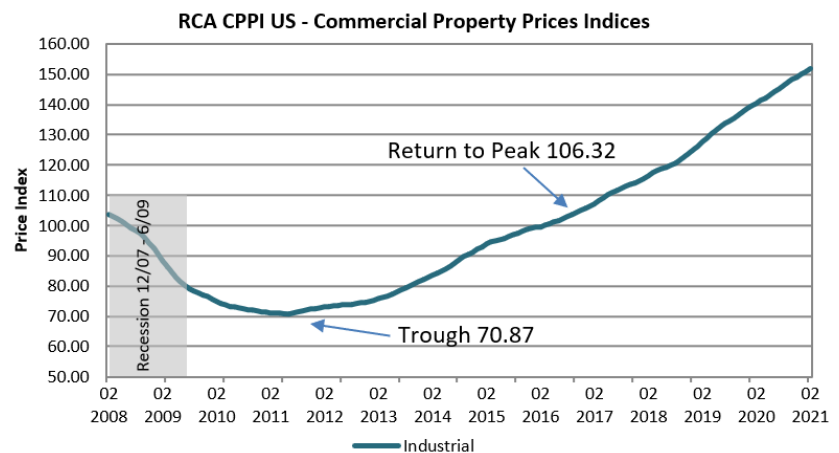
The New York region is a mature and densely populated area. The industrial and flex market plays a pivotal role in the regional economy. Within the region, there are 47,124 buildings with a total of 1.63 billion square feet of space. This is a fundamentally sound and strong market, and one that has been prospering since the end of the Great Recession in 2009.

This report analyzes the trends in market fundamentals and investment sales in the New York-Newark, NY-NJ-CT-PA industrial and flex market.

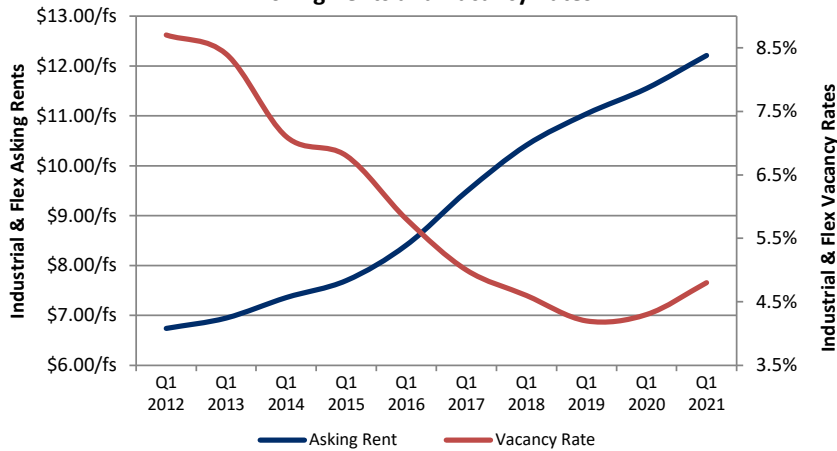
## FEATURE: COVID-19 and its Impact on the Market

In Mid-March 2020, the Global COVID-19 Pandemic brought much of the New York region to a halt. The industrial and flex markets have seen slight decreases pertaining to total sales volume and pricing per square foot in Q1 2021, but leasing, absorption, and cap rate trends suggest this market is performing well. The market has been buoyed by the rise in e-commerce and last mile distribution, which has sent industrial demand to new levels and industrial land prices to an all-time high.

Regional Map



Asking Rents and Vacancy Rates

**MARKET FUNDAMENTALS:****Average Asking Rents & Vacancy**

The industrial and flex market is currently outperforming most other property types. Vacancy rates decreased each year from 2012 to 2019 before increasing from 4.2% to 4.3% from 2019 to 2020 and 4.3% to 4.8% from 2020 to 2021. Vacancy has ranged from a low of 4.2% (Q1 2019) to a high of 8.7% (Q1 2012).

Meanwhile, asking rents have continued to increase throughout the period, undeterred by COVID-19. Rents have ranged from \$6.74/sf (Q1 2012) to \$12.21/sf (Q1 2021).

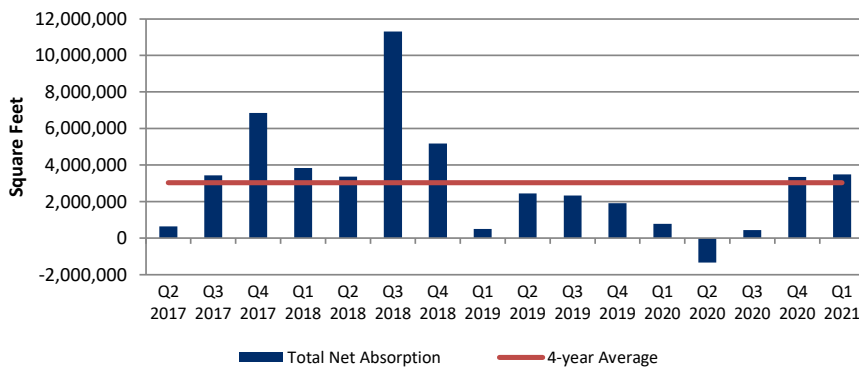
**Net Absorption and Leasing Activity**

Total net absorption had been trending downward from Q4 2018 to Q2 2020, the only quarter which saw negative absorption. Net absorption was once again positive in Q3 2020 and increased to above-average levels in Q4 2020 and Q1 2021. Leasing activity decreased in Q1 2020 but increased over the next three quarters. Whereas leasing decreased in Q1 2021, it remains higher than the previous low set in Q1 2019.

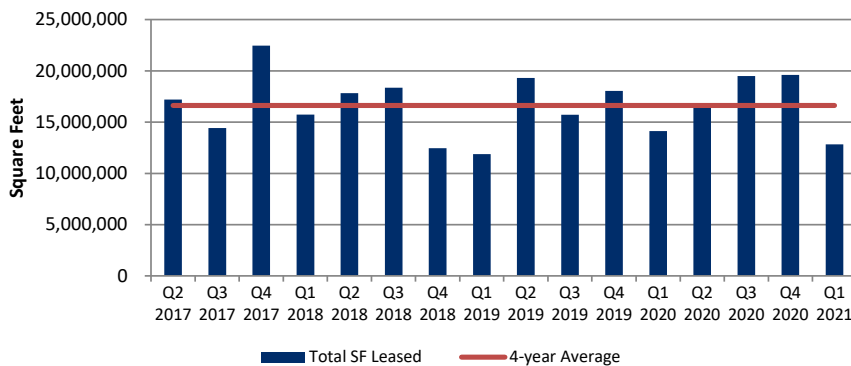
**Space Addition Activity**

The last several quarters show steady, high levels of space addition activity, and there is a relatively large amount of space under construction that is waiting to be delivered, indicating an active construction pipeline. One driver for the increase in construction since Q3 2019 is related to e-commerce and last mile delivery. With the dense population in this region, warehouse and logistics facilities are being developed to meet demand. Industrial development is underway in most parts of the study area.

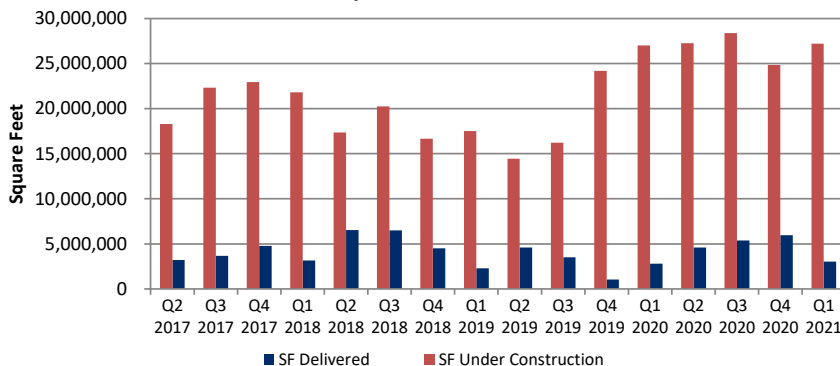
Total Net Absorption



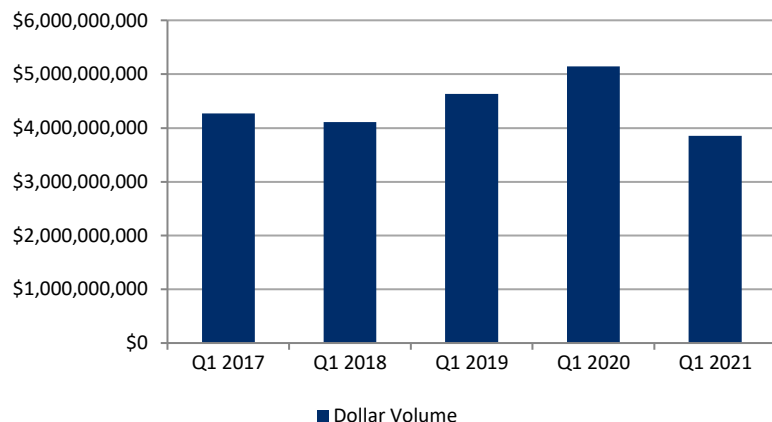
Total SF Leased



Space Additions



### NEW YORK-NEWARK, NY-NJ-CT-PA INDUSTRIAL & FLEX BUILDING DOLLAR VOLUME



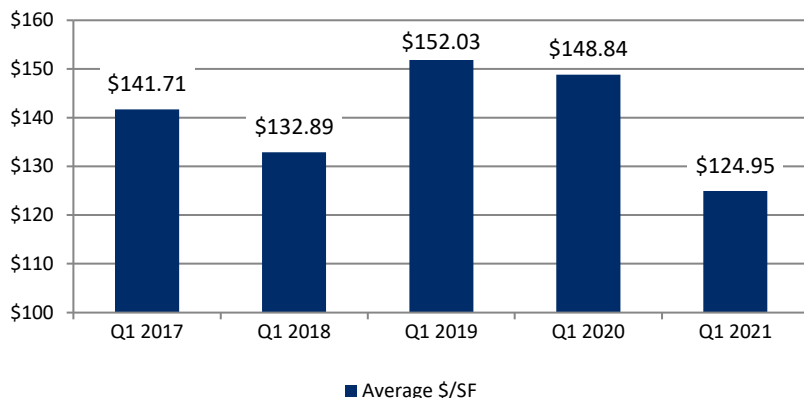
### SALES (5 YEAR TREND – YE Q1): Volume

Total dollar volume for investment sales of industrial and flex buildings in the New York region has fluctuated over the last five years. Over the period, transaction volume has ranged from \$3.9 billion (Q1 2021) to \$5.1 billion (Q1 2020). Q1 2020 saw the lowest dollar volume over the past five years, although dollar volume was only 6.7% lower than the second-lowest mark set in Q1 2018.

### Average Pricing Per SF (YE Q1)

Average pricing per square foot decreased 16% from Q1 2020 to Q1 2021. Pricing in this sector has remained relatively consistent over time, with no general trend. While pricing per square foot in Q1 2021 is the lowest mark over the last five years, it remains just shy of the mark set in Q1 2018.

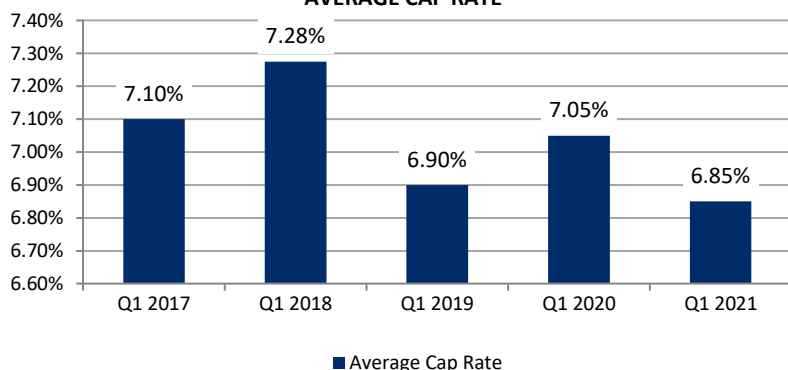
### NEW YORK-NEWARK, NY-NJ-CT-PA INDUSTRIAL & FLEX BUILDING AVERAGE \$/SF



### Capitalization Rates (YE Q1)

The average cap rate for industrial and flex buildings in the New York region decreased 20 basis points from Q1 2020 to Q1 2021, following a 15-basis point increase from Q1 2019 to Q1 2020. We expect deal volume to continue to increase in 2021 and price discovery to become more obvious.

### NEW YORK-NEWARK, NY-NJ-CT-PA INDUSTRIAL & FLEX BUILDING AVERAGE CAP RATE



### Summary

Through Q1 2021, the regional Industrial and Flex market held strong fundamentals despite troubling underlying economic conditions. Evidence over the last three quarters suggests this market has been slightly impacted by COVID-19, but not to the extent seen in other asset classes.

SOURCE: CoStar, RCA, and Marshall & Stevens



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