

	YoY Chg	12-Mo. Forecast
24.2% Vacancy Rate	▼	▼
-161K YTD Net Abs., SF	▼	▼
\$53.03 Asking Rent, PSF	▲	▲

(Overall, All Property Classes)

ECONOMIC INDICATORS Q2 2022

	YoY Chg	12-Mo. Forecast
819K Brooklyn Employment	▲	▲
6.2% Brooklyn Unemployment Rate	▼	▼
3.6% U.S. Unemployment Rate	▼	▼

Source: BLS

ECONOMY: Employment Continues to Rise Despite Looming Recession Risks

While employment growth continues in 2022, recession risks may prolong recovery for commercial markets. Amidst a robust labor market and consumer uncertainty, Brooklyn reported an unemployment rate of 6.2% during the second quarter of 2022, down 470 bps year-over-year (YOY). In comparison, Manhattan ended the quarter with 5.0% unemployment, down 380 bps YOY. Unemployment rates for Manhattan and Brooklyn are projected to continue decreasing during the next 12 months. With 42,500 jobs added YOY, Brooklyn's office-using employment is estimated to increase by 3.6% through the end of 2022. The industries with the largest anticipated growth rates are real estate rental and leasing (21.6%), education (14.4%), utilities (7.9%), and construction (7.5%). The Brooklyn job market is projected to add a net of 74,200 office-using jobs through 2022, an expansion that may subdue worries of an impending recession.

SUPPLY & DEMAND: Steady Leasing Activity Shows Promise Amid Uncertainty

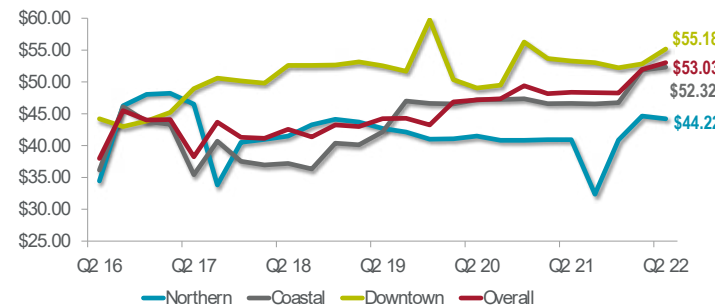
Despite a slower quarter-over-quarter (QOQ) performance, Brooklyn's year-to-date (YTD) deal volume totaled 609,093 square feet (sf)—a 49.8% increase YOY. Overall vacancy remained 490 basis points (bps) above pre-pandemic levels during the second quarter of 2022. At 24.2%, the vacancy rate remained 120 bps below its historic peak recorded during the third quarter of 2021. Quarterly vacancy levels slightly decreased by 10 bps QOQ and 100 bps YOY, indicating steady signs of improvement.

Amid substantial vacant space and increased competition for tenants through rental rates and concession packages, key buildings in Brooklyn—such as 10 Grand Street and 20 Jay Street—continued to garner activity. Following the drought of leasing activity since its premiere, One Willoughby Square gained three tenants during the quarter, including Propel Inc., a software company that signed a five-year, 9,860-sf lease. Sublease inventory supply increased for the first time since the fourth quarter of 2021, when total sublease space in Brooklyn reached a historic peak. At an increase of 131,621 sf from the first quarter of 2022, sublease availability was still down 20.0% YOY during the second quarter. Similar to Manhattan office markets, absorption remained negative for the fifth consecutive quarter. However, the market is gradually moving towards recovery—absorption levels for Brooklyn's office market improved by 47.9% from its trough during year-end 2021.

PRICING: Upward Momentum in Average Asking Rents Persists

The Brooklyn office market continues to maintain a countercyclical relationship between net absorption and average asking rents. Although net absorption levels remained negative during the quarter, average asking rents rose for the fourth consecutive quarter, yielding an increase of 210 bps QOQ and 960 bps YOY to \$53.03 per square foot (psf) overall. Asking rents averaged a quarterly change of 2.0% since the beginning of 2021.

OVERALL ASKING RENTS BY SUBMARKET



VACANCY RATE VS. ASKING RENT



MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	DIRECT VACANT (SF)	SUBLET VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
North Brooklyn	1,197,484	270,214	0	22.6%	-10,665	-43,016	83,075	250,000	\$44.22	\$39.03
Coastal Brooklyn	14,605,235	3,758,883	334,941	28.0%	-29,263	-120,083	443,909	606,696	\$52.32	\$57.59
Downtown Brooklyn	13,512,474	2,336,060	403,633	20.3%	10,397	1,711	82,109	448,895	\$55.18	\$57.18
BROOKLYN TOTALS	29,315,193	6,365,157	738,574	24.2%	-29,531	-161,388	609,093	1,305,591	\$53.03	\$57.40

*Leasing activity does not include renewals

KEY LEASE TRANSACTIONS Q2 2022

PROPERTY	SUBMARKET	TENANT	SF	TYPE
289 Kent Avenue	Williamsburg	VICE Media	77,000	Renewal*
254 36th Street	Sunset Park	AECOM	15,273	Renewal*
9 Bond Street	Borough Hall	Baltic AEH	14,100	New Lease
20 Jay Street	Dumbo	UsTwo	11,206	New Lease
1 Willoughby Square	Borough Hall	MS Foundation for Women	11,000	New Lease

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q2 2022

PROPERTY	SUBMARKET	TENANT	SF	PRICE / \$ PSF
220-222 16th Street	Sunset Park	Sweet 16 Equities LLC/ Grekam Realty Management Inc	37,000	\$5.2M / \$141

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