

	4Q 2015	Full Year 2015	Full Year 2014	YOY Change
Availability Rate	21.9%	21.9%	26.6%	470 bps
Average Asking Rent (\$/SF/YR)	\$38.79	\$38.79	\$37.42	3.7%

Note: bps (basis points)



Brooklyn was long regarded as a tertiary, “back-office” market for price-sensitive tenants isolated geographically to the Downtown area. 2015 continued Brooklyn’s transformation into a burgeoning office market with diverse

tenant demand in neighborhoods that now stretch from the Navy Yard to Industry City.

With an expanding office inventory of 43.63 MSF, Brooklyn is already larger than the office markets of Downtown Los Angeles or Houston.¹ At 2.62M, Brooklyn’s growing population is currently slightly smaller than that of Chicago at 2.72M.

Strong Leasing by Familiar Names

Among the buildings in the Colliers “Brooklyn 30”, the availability rate dropped 470 bps to 21.9% while the average asking rent increased 3.7% to \$38.79/ square foot during 2015.

Co-working companies continue to be attracted to Brooklyn. WeWork leased 89,000 square feet at 195 Montague Street (Downtown Brooklyn) and 72,000 square feet at 77 Sands Street (DUMBO Heights). And, in Industry City, Milk Studios leased 60,000 square feet for a co-working facility.

Hillary Clinton chose Brooklyn over Manhattan as the site for her national campaign headquarters, attracted by its emerging reputation as the home to young, creative, talented professionals. Her campaign leased 78,000 square feet at 1 Pierrepont Plaza (Metrotech), a building that dubs itself “Modern Office Brooklyn Cool”.

Notable relocations to the borough from Midtown included Time Inc., which leased 53,000 square feet, Frog Design’s (out of 325 Hudson Street) relocation to 27,000 square feet at 55 Prospect Street, The Slate Group’s (out of 95 Morton Street) sublease of 22,000 square feet in 15 Metrotech and Raison Pure’s (out of 119 Fifth Avenue) lease for 14,000 square feet in Industry City.

Beyond Raison Pure and Milk Studios, there has been more than 2.0 MSF in new leasing, renewals and expansions in Industry City in 2014-2015.² In Gowanus, the formerly vacant 90,000 square foot industrial building at 92 Third Street is fully leased to office tenants such as Genius Media and Coworklrs.³ Additionally, Amazon has a 54,000 square foot lease pending at Liberty View (850 Third Avenue).

Manhattan Developers Invest in Brooklyn

To satisfy tenant demand, 8.40 MSF (or one-fifth of the entire current office inventory) of development projects are planned for Brooklyn.⁴ By comparison, slightly more than 6% of Manhattan’s office inventory is in the construction pipeline.

While the scale of office construction in Brooklyn appears aggressive, there may be a shortage of office space in Brooklyn’s “Tech Triangle” where 17,300 people in the “innovation sector” (internet publishing, video production, life sciences, arts/entertainment) are currently employed. If nothing is done to address the space shortfall, 18,000 jobs and \$4.8 billion to the area’s economy could be lost by 2025.⁵

Recognizing Brooklyn’s potential, Manhattan landlords made significant investments in the borough during 2015: Tishman Speyer at 422 Fulton Street, Savanna at 95 Evergreen Avenue and Boston Properties and Rudin Management at Dock 72.

2016 will likely see further investment by established developers. Near the Brooklyn Navy Yard, RXR and Westbrook are in contract to purchase the 555,000 square foot former industrial building at 47 Hall Street. In DUMBO Heights, the Jehovah Witnesses is marketing the 733,000 square foot office building at 25-30 Columbia Heights. In Downtown Brooklyn, Hellen Keller Services for the Blind placed its 96,000 square foot building at 57-63 Willoughby Street on the market for sale. JEMB’s planned 400,000 square foot building at 420 Albee Square will be the first ground-up construction of commercial space in Downtown Brooklyn since 2004.

Cost-Effective Office Space; Expanding Residential Base

Already the largest in New York City, Brooklyn’s residential population is expected to continue to grow. It is estimated that more than 20,000 new apartment units will be constructed in Brooklyn through 2019 with the largest concentration in Downtown Brooklyn and Williamsburg.⁶

Brooklyn’s asking rents on average are one-third below Downtown Manhattan’s and further discounted by the incentive programs designed to provide tax relief and savings for Brooklyn office tenants, including the Relocation and Employment Assistance Program (REAP).

The REAP, which was recently extended beyond its original 2015 expiration to June 30, 2017, provides a 12-year tax credit equal to \$3,000 per employee per year to companies that relocate to Brooklyn from anywhere in Manhattan below 96th Street. Additional incentives include the Commercial Real Estate Tax (CRT) Abatement and the Commercial Expansion Program (CEP).

¹ Source: Colliers International and CoStar

² Source: Citybizlist

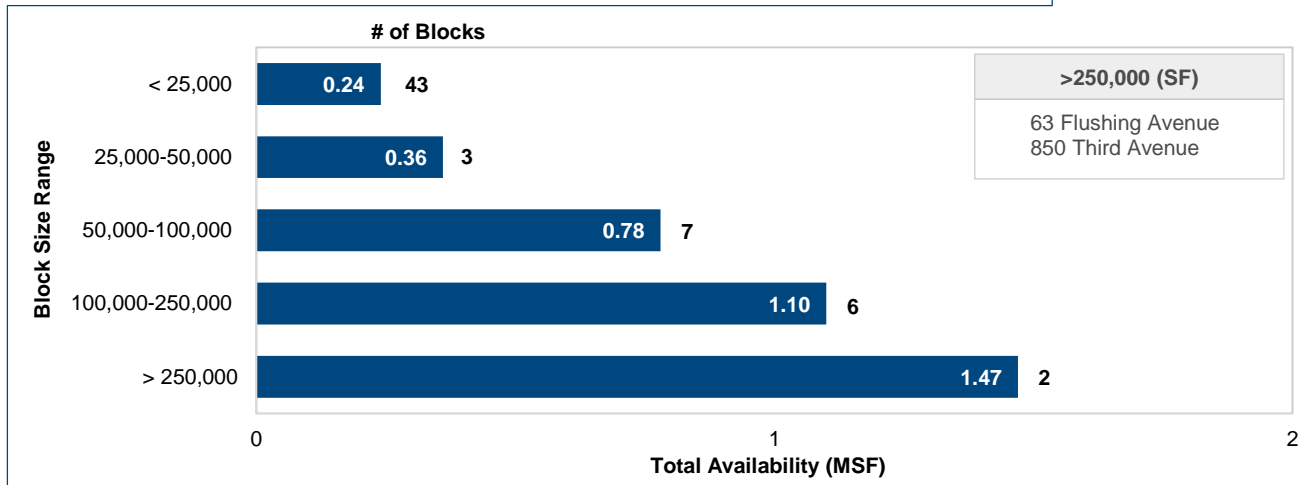
³ Source: Commercial Observer

⁴ Note: Includes new construction and large-scale building renovations as well as conversions from industrial use. Minimum office RSF is 25,000 square feet

⁵ Source: Downtown Brooklyn Partnership, Brooklyn Navy Yard Development Corporation and DUMBO Improvement District

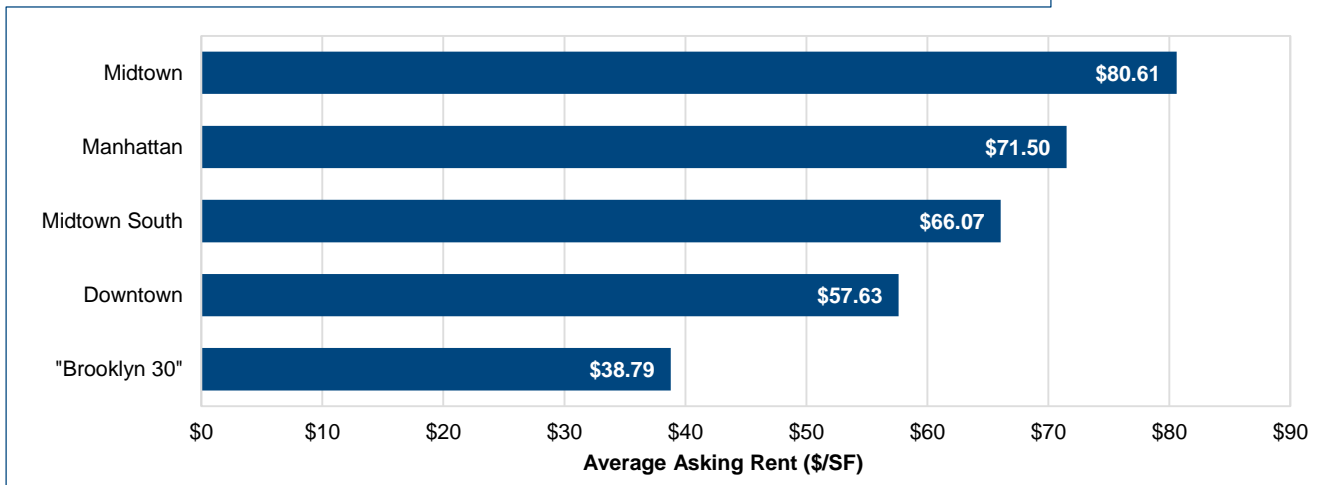
⁶ Source: CityRealty

"Brooklyn 30" | Available Blocks of Space



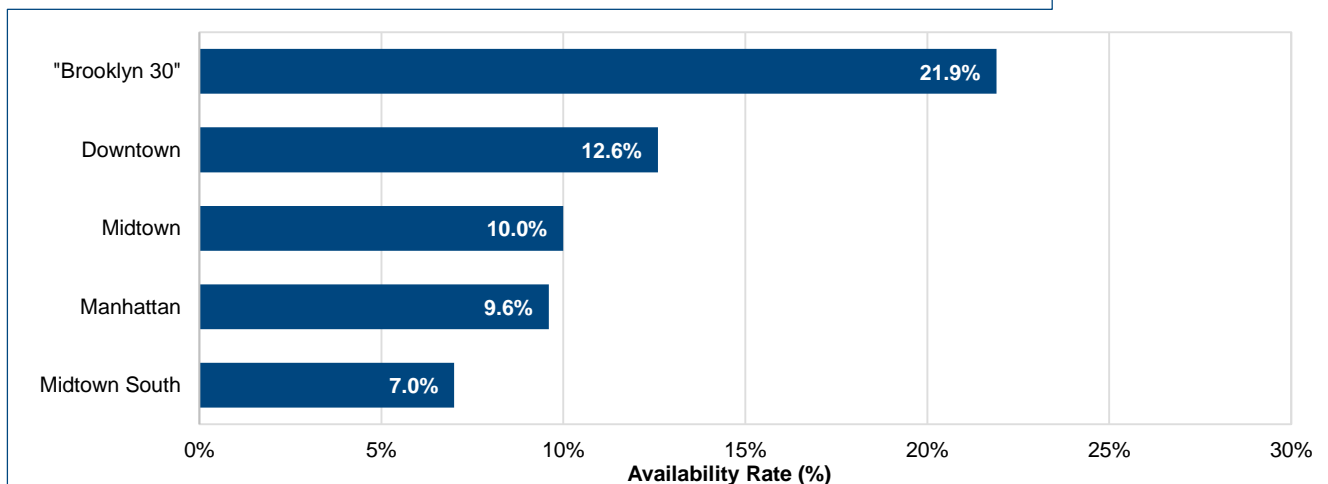
Source: Colliers International Research

"Brooklyn 30" | Overall Average Asking Rent Comparison



Source: Colliers International Research

"Brooklyn 30" | Availability Rate Comparison



Source: Colliers International Research

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