

1H23 NYC Industrial Market Report

Outer-Boroughs



Sales volume of industrial properties in the outer-boroughs during the first half of 2023 rose 4% from the same period in 2022. A higher interest rate environment did impact dollar volume though, as the total dollar amount of industrial properties sold in 1H23 decreased 49% from 1H22. In a sign that the industrial asset class is bifurcating further, there were notable shifts in the types of property sold as well as the profile of the typical buyer. Notably industrial land, a/k/a IOS, deals accounted for 26% of overall deal volume, up from 15% in 2H22. Also noteworthy - 59% of industrial transactions were acquired by owner-users, nearly three times the historical norm.

Queens accounted for the highest number of transactions, with 26. Brooklyn notched 18 deals and the Bronx recorded the fewest number of deals, with 10. Brooklyn properties had the longest average seller hold period, at 31 years, while the Bronx and Queens had averages of 27 and 24 years, respectively. These numbers suggest that while investors have been active, the market share of industrial ownership in NYC is still dominated by generational operators.

Market conditions during and prior to 1H23 likely contributed to the uptick in owner-user acquisitions. Owner-users acquired 24 industrial properties in 1H23, totaling over \$220 million in dollar volume. Typically associated with paying premiums for buildings, owner-users flexed their purchasing power over 1H23, paying an average of \$411/SF, compared to the \$412/SF average paid by all other buyers. Furthermore, owner-users acquired higher quality properties, averaging nearly the same ceiling heights, number of loading positions, proximity to highways, and lot coverage ratios as other buyers' deals. The owner-user sector utilized a combination of creative financing options, such as non-bank SBA loans, seller-financing, funding from parent companies, and cash to differentiate themselves from other bidders.

Functionality continued to be the largest value driver of industrial assets in 1H23. Properties with ceiling heights of 18' or higher traded for \$451/SF on average, 20% higher than the average price of \$377/SF for properties with ceiling heights lower than 18'. Properties with multiple loading positions traded for an average of \$423/SF, 11% higher than the average price of \$382/SF for properties with a single loading position. We believe this trend was further fueled by growth in the transport and construction industries.

On that note, we noticed a clear shift in the industrial buyer profile, perhaps reflecting broader macroeconomic trends. Over 1H23, industrial buyers included a growing list of aviation service providers, contractors, and fleet operators, to name a few. There was also a resurgence in heavy industrial uses, as indicated by an influx of deals to concrete contractors, fuel storage or renewable energy providers, and recycling businesses. Congress' 2021 Infrastructure Deal may be largely responsible here - with significant federal spending going towards building roads and bridges, upgrading airports and railways, and making investments in clean energy.

These same groups, along with investors, also showed a growing demand for another type of asset. Sales of IOS sites spiked from 2H22, when we began tracking these transactions. From 2H22 to 1H23, the number of IOS transactions doubled to 14, total dollar volume of these transactions increased 150%, and the amount of land square footage sold nearly doubled to over 700K. Industrial land sold for an average of \$289/lot SF in 1H23.

Looking ahead, if interest rates continue a slow uptick and investor sentiment remains concerned about a possible recession, owner-users as well as opportunistic investors should be able to extend their run through at least the end of the year.

Outer-Borough Totals

54

Total No. of Transactions
4% increase from 1H22

\$716 Million

Total Dollar Amount
-49% decrease from 1H22

Bronx

10

No. of Transactions

\$129,662,500

Total Dollar Amount

\$341

Average \$/SF

27

Average Hold Period (Years)

Brooklyn

18

No. of Transactions

\$140,800,000

Total Dollar Amount

\$396

Average \$/SF

31

Average Hold Period (Years)

Queens

26

No. of Transactions

\$445,381,675

Total Dollar Amount

\$454

Average \$/SF

24

Average Hold Period (Years)

Owner-User Warehouse Acquisitions

24

of Owner-User Sales

\$220,814,855

Dollar Amount of Owner-User Sales

538,373

Sq. Ft. of Owner-User Sales

\$/SF

Ceiling Heights

Loading Positions

Proximity to Hwy (miles)

Lot coverage

\$411

\$412

18

19

2.5

2.9

1.3

1.1

90%

89%

Owner-user average
All other buyers average

Owner-user average
All other buyers average

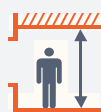
Owner-user average
All other buyers average

Owner-user average
All other buyers average

Owner-user average
All other buyers average

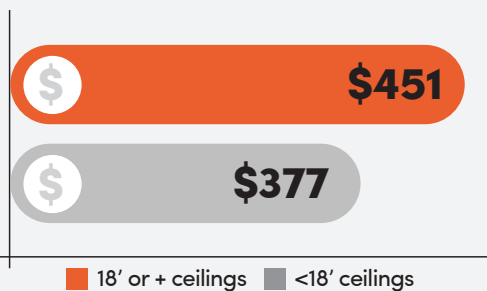
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Key Value Drivers



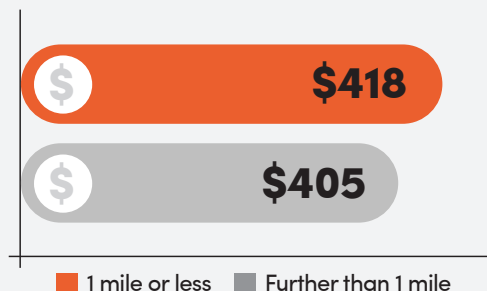
Ceiling Heights

18' or + ceilings	\$451
<18' ceilings	\$377



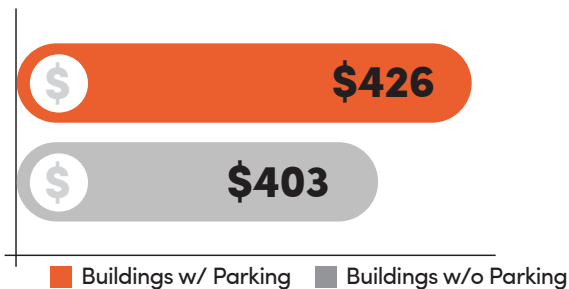
Highway Proximity

1 mile or less	\$418
Further than 1 mile	\$405



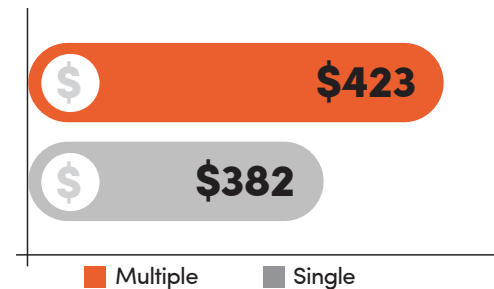
Outdoor Parking

Buildings w/ Parking	\$426
Buildings w/o Parking	\$403



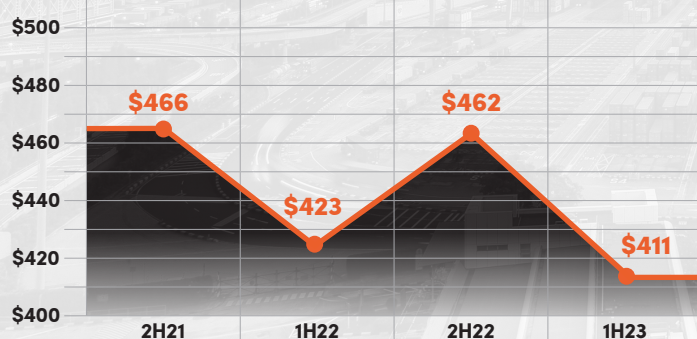
Loading Positions

Multiple	\$423
Single	\$382

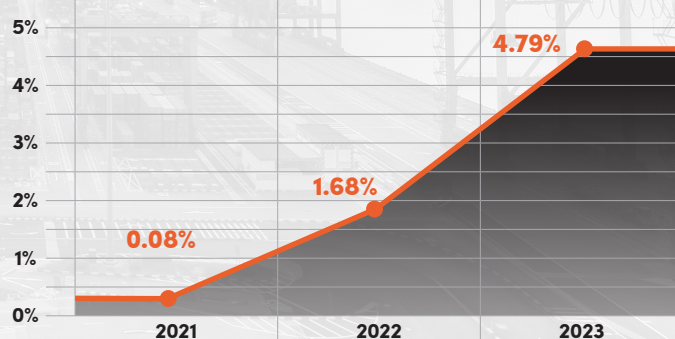


HISTORIC METRICS

Historic Industrial \$/SF



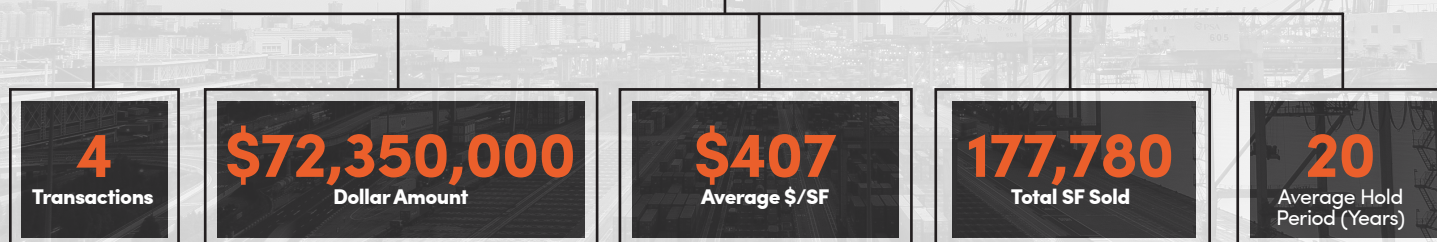
Historic Fed Funds Rate



Industrial Land Sales



Institutionally-bought Deal Metrics



Redevelopment Sales



12 EXISTING INDUSTRIAL PROPERTIES
sold with plans to be redeveloped into other
asset classes, representing a loss of
223,963 EXISTING INDUSTRIAL SF

Average Sales Price Achieved



INDUSTRIAL PROPERTIES
sold for
86% OF THEIR ASKING PRICES, ON AVERAGE

Methodology

- Self-storage deals are not included in this report
- Highway Proximity is calculated by using the shortest, viable traffic route to/from the property

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