



# Northern New Jersey Industrial Market

## Strong Demand Outstrips Supply as Rents Escalate

Continued tenant demand and constraints to supply resulted in another strong quarter for the Northern New Jersey industrial market. All submarkets were well-represented in recent leasing activity, which increased from prior quarters, causing vacancy to decline from 3.1% to 2.9% over the past three months. Landlord-friendly conditions caused the average asking rent to soar by 22.9% to \$12.18/SF over the past year, the highest annual increase on record.

### Annual Rent Growth Tops Previous High

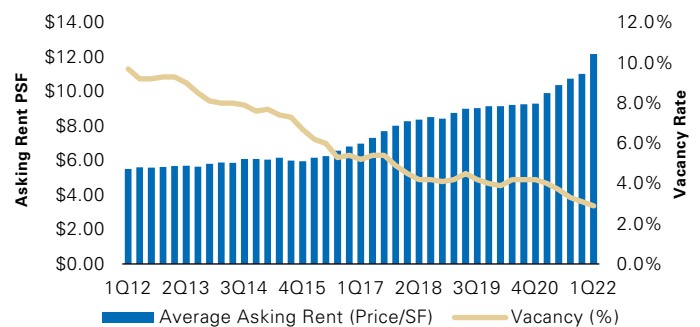
Limited supply of developable land and existing warehouse and distribution space have driven rents up in recent years. The recent stockpiling of inventories and surging imports at the Port of New York and New Jersey have intensified competition for space, fueling bidding wars among tenants. Asking rents grew by 22.9% over the past year, more than double the average pace seen over the past five years and topping the record set in the previous quarter. This growth was driven primarily by modern warehouse space with high ceilings. Ballooning costs of land and construction materials are being passed on to tenants as developers raise rents to justify the cost of new projects. While the market will remain undersupplied, the construction pipeline is expected to alleviate some of the pressure on pricing. During the first quarter of 2022, a 1.2-million-square-foot building broke ground at Bridge Point 78 in Warren County.

### Current Conditions

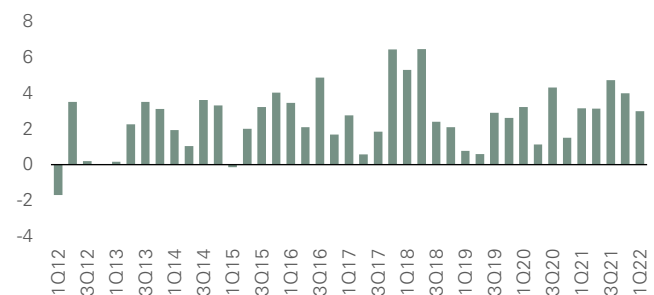
- Asking rents soared by 22.9% year-over-year to \$12.18/SF, driven primarily by the Class A segment.
- An uptick in leasing activity caused vacancy to decline to 2.9%, down from 4.0% one year ago.
- Co-warehousing is emerging as a new source of demand for industrial space.

### Market Analysis

#### ASKING RENT AND VACANCY RATE



#### NET ABSORPTION (SF, Millions)



### Market Summary

	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	676.3M	675M	669.1M	↑
Vacancy Rate	2.9%	3.1%	4.0%	↔
Quarterly Net Absorption (SF)	2,988,511	3,980,403	3,143,156	↔
Average Asking Rent PSF	\$12.18	\$11.03	\$9.91	↑
Under Construction (SF)	14,002,591	13,486,011	7,172,044	↓
Deliveries (SF)	1,559,987	2,600,014	1,615,358	↑

## RESEARCH 1Q 2022

In total, there is 14.0 million square feet under construction in Northern New Jersey and about 80% of this space remains available for lease.

### Leasing Activity Increases amid Space Shortage

Grappling with sharp rent increases and few remaining options, tenants moved quickly to lease space during the first quarter of 2022. There were 20 new transactions for more than 100,000 square feet signed over the past three months, up from less than 13 in each of the previous two quarters. Net absorption was positive by 3.0 million square feet with most key submarkets recording gains in occupancy. In the largest new lease of the quarter, Keurig took 499,898 square feet at 24 Applegate Dr. in Robbinsville. In the Meadowlands, ZT Systems leased 425,000 square feet at 1 Emerson Ln. in Secaucus. In Monmouth, two major leases were signed for new construction. Medline Industries inked a 240,000-square-foot-lease for a build-to-suit development in Tinton Falls, while 3PL Center pre-leased a redevelopment project in Freehold, totaling 207,000 square feet.

### Submarket Statistics by Subtype

Current Quarter	WH/Dist	Gen Ind	R&D/Flex
Total Inventory (SF)	501.6M	131.5M	43.2M
Vacancy Rate	2.6%	3.5%	4.8%
Quarterly Net Absorption (SF)	2,308,973	309,587	369,951
Average Asking Rent	\$12.48	\$10.28	\$12.12
Under Construction (SF)	13,627,910	77,681	297,000
Deliveries (SF)	1,559,987	0	0

### Lease/User Transactions

Tenant	Building	Submarket	Type	Square Feet
Keurig	24 Applegate Drive	Exit 7A	Direct Lease	499,898
Kiss Products	600 Ridge Road	I-287 Corridor	Sale/Leaseback	469,600
ZT Systems	1 Emerson Lane	Meadowlands	Direct Lease	425,000
Lasar Logistics	351 Herrod Boulevard	Exit 8A	Lease Renewal	390,318
Equinix	600 Jefferson Avenue	Meadowlands	Direct Lease	338,661

### Select Sales Transactions

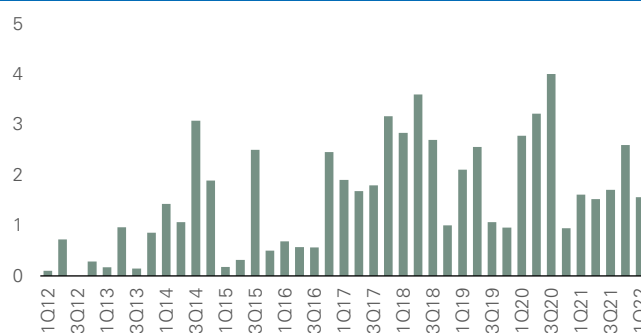
Building	Submarket	Sale Price	Price/SF	Square Feet
39 Strykers Road	Western I-78 Corridor	\$110,000,000	\$215	511,200
100 Frontage Road	Newark	\$62,750,000	\$349	179,975
100 Commons Way	Morris West	\$39,000,000	\$108	352,461

### Co-Warehousing Firm Expands

While major ecommerce, retail and logistics players continue to make up the lion's share of leasing activity, a new source of demand for industrial space is beginning to emerge. During the first quarter of 2022, ReadySpaces, a co-warehousing firm, leased 126,000 square feet at 35 O'Brien St. in Kearny. The deal comes shortly after the firm announced it will open a 164,500-square-foot location in Saddle Brook. Co-warehousing providers typically operate shared facilities, offering flexible lease terms and smaller space sizes. These spaces could appeal to small businesses, as well as larger companies looking for turnkey space to store excess inventory.

While economic headwinds, including rising inflation, pose a threat to future expansion, the outlook for the industrial market remains positive. Looking ahead, tenants in the market will continue to face a shortage of supply and can expect to pay a premium for well-located, modern space. Landlords can expect rapid rent growth to persist through the remainder of the year.

### Construction Completions (Square Feet, Millions)



## RESEARCH 1Q 2022

Submarket Statistics								
	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Quarter Absorption (SF)	YTD Absorption (SF)	WH/Dist Asking Rent (Price/SF)	R&D/Flex Asking Rent (Price/SF)	Overall Asking Rent (Price/SF)
<b>Northern NJ</b>	<b>311,002,181</b>	<b>2,699,552</b>	<b>3.4%</b>	<b>1,831,050</b>	<b>1,831,050</b>	<b>\$12.52</b>	<b>\$12.02</b>	<b>\$12.38</b>
Bergen Central	18,432,314	130,000	4.1%	422,170	422,170	\$11.81	\$12.99	\$11.79
Bergen Northeast	4,825,725	0	5.0%	92,985	92,985	\$8.85	\$12.00	\$9.89
Bergen Northwest	14,584,290	0	3.7%	143,344	143,344	\$10.86	\$11.34	\$11.45
Hudson Waterfront	30,631,086	1,590,688	4.3%	150,914	150,914	\$13.58	-	\$13.45
Meadowlands	90,671,029	626,514	3.1%	486,549	486,549	\$15.17	\$13.94	\$14.79
Morris East	22,919,979	147,000	4.3%	292,322	292,322	\$10.21	\$11.85	\$10.40
Morris West	17,055,477	0	6.7%	45,246	45,246	\$9.52	\$12.50	\$9.99
Newark	39,735,041	0	1.9%	273,567	273,567	\$12.39	-	\$11.96
Paterson/Passaic	27,921,393	0	3.2%	-45,140	-45,140	\$15.78	\$9.75	\$14.74
Route 280/Suburban Essex	9,957,752	0	5.5%	-120,675	-120,675	\$13.41	-	\$13.41
Route 46/23 Corridor	34,268,095	205,350	2.0%	89,768	89,768	\$11.94	\$11.71	\$11.76
<b>Central NJ</b>	<b>365,278,853</b>	<b>11,303,039</b>	<b>2.5%</b>	<b>1,157,461</b>	<b>1,157,461</b>	<b>\$12.44</b>	<b>\$12.19</b>	<b>\$11.99</b>
Exit 12	20,364,661	2,429,720	1.9%	-360,336	-360,336	\$17.61	-	\$17.61
Exit 10	55,947,492	0	1.3%	261,995	261,995	\$11.22	\$15.33	\$11.35
Exit 9	28,277,170	203,400	2.5%	31,756	31,756	\$10.28	\$14.50	\$10.24
Exit 8A	79,987,789	1,539,963	2.1%	253,711	253,711	\$14.18	\$15.97	\$13.91
Exit 7A	29,407,154	1,527,548	4.5%	425,486	425,486	\$6.84	\$11.34	\$8.34
I-287 Corridor	53,714,160	1,181,342	2.2%	-145,044	-145,044	\$13.17	\$10.83	\$12.82
Linden/Elizabeth	31,365,901	1,580,460	1.0%	160,362	160,362	\$10.94	-	\$10.75
Monmouth	16,378,025	1,442,430	5.1%	171,696	171,696	\$10.85	\$10.35	\$10.50
Union Central	25,693,375	0	4.2%	-2,570	-2,570	\$11.27	\$8.94	\$10.07
Western I-78 Corridor	24,143,126	1,558,200	3.1%	360,405	360,405	\$8.20	\$13.24	\$8.00
<b>Northern/Central NJ</b>	<b>676,281,034</b>	<b>14,002,591</b>	<b>2.9%</b>	<b>2,988,511</b>	<b>2,988,511</b>	<b>\$12.48</b>	<b>\$12.12</b>	<b>\$12.18</b>

## RESEARCH 1Q 2022

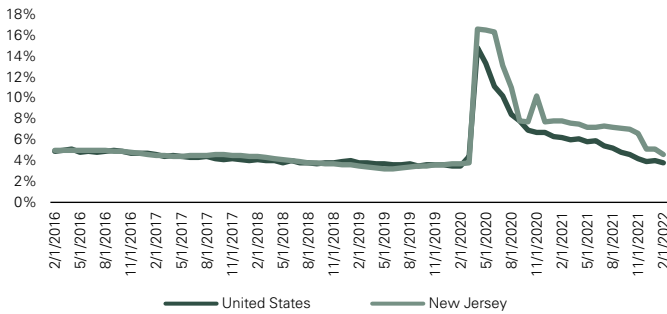
### Economic Conditions

New Jersey's labor market continued to make strides from last year, with total employment up 5.5%. Unemployment is at 4.6%, down from a high of 16.6% in 2020, with 15 months of positive net job growth seen. Inflation continues to rise across the country, which is beginning to weigh on consumer spending. The US average CPI sits at 7.9%, the highest point in nearly 40 years, while regional CPI is slightly lower, at 5.1%.

As supply chain issues continue to grip the globe, companies are likely to increase space requirements to allow for greater capacity for long-term volume. Although demand is high throughout the state, local pushback may inhibit this growth. Last month, the Township of Mansfield in Southern New Jersey passed a ban on new warehouse development, the first of its kind in New Jersey. With previous calls to initiate a moratorium statewide, time will tell if other municipalities follow suit.

### Unemployment Rate

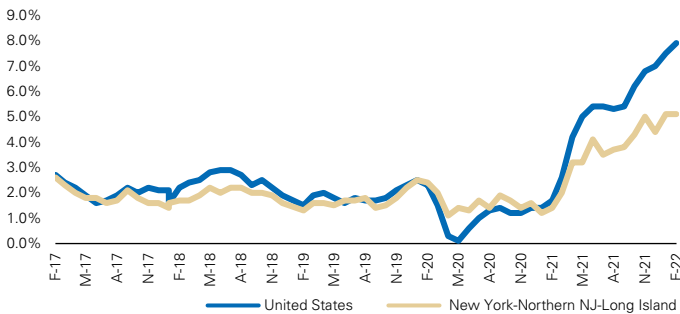
#### SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics

### Consumer Price Index (CPI)

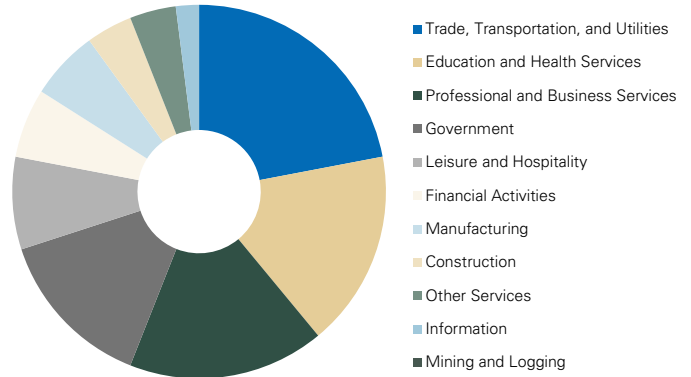
#### ALL ITEMS, 12-MO. % CHANGE, NOT SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics

### Employment By Industry

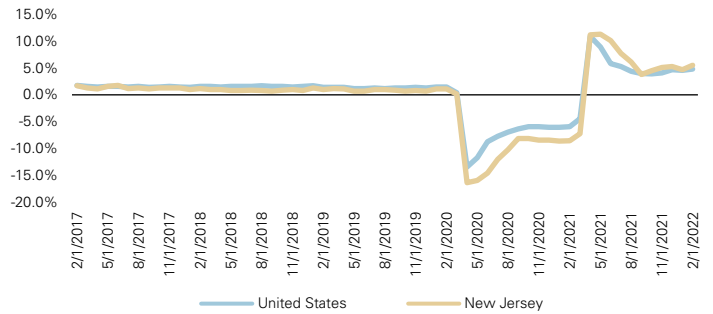
#### NEW JERSEY, ANNUAL AVERAGE 2021



Source: U.S. Bureau of Labor Statistics

### Payroll Employment

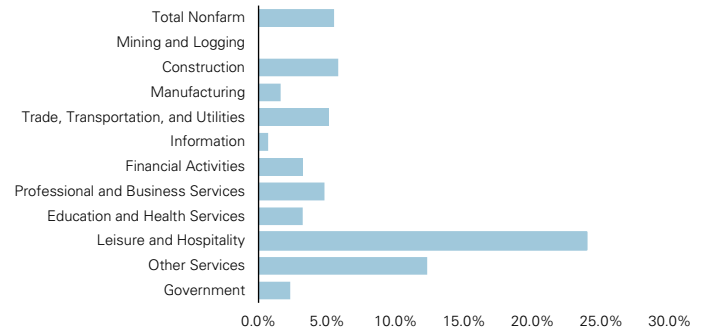
#### TOTAL NONFARM, NOT SEASONALLY ADJUSTED, 12-MO. % CHANGE



Source: U.S. Bureau of Labor Statistics

### Employment Growth By Industry

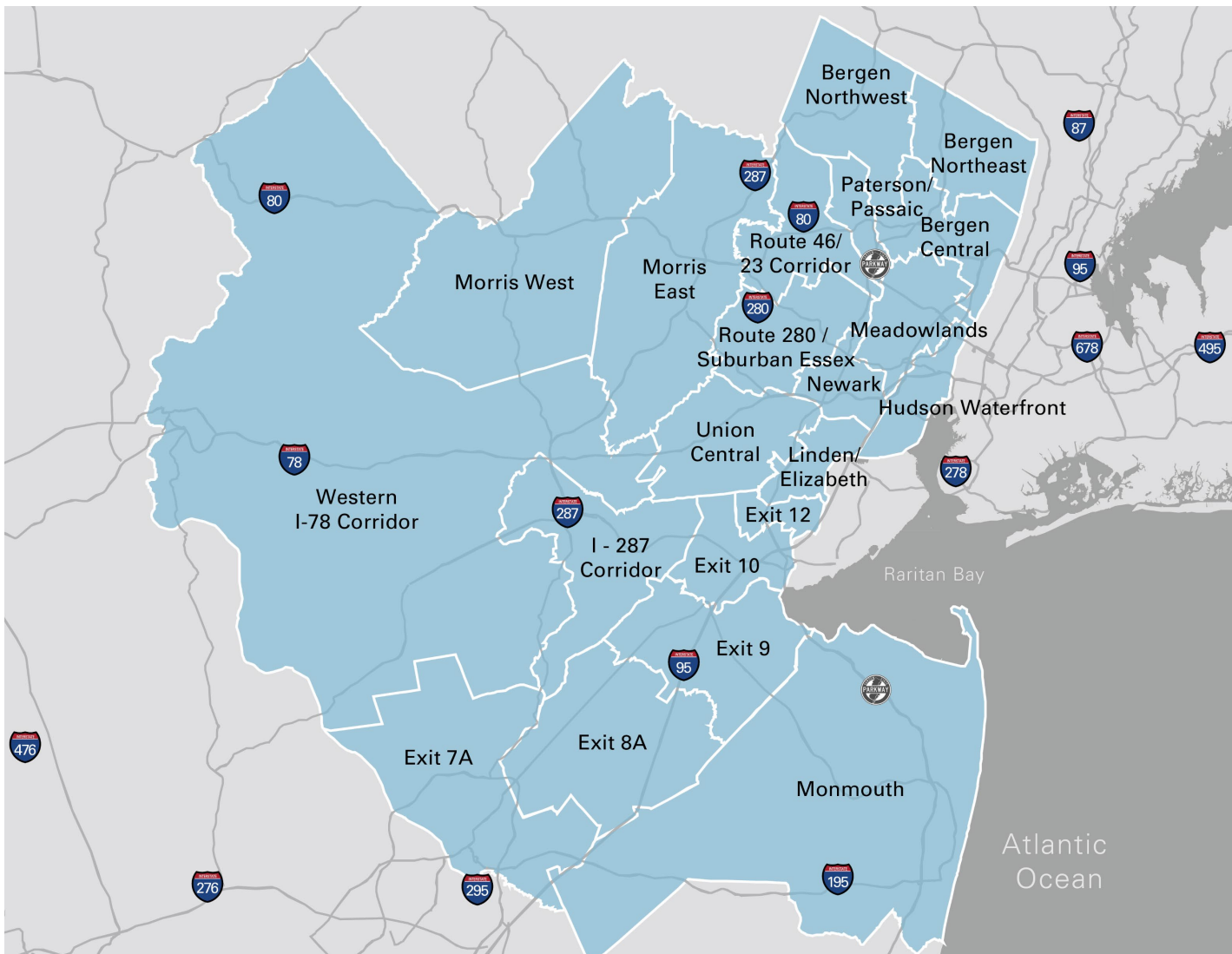
#### NJ, FEB 2022, 12-MO. % CHANGE, NOT SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics

## RESEARCH 1Q 2022

### Northern NJ Industrial Submarkets



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