

Northern New Jersey Industrial Market

Construction Pipeline Ramps Up to Meet Demand

Northern New Jersey industrial market fundamentals improved in all categories during the second quarter of 2021. New leasing caused vacancy to decrease to an all-time low of 3.8%, while competition for remaining big-box distribution space pushed the average asking rent to an all-time high of \$10.27/SF, up 11.4% from one year ago. The market recorded 3.2 million square feet of positive net absorption as tenants moved into new deliveries. Developers are responding to robust tenant demand with a wave of new supply; the construction pipeline increased from 8.4 million to 14.2 million square feet over the past three months.

Logistics Demand Brings Vacancy to Record Low

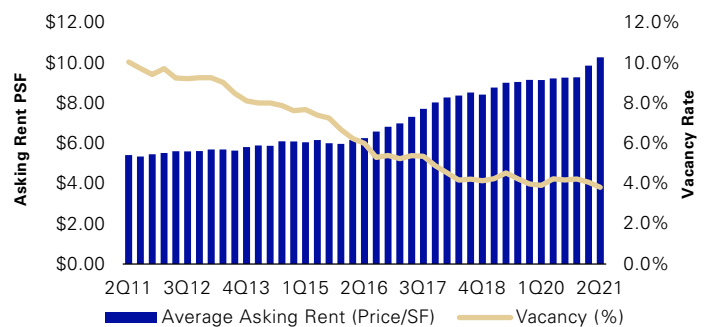
Robust demand from ecommerce and logistics companies caused vacancy to decline from 4.2% to 3.8% over the past six months. The largest second-quarter transactions were signed for new construction. In the largest deal of the quarter, OMLog, a third-party logistics provider for the fashion industry, leased 607,279 square feet at Bridge Point 78 in Phillipsburg. In addition, World Distribution Services took 480,844 square feet at a newly delivered building at Linden Logistics Center, where an additional 1.6 million square feet is under construction. Amazon pre-leased sites in the Meadowlands and I-287 Corridor, as well as a planned redevelopment of a shopping center in Hamilton.

Current Conditions

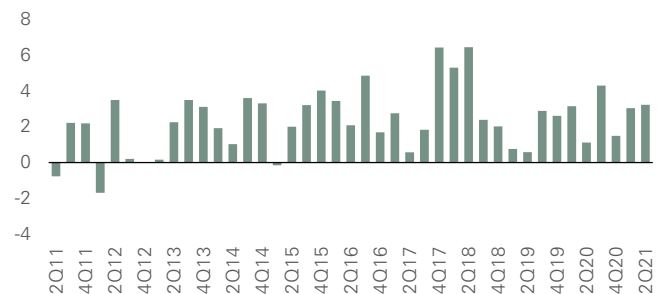
- Lease-up of new construction caused vacancy to decline to a record low of 3.8%
- Developers responded to strong logistics demand by adding 7.4 million square feet to the construction pipeline.
- Community opposition to warehouse development is a growing challenge for developers amid a surge in new construction.

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	670.8M	669.2M	661.1M	↑
Vacancy Rate	3.8%	4.1%	4.2%	↔
Quarterly Net Absorption	3,234,514	3,038,156	1,117,268	↔
Average Asking Rent	\$10.27	\$9.86	\$9.22	↑
Under Construction	14,226,521	8,376,659	10,013,655	↓
Deliveries	1,527,463	1,615,358	3,216,787	↑

RESEARCH 2Q 2021

Three-Million-Square-Foot Projects Break Ground

Developers are looking to address a shortage of modern supply that can accommodate large requirements in Northern New Jersey, where the size of projects delivered over the past five years averaged less than 300,000 square feet. There were 7.4 million square feet of new ground-breakings during second-quarter 2021, including three projects greater than 1 million square feet. At Exit 12, where vacancy is only 0.3%, construction began on a 1.2 million-square-foot distribution center at 1289 Rahway Avenue in Avenel. In the adjacent town of Carteret, Crow Holdings broke ground on another 1.2 million-square-foot project comprised of three buildings. The developer is also constructing the largest modern logistics facility in Monmouth, which will be 1.0 million square feet.

Frequent pre-leasing of speculative projects justifies the recent surge in new development. The 1.5 million square feet of space

completed during the second quarter is already 97.0% leased. Two large deliveries in Piscataway and Edison contributed to more than 900,000 square feet of positive net absorption in both the I-287 Corridor and Exit 10 submarkets over the quarter.

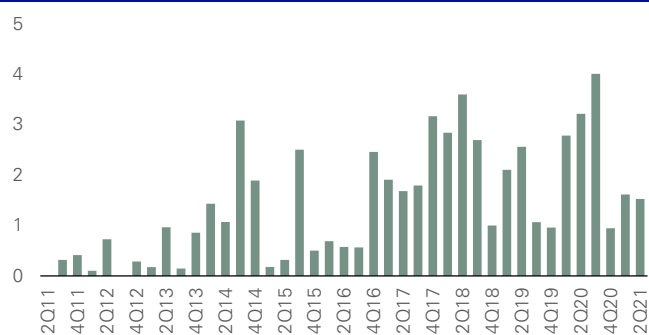
Community Opposition a Challenge for Developers

Amid a surge in construction, opposition to new warehouse development is mounting among state residents and legislators. The New Jersey Senate is expected to evaluate a new bill that would require municipalities to inform neighboring communities that could be impacted by a new project, and give county planning boards the ability to reject applications. A more challenging approval process would likely push some new construction out of state, and further increase competition among tenants for existing space in New Jersey. While increased public scrutiny and land constraints may limit future supply, the current construction pipeline will generate positive absorption in the near term, with vacancy stabilizing at a historic low.

Submarket Statistics by Subtype

Current Quarter	WH/Dist	Gen Ind	R&D/Flex
Total Inventory (SF)	495.7M	132.1M	43.0M
Vacancy Rate	3.5%	4.0%	7.2%
Quarterly Net Absorption	3,578,581	-424,510	80,443
Average Asking Rent	\$10.17	\$9.22	\$11.69
Under Construction	13,531,840	147,681	547,000
Deliveries	1,527,463	0	0

Construction Completions (Square Feet, Millions)



Lease/User Transactions

Tenant	Building	Submarket	Type	Square Feet
OMLog	1000 Rand Boulevard	Western I-78 Corridor	Direct Lease	607,279
World Distribution Services	500 Linden Logistics Way	Linden/Elizabeth	Direct Lease	480,844
Amazon	65 Baekland Avenue	I-287 Corridor	Direct Lease	400,000
Kuehne & Nagel	324 Half Acre Road	Exit 8A	Direct Lease	384,170
Newegg Inc.	45 Patrick Avenue	Exit 10	Lease Renewal	374,148

Select Sales Transactions

Building	Submarket	Sale Price	Price/SF	Square Feet
10 Princess Road	Exit 7A	\$75,000,000	\$220	340,400
99 Avenue A	Hudson Waterfront	\$25,584,994	\$354	160,575
140 Ethel Road West	I-287 Corridor	\$14,000,000	\$126	108,875

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Submarket Statistics

	Total Inventory (SF)	Under Construction (SF)	Total Availability Rate	Qtr Absorption (SF)	YTD Absorption (SF)	WH/Dist Asking Rent (Price/SF)	R&D/Flex Asking Rent (Price/SF)	Overall Asking Rent (Price/SF)
Northern NJ	309,118,452	4,028,771	4.3%	-565,152	418,942	\$10.41	\$12.35	\$10.56
Bergen Central	18,263,984	130,000	4.3%	-977	458,699	\$10.82	\$17.07	\$12.04
Bergen Northeast	4,825,725	0	5.9%	-4,913	133,433	\$10.17	\$13.00	\$10.20
Bergen Northwest	14,584,290	0	3.6%	37,734	154,639	\$9.97	\$11.30	\$10.43
Hudson Waterfront	30,631,086	704,432	5.2%	-284,082	-361,444	\$12.84	\$9.72	\$12.29
Meadowlands	90,359,585	1,116,975	4.2%	-589,074	16,484	\$12.67	\$13.53	\$12.50
Morris East	22,844,479	222,500	6.3%	-23,073	161,937	\$9.09	\$11.18	\$9.46
Morris West	17,055,477	0	7.8%	-13,532	-47,327	\$7.32	\$10.88	\$7.59
Newark	38,667,481	1,278,532	2.3%	-5,576	-72,378	\$9.99	-	\$9.84
Paterson/Passaic	27,810,282	111,111	3.5%	-575	-39,868	\$7.58	\$9.75	\$7.61
Route 280/Suburban Essex	9,957,752	0	3.5%	88,320	50,070	\$10.78	\$14.50	\$11.54
Route 46/23 Corridor	34,118,311	465,221	3.7%	230,596	-35,303	\$11.00	\$11.57	\$11.01
Central NJ	361,638,666	10,197,750	3.4%	3,799,666	5,853,728	\$9.86	\$11.29	\$9.94
Exit 12	20,313,859	2,480,522	0.3%	343,402	399,542	\$13.46	-	\$13.46
Exit 10	55,381,034	566,458	1.5%	923,556	1,734,744	\$10.08	\$13.07	\$10.22
Exit 9	28,349,990	51,180	4.7%	-190,309	314,258	\$8.35	\$14.50	\$8.47
Exit 8A	78,247,590	1,224,434	2.4%	784,950	1,064,477	\$7.92	\$14.90	\$11.30
Exit 7A	29,277,154	1,527,548	5.9%	12,789	-39,329	\$6.66	\$10.96	\$8.07
I-287 Corridor	53,002,452	621,708	2.6%	934,083	980,133	\$8.89	\$9.62	\$9.46
Linden/Elizabeth	31,275,261	1,715,200	7.3%	213,540	212,376	\$11.10	-	\$10.85
Monmouth	16,466,025	1,349,500	6.4%	-69,672	7,508	\$8.83	\$9.64	\$9.09
Union Central	25,693,375	0	3.1%	83,865	214,705	\$9.95	\$14.16	\$10.21
Western I-78 Corridor	23,631,926	661,200	3.9%	763,462	965,314	\$7.76	\$10.77	\$7.95
Northern/Central NJ	670,757,118	14,226,521	3.8%	3,234,514	6,272,670	\$10.17	\$11.69	\$10.27

RESEARCH 2Q 2021

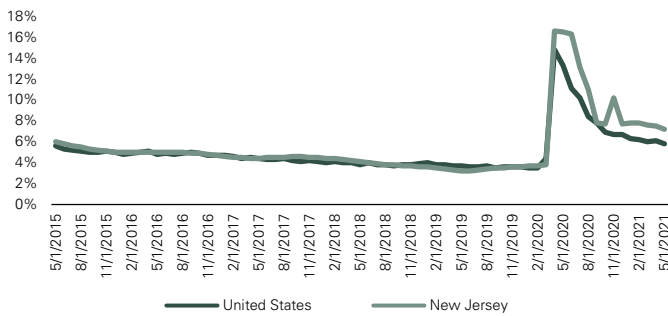
Economic Conditions

Approximately 67.0% of adults in New Jersey are now fully vaccinated, and the rollout has been a boon to the economy. New Jersey's unemployment rate fell from 7.8% to 7.2% over the past three months as the state economy continues to recover from the early months of the pandemic. The trade, transportation, and utilities sector, which includes many warehouse occupiers, has regained 78.2% of the jobs it lost since April 2020.

Nationally, price volatility of raw materials is contributing to an increase in construction costs. The price of steel has surged by 160.0% since August 2020, further driving up costs for warehouse developers in Northern New Jersey. Tenants should expect to bear the cost in the form of higher lease rates if this trend continues. Rents for new construction already exceed the average rent for existing inventory by more than \$2.00/SF.

Unemployment Rate

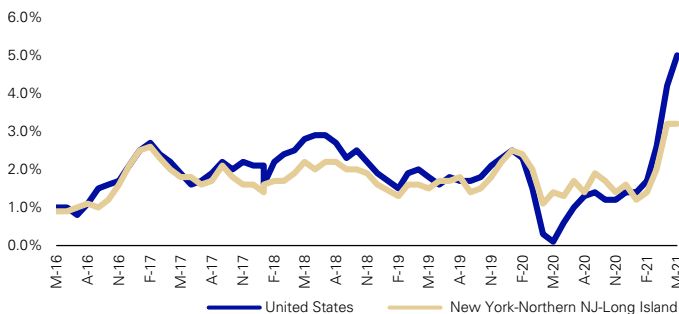
SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics, NJDLWD

Consumer Price Index (CPI)

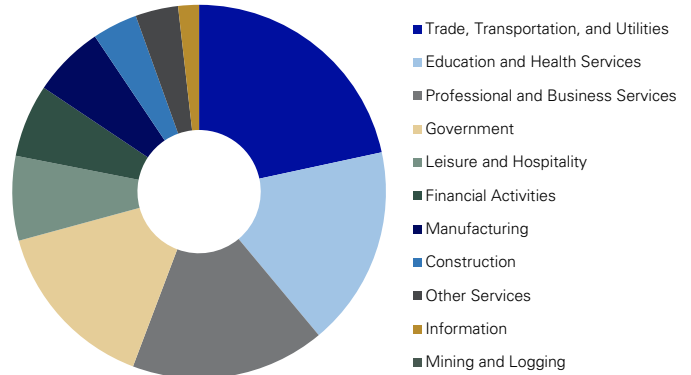
ALL ITEMS, 12-MO. % CHANGE, NOT SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics

Employment By Industry

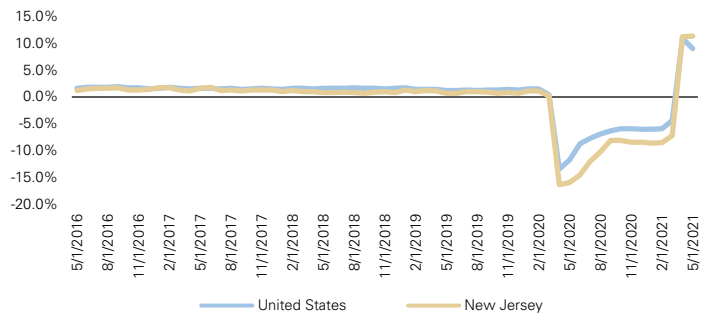
NEW JERSEY, ANNUAL AVERAGE 2020



Source: U.S. Bureau of Labor Statistics

Payroll Employment

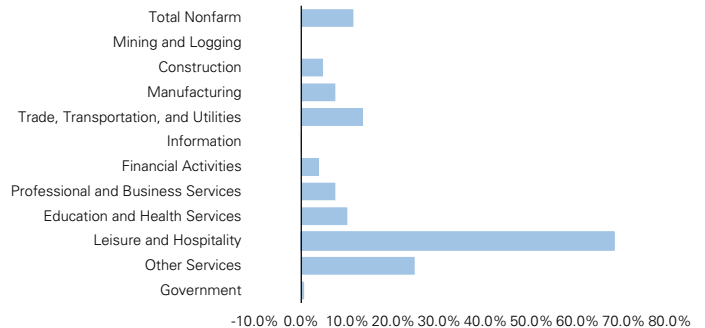
TOTAL NONFARM, NOT SEASONALLY ADJUSTED, 12-MO. % CHANGE



Source: U.S. Bureau of Labor Statistics

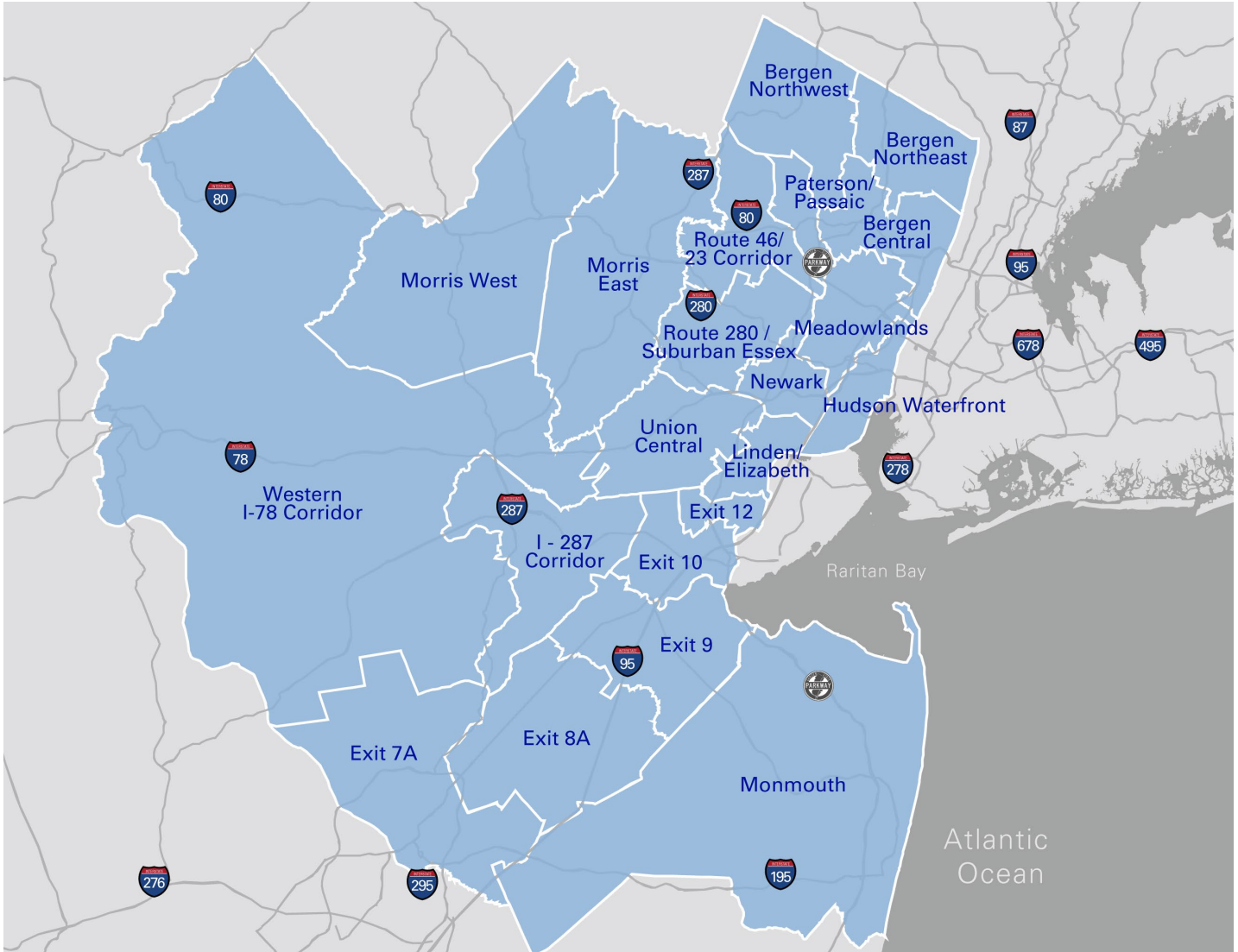
Employment Growth By Industry

NJ, MAY 2021, 12-MO. % CHANGE, NOT SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics

Northern NJ Industrial Submarkets



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Newmark has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective rents. Newmark Research Reports are available at ngkf.com/research.

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