



Northern New Jersey Industrial Market

Vacancy Remains Low as Asking Rents Persistently Rise

Northern New Jersey industrial leasing activity continued to remain strong through the fourth quarter of 2022. Net absorption for the quarter was 2,956,154 square feet, bringing the year-to-date total to 12,241,767 square feet. Vacancy rose slightly, closing the year at 2.8%, still 30 basis points below the fourth quarter of 2021. Currently, the average asking rate in the fourth quarter of 2022 stands at \$13.25/SF, which increased by \$2.27/SF from the prior year. It's expected that average asking rent growth will slow as vacancy incrementally rises on the heels of elevated construction deliveries in 2023; however, vacancy will remain below the national average. Looking forward, more local municipalities imposing ordinances to slow industrial construction will keep vacancy lower for longer by constricting new supply.

Major Leases Signed at Newly Delivered Buildings

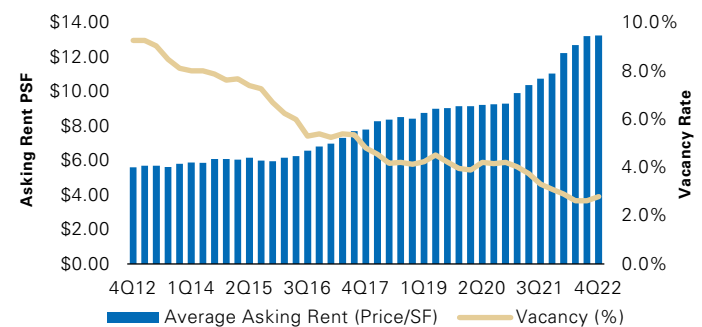
Leasing activity for the market was strong during the fourth quarter of 2022. The largest lease of the quarter was captured by Home Depot, signing for the recently-delivered, 1,281,000-square-foot building at 904 Cranbury S River Rd. in Monroe Township. The lease contributed to more than 1.9 million square feet of annual positive absorption for the Exit 8A submarket. The next largest transaction of the quarter was captured by Driscoll Foods, taking 507,727 square feet at 6 W Belt Pkwy. in Wayne. The lease contributed to nearly 350,000 square feet of positive absorption for the Route 46/23 Corridor.

Current Conditions

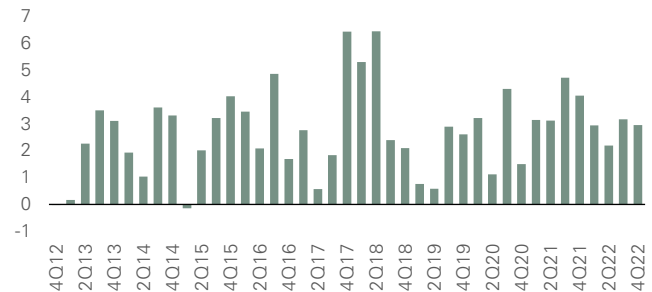
- The construction pipeline declined to just below 9.45 million square feet, after setting a record high of 16.2 million square feet in the second quarter of 2022.
- Vacancy increased slightly to 2.8%, while net absorption was 2,956,154 square feet, down slightly from the previous quarter.
- Asking rents rose to \$13.25/SF, as landlords take advantage of favorable conditions.

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)	682.0M	677.7M	674.9M	↑
Vacancy Rate	2.8%	2.6%	3.1%	↑
Quarterly Net Absorption (SF)	2,956,154	3,164,635	4,038,730	↔
Average Asking Rent PSF	\$13.25	\$13.22	\$11.05	↔
Under Construction (SF)	9,440,150	13,957,766	13,486,011	↔
Deliveries (SF)	2,003,420	1,704,400	2,600,014	↑

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Absorption is likely to remain steady as new deliveries hit the market to catch up with the lack of inventory. Tenants should expect to see rent growth slow slightly in 2023.

Port of NY and NJ is Top U.S. Container Port

It has been a historically busy year for East Coast ports, as West Coast ports struggle with shipper anxiety. The Port of New York and New Jersey (PANYNJ) processed a record 8.9 million TEUs year to date, surpassing both the Ports of Los Angeles and Long Beach towards the latter half of the year. In October, the PANYNJ moved 792,548 TEUs; in November, the port moved 723,069 TEUs. Although November was an 8.8% decrease from October, November 2022 was a sizeable increase of 20.6% compared with November 2019. Meanwhile the Port of Los Angeles moved 639,344 TEUs in November, which was down 21.0% from the prior year. The potential for labor strikes and increasing disputes at West Coast ports has diverted shippers away. Dockers have even refused to work some vessels at the

Los Angeles Port over safety concerns. All these factors have shippers looking to the East Coast, specifically to the PANYNJ to hedge their bets.

Warehouse Development Faces Pushback

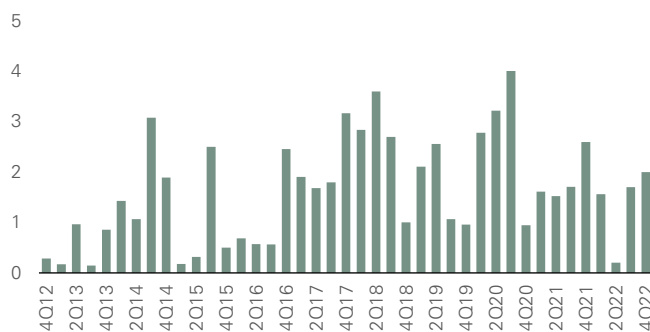
The desire for warehouse space in New Jersey continues to remain high. During the fourth quarter of 2022, six of the top 10 leases were for warehouses, totaling over 3.1 million square feet.

Robust demand, low vacancy rates and shifting consumer behaviors continue to fuel the demand to build. The market's scream for more supply has ultimately brought new challenges. Toward the end of 2022, four bills were introduced in New Jersey by lawmakers, under pressure from their communities to curb warehouse construction. Even with these legislative changes and growing concern in New Jersey municipalities, warehouse inventory growth will continue in 2023, but faces mounting challenges in the mid- to long-term, which will have ramifications for occupiers and investors of industrial space.

Submarket Statistics by Subtype

Current Quarter	WH/Dist	Gen Ind	R&D/Flex
Total Inventory (SF)	507.1M	131.7M	43.2M
Vacancy Rate	2.9%	2.3%	3.7%
Quarterly Net Absorption (SF)	1,744,001	840,441	371,712
Average Asking Rent	\$13.52	\$11.83	\$12.77
Under Construction (SF)	9,105,469	77,681	257,000
Deliveries (SF)	2,003,420	0	0

Construction Completions (Square Feet, Millions)



Lease/User Transactions

Tenant	Building	Submarket	Type	Square Feet
Home Depot	904 Cranbury South River Rd	Exit 8A	Direct Lease	1,281,000
Driscoll Foods	6 W Belt Pkwy	Route 46/23 Corridor	Sale Leaseback	507,727
Continental Tires	200 Middlesex Ave	Exit 12	Lease Renewal	406,437
Waitex	153-215 Linden St	Paterson/Passaic	Sale Leaseback	330,000
Accem Warehouse	8 Peach Tree Hill Rd	Route 280/Suburban Essex	Direct Lease	293,887

Select Sales Transactions

Building	Submarket	Sale Price	Price/SF	Square Feet
315 Half Acre Rd	Exit 8A	\$228,849,179	\$342.78	650,123
429 Delancy St	Newark	\$208,929,434	\$315.73	661,741
6 W Belt Pkwy	Route 46/23 Corridor	\$172,500,000	\$339.75	507,727

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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)
Northern NJ	312,295,477	2,927,037	3.2%	1,744,781	6,842,333	\$12.77	\$13.16	\$12.87
Bergen Central	18,432,314	0	1.5%	95,998	833,326	\$17.37	\$17.41	\$16.95
Bergen Northeast	4,784,918	0	5.4%	10,498	107,018	\$12.47	\$14.00	\$12.63
Bergen Northwest	14,584,290	0	2.4%	138,105	337,840	\$11.35	\$11.63	\$11.50
Hudson Waterfront	30,776,830	1,923,328	4.2%	-37,046	160,127	\$13.49	-	\$13.31
Meadowlands	90,880,121	435,200	2.4%	-359,509	1,263,057	\$15.87	\$14.89	\$15.30
Morris East	22,919,979	147,000	2.2%	597,727	846,941	\$10.44	\$11.27	\$11.86
Morris West	17,055,477	0	1.5%	-19,879	1,054,768	\$8.85	\$12.75	\$10.80
Newark	39,738,620	421,509	1.4%	-3,669	356,237	\$15.84	-	\$13.41
Paterson/Passaic	27,840,209	0	1.2%	689,447	815,691	\$7.50	\$9.75	\$8.91
Route 280/Suburban Essex	10,614,380	0	9.9%	285,112	261,709	\$12.87	\$15.00	\$12.93
Route 46/23 Corridor	34,668,339	0	2.9%	347,997	805,619	\$14.46	\$11.77	\$13.94
Central NJ	369,750,533	6,513,113	3.7%	1,147,373	5,335,434	\$12.56	\$12.73	\$12.78
Exit 12	20,418,293	2,375,658	1.5%	400,370	307,992	\$14.56	-	\$14.56
Exit 10	55,959,004	0	1.0%	147,122	840,272	\$11.33	\$16.73	\$12.66
Exit 9	28,380,570	0	1.9%	83,078	788,148	\$15.17	\$11.00	\$14.57
Exit 8A	81,122,039	258,963	2.2%	314,817	1,910,376	\$13.56	\$13.66	\$13.58
Exit 7A	30,637,127	563,575	6.6%	396,756	975,502	\$7.54	\$10.69	\$8.92
I-287 Corridor	53,924,573	978,351	3.1%	-436,402	-222,967	\$13.60	\$11.15	\$13.45
Linden/Elizabeth	32,100,901	845,460	1.0%	584,541	802,091	\$14.61	-	\$14.93
Monmouth	17,598,025	132,930	11.8%	26,634	74,120	\$11.58	\$11.51	\$11.54
Union Central	25,726,875	0	3.8%	158,597	227,705	\$12.31	\$14.06	\$12.21
Western I-78 Corridor	23,883,126	1,358,176	4.2%	-528,140	-367,805	\$11.38	\$13.03	\$11.41
Northern/Central NJ	682,046,010	9,440,150	2.8%	2,956,154	12,241,767	\$13.52	\$12.77	\$13.25

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Economic Conditions

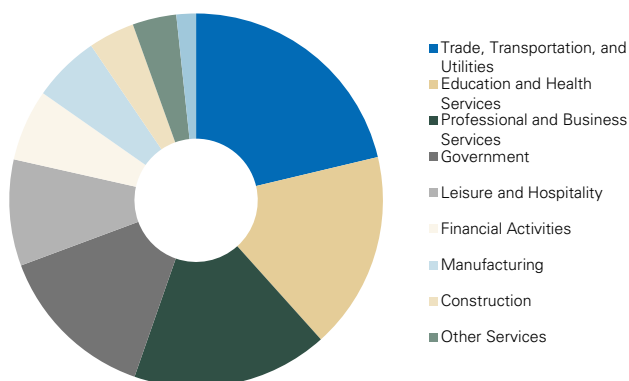
New Jersey's labor market continues towards recovery, with 30 months of consecutive private-sector job growth. The unemployment rate is down to 3.4%, 30 basis points below the national average. Regional CPI sits at 5.9%, down from 6.7% during the second quarter of 2022. The national Consumer Price Index increased 7.1% year-over-year. The Fed recently raised interest rates an additional 50 basis points, as anticipated. Interest rates are expected to increase during the next quarter, as the Fed continues to combat inflation.

The Northern New Jersey industrial market is poised for sustained growth, amid growing local opposition. Although ecommerce demand has trended downward, it's growth in 2023 is projected to be 5.0% higher than before the pandemic. Additionally, results showed record sales across 2022's Cyber Week in December. Global inflation continues to drive construction prices, although pandemic-related supply issues

have receded drastically, as reported by the Federal Reserve's Global Supply Chain Pressure Index (2.41 in June; 1.12 in December).

Employment By Industry

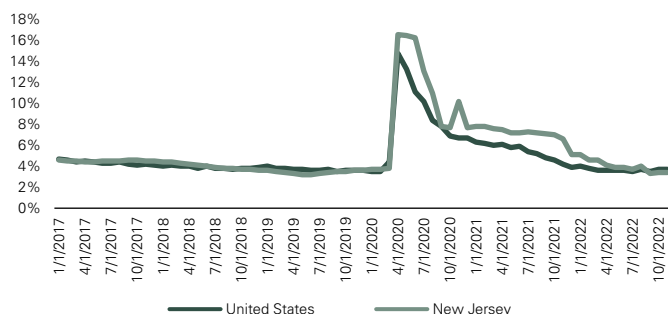
NEW JERSEY, ANNUAL AVERAGE 2022



Source: U.S. Bureau of Labor Statistics

Unemployment Rate

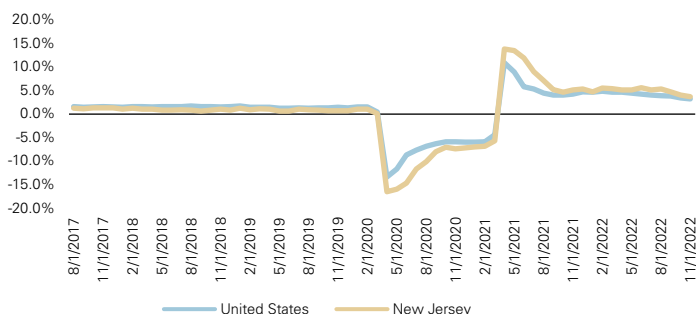
SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics

Payroll Employment

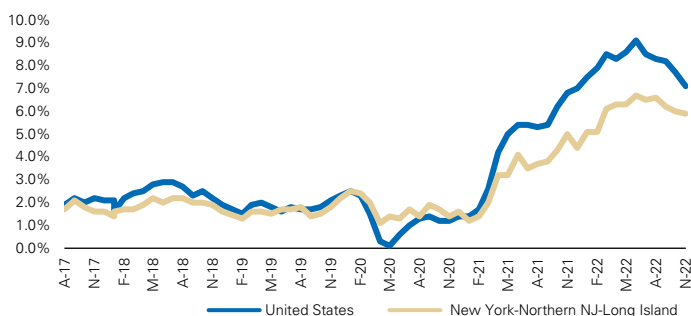
TOTAL NONFARM, NOT SEASONALLY ADJUSTED, 12-MO. % CHANGE



Source: U.S. Bureau of Labor Statistics

Consumer Price Index (CPI)

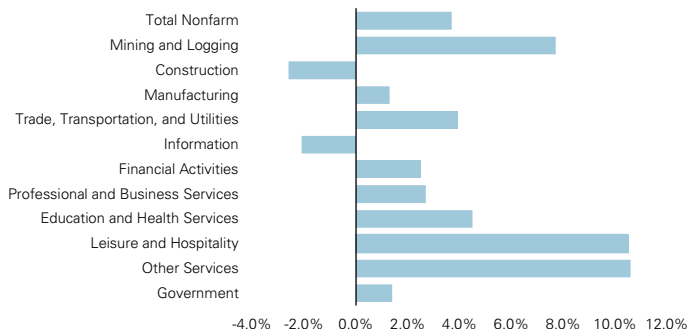
ALL ITEMS, 12-MO. % CHANGE, NOT SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics

Employment Growth By Industry

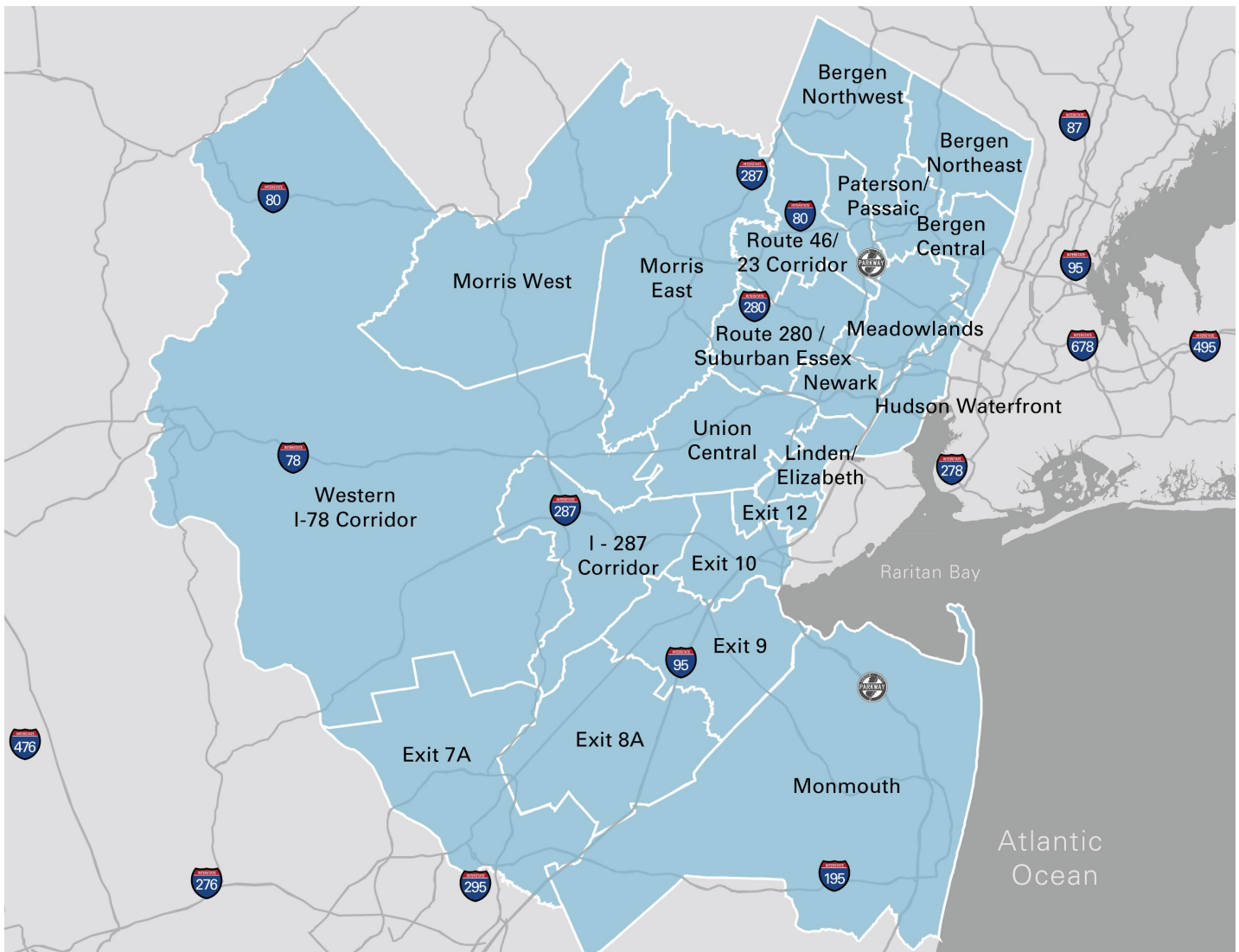
NJ, NOV. 2022, 12-MO. % CHANGE, NOT SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics

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