

2020's Record Net Absorption Pushes Availability to a New Low at Year End



Leasing Activity
5.9 MSF



Net Absorption
1.2 MSF



Availability Rate
5.7%



Class A Avg. Asking Rate
\$11.07

- Fourth quarter leasing activity was 5.9 million sq. ft., a 20% decrease from Q3 2020, and 15% less than the five-year average.
- The average asking rent for Class A space was \$11.07 per sq. ft., a 1.0% decrease from the previous quarter and 5.8% greater year-over-year.
- The average asking rent for all space was \$7.46 per sq. ft., unchanged from Q3 2020 and 2.9% lower year-over-year.
- The availability rate for all classes fell by 10 basis points (bps) to 5.7% from Q3 2020 and dropped 30 bps from Q4 2019 marking a new record low.
- Net absorption was 1.2 million sq. ft. in Q4 2020, down from 7.2 million sq. ft. in Q3 2020.

In fact, average Class A asking rents are up 5.8% year-over-year, ending 2020 at \$11.07 per sq. ft. Quarterly leasing activity, which excludes renewals, recorded the second highest total for the year at 5.9 million sq. ft., culminating in an annual total of 22.2 million sq. ft., 15% percent lower than the five-year average. This was mainly a result of a slower first half of the year when COVID-19 concerns shocked the international trade and logistics industry.

Looking forward, low interest rates paired with the passage of the second fiscal stimulus bill, totaling \$900 billion, should buoy consumer confidence through the winter and support demand for warehousing space. A third of the monies will flow to small businesses and nearly another third will go to direct payments to households and unemployment benefits. Indeed, the most important stimulus tool are the vaccines that are now being deployed, which should allow for some normalization by mid-Q2 2021.

MARKET OVERVIEW

Record high annual net absorption of 11.8 million square feet (sq. ft.) helped push the Northern and Central New Jersey industrial markets to a new low availability rate of 5.7% in Q4 2020, 10 basis points (bps) below the previous quarter's rate. Despite this drop in availability, overall Class A asking rents posted a 1.0% drop quarter-over-quarter; however, this was a result of more expensive, urban-adjacent supply being leased rather than actual price compression.

RENT TRENDS

Northern and Central New Jersey's Class A average industrial rents ended the year at \$11.07 per sq. ft., down 1.0% from last quarter, but up 5.8% year-over-year. The quarter-over-quarter decline was not representative of a softening in the market, but instead due to the locations of new Class A availability. There were 1.4 million sq. ft. of Class A product added to the relatively less expensive Central New Jersey market this quarter while the more expensive Northern NJ market had no new additions.

Figure 1: Top Lease Transactions | Q4 2020

Size (Sq. Ft.)	Tenant	Address	City	Type
622,000	Confidential - Home Furnishing	150-160 Old New Brunswick Rd	Piscataway	New Lease
608,000	National Tree	150 Milford Rd	Hightstown	New Lease
600,000	Synnex Corp.	201 Middlesex Center Blvd.	South Brunswick	Renewal
450,000	Confidential - E-Commerce	1100 King George Roads Post Road	Edison	New Lease
312,000	East Coast Warehouse & Distribution Corp.	202 Port Jersey Blvd	Jersey City	Renewal

Source: CBRE Research, Q4 2020

The Central NJ Class A industrial asking rents settled at \$9.58 per sq. ft., unchanged quarter-over-quarter but 6.8% higher year-over-year. Of the Class A space that became available during Q4 2020 within Central NJ, 86% was either existing, second-generation product or an appreciable distance away from the prime portion of the market, adjacent to the New Jersey Turnpike. As such, overall Class A asking rents growth was muted during the quarter. The Route 287/Exit 10 submarket posted an average Class A asking rent of \$11.17 per sq. ft., an 8.0% increase quarter-over-quarter, the largest increase of all Northern and Central New Jersey's submarkets. The Exit 8A average Class A asking rent increased tangibly by 4.9% quarter-over-quarter to \$9.05 per sq. ft. due to landlords increasing asking rents.

Northern New Jersey average Class A asking rents were unchanged quarter-over-quarter at \$14.48 per sq. ft. Class A asking rents in this market though climbed steadily during the year as the inventory for large blocks of quality space continued evaporating, leading to a 3.8% increase year-over-year.

Taking rents for modern space in Northern NJ remained near the \$13-15 per sq. ft. range while some deals crested above the \$16.00 per sq. ft. mark in the high-demand areas of the Meadowlands, Hudson Waterfront and Newark.

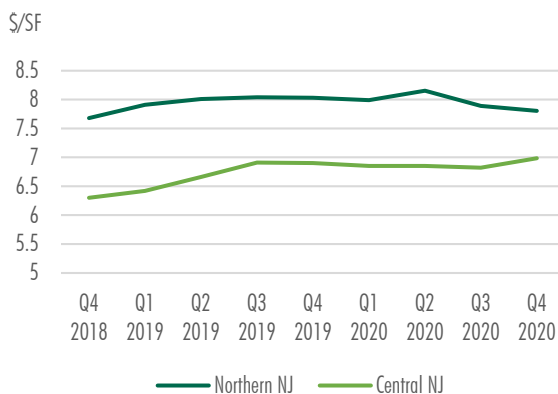
Class B taking rents in Northern NJ also appreciated throughout the year given the market's inventory constraints and are now pushing over \$10.00 per sq. ft. for larger spaces in good condition.

Top taking rents in Central NJ remained in the range of \$10.25 to \$12.50 per sq. ft. for new, state-of-the-art space in the prime submarkets of Linden/Elizabeth, Carteret Avenel and Route 287/Exit 10.

The average asking rent for all industrial space in New Jersey ended the year at \$7.46 per sq. ft. yielding no material change quarter-over-quarter or year-over-year. Average asking rents for industrial space in Northern New Jersey declined 2.4% quarter-over-quarter and 2.9% year-over-year due to a lack of higher priced newly constructed properties entering the inventory. Only two Class B properties over 50,000 sq. ft. became available during the quarter while 1.53 million sq. ft. of Class A and B product were either leased off or withdrew space. Average asking rents for industrial space in Central New Jersey were also unchanged quarter-over-quarter at \$6.98 per sq. ft. but increased 1.2% year-over-year.

LEASING ACTIVITY

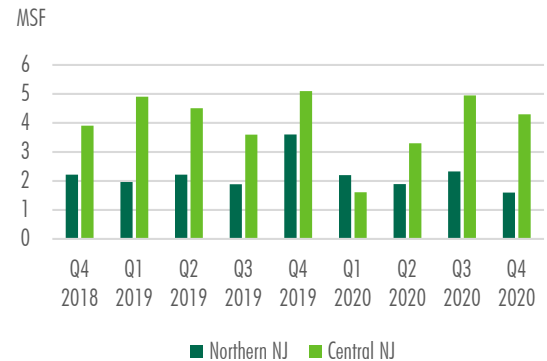
Northern and Central New Jersey finished 2020 with its second-best quarterly leasing activity performance of the year. Total Q4 2020 leasing activity was 5.9 million sq. ft., 20% below the previous quarter and 15% under the five-year quarterly average of 6.8 million sq. ft. The annual leasing total for 2020 reached 22.2 million sq. ft., also 20% below the five-year annual average. This mild performance is a function of a few factors. First, the severe lack of supply in the market simply inhibits the amount of deals that can be done as fewer availabilities can meet an occupier's needs. Second, given the dearth of availability, pre-leasing of space under construction becomes a larger portion of the market. Only the top occupiers with good credit though can compete for these sought-after spaces. Also, higher pricing is pushing some occupier's out of the Northern and Central New Jersey markets and further north to Rockland County, west to the Lehigh Valley, or south to Burlington and Gloucester Counties.

Figure 2: Quarterly Average Asking Rent


Source CBRE Research, Q4 2020

There were 14 leases of 100,000 sq. ft. or greater signed in the fourth quarter, compared to 20 in the third quarter. Among these large transactions, average deal size increased slightly to 249,000 sq. ft. from 227,000 sq. ft. in Q3 2020. Renewals totaled 3.8 million sq. ft. in Q4 2020, 35% greater than the renewal total for Q3 2020, and 80% higher than the five-year quarterly average.

The annual renewal total for 2020 outperformed the five-year annual average by 8.3% as occupier's committed to their space before it reaches a highly competitive market.

Figure 3: Quarterly Leasing Activity


Source CBRE Research, Q4 2020

Central NJ claimed most of the leasing activity in Q4 2020 with 4.3 million sq. ft. of new leases recorded, led by the Route 287/Exit 10 and Exit 8A submarkets. Route 287/Exit 10 had the most space leased among the Central NJ submarkets with 1.6 million sq. ft., as a home furnishings company pre-leased 622,000 sq. ft. at 150-160 Old New Brunswick Road in Piscataway. An e-commerce company also signed a 450,000 sq. ft. lease in the Route 287/Exit 10 submarket, the largest e-commerce deal signed in the quarter. The Exit 8A submarket totaled the most renewal sq. ft. in Q4 2020 with 1.3 million sq. ft. Almost half of that sum was from a 600,000 sq. ft. renewal by Synnex Corp, an IT product distributor.

Leasing activity in Northern New Jersey in Q4 2020 totaled 1.6 million sq. ft. with the Meadowlands submarket leading the way with 772,000 sq. ft. in new leasing. No one deal constituted most of the leasing in the submarket, although there were three deals over 100,000 sq. ft. and eight deals between 20,000 sq. ft. and 100,000 sq. ft. The largest lease was Snow Joe's 135,000 sq. ft. commitment at 5 Empire Boulevard in Moonachie. High May, an Asian e-commerce distributor, leased 110,000 sq. ft. at 7300 Westside Ave. in North Bergen. Asian e-commerce firms are one of the most active

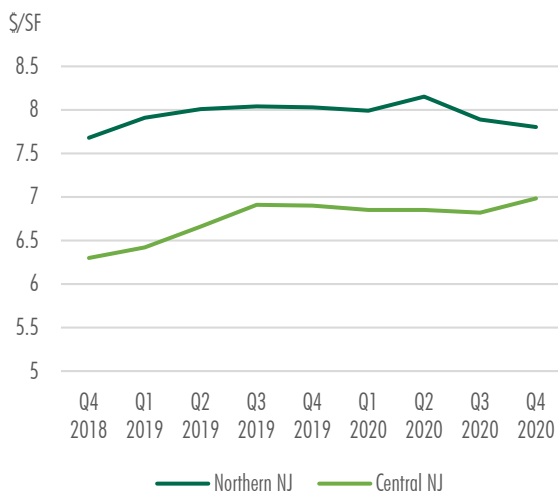
occupier types, showing interest in spaces throughout the state.

A positive leasing trend this quarter was industry diversity as activity was not dominated solely by large e-commerce companies. Q4 2020 saw leasing by e-commerce firms represent only 11% of all deals by sq. ft. compared to 32% in Q3 2020. Consumer goods companies leased the most space in Q4 2020 with 28% of the total. Third-party logistics companies (3PLs) remained very active in the market, leasing 20% of the quarter's total.

NET ABSORPTION AND AVAILABILITY

The market tallied its 16th consecutive quarter of occupancy growth as 1.2 million sq. ft. was absorbed in Q4 2020, although this amount is markedly down from Q3's record total of 7.3 million sq. ft. Regardless, the positive net absorption total helped push 2020's annual net absorption to 11.8 million sq. ft., a new record. The availability rate also hit a new low of 5.7% at year's end, 30 bps below 2019's fourth quarter rate. Central NJ remained the tighter of the two markets with an availability rate of 5.3%, compared to 6.0 % in Northern NJ.

Figure 4: Quarterly Absorption

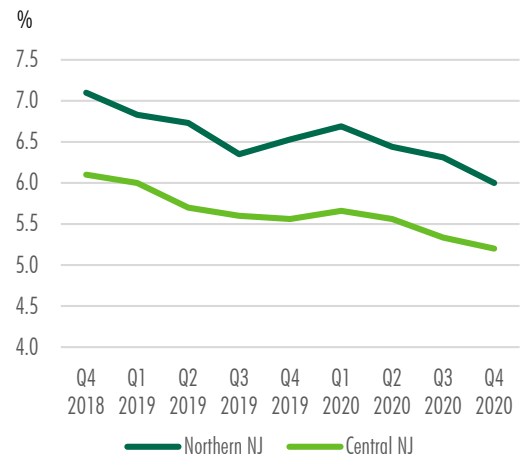


Source CBRE Research, Q4 2020

The largest contributors to Q4 2020's positive net absorption were the Princeton submarket, which had net absorption of 608,000 sq. ft., the Somerset submarket with 575,000 sq. ft., and the Meadowlands at 316,000 sq. ft.

The fourth quarter's net absorption total was a result of moderate leasing levels, but more significantly, a lack of available space hitting the market. There were only three spaces added over 200,000 sq. ft. in the entire Northern and Central New Jersey markets: the newly completed 39 Edgeboro Rd. in East Brunswick; 1 Matrix Drive in Monroe; and 1600 Lower Road in Linden. Six spaces were added between 100,000 sq. ft. and 200,000 sq. ft., the largest two being 24 Engelhard Dr. in Monroe and 700 Belleville Turnpike Kearny.

Figure 5: Availability Rate

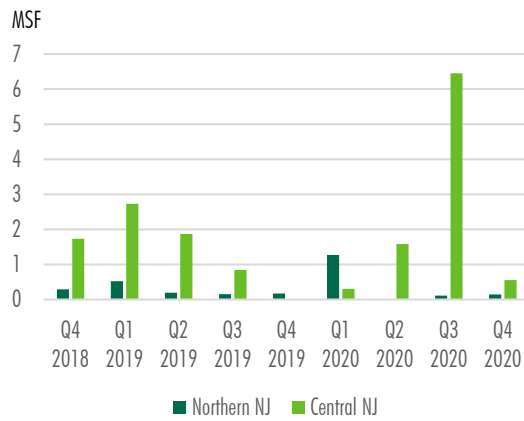


Source CBRE Research, Q4 2020

CONSTRUCTION ACTIVITY

During Q4 2020, only three buildings delivered for a total of 698,000 sq. ft., but the new additions brought the 2020 completed construction total to a record 10.4 million sq. ft., 100,000 sq. ft. more than the previous record set in 2018. This year's total also beat the ten-year average by 44%. The largest completion during the fourth quarter was 539 Edgeboro Rd. in East Brunswick at 513,000 sq. ft. followed by 932 Paterson Rd. in East Rutherford at 144,000 sq. ft., 53,000 sq. ft. of which was pre-leased.

Figure 6: Quarterly Deliveries



Source CBRE Research, Q4 2020

There were 12 new starts in Q4 2020 totaling 1.7 million sq. ft, representing the largest number of projects started since Q4 2017. The additions brought the year-end, under construction total to 34 properties and 11 million sq. ft., a 1 million sq. ft. increase from Q3 2020.

INVESTMENT SALES

Investor demand for industrial product remains unquenchable. The total consideration for industrial sales during Q4 2020 reached \$1.2 billion, the first time the New Jersey industrial sales market has breached the \$1 billion mark. Sales amounted to 7.9 million sq. ft., the most since Q1 2019. Annually though, 2020 lagged the five-year average in total sales by sq. ft. by 44% as high-quality product became increasingly scarce in 2020.

The largest transaction of the quarter was the 2.2 million sq. ft. sale of Bridge Point 78, a four-building Class A campus in Phillipsburg which is fully leased and anchored by UNIQLO. PGIM paid \$275 million (\$126 per sq. ft.) for the portfolio of buildings. This project, at the periphery, was a prime example of the expanding geographical scope of the Northeast's logistics market and the success of developers building high-quality space near major transportation arteries.

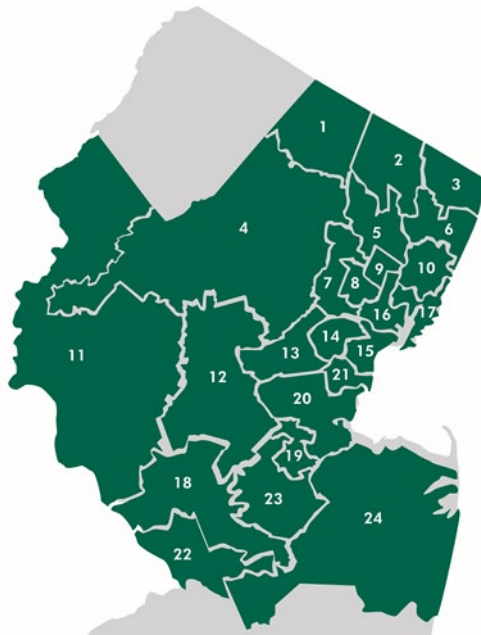
The second largest transaction of the quarter was the 900,000 sq. ft. sale of 2205 State Route 27 in Edison, another project that recently completed construction and was fully leased at the time of sale. The developer of the property, Rockefeller Group, sold the project for \$247 million (\$275 per sq. ft.) to Property Reserve Inc.

Figure 7: Market Statistics

Submarket	Market Rentable Area (SF)	Availability Rate (%)	Class A Avg. Asking Rent ⁱⁱⁱ (\$/SF)	All Space Avg. Asking Rent (\$/SF)	Leasing Activity (SF)	Net Absorption (SF)
Central Bergen	31,407,676	5.9	10.50	8.26	0	17,031
Fairfield Market	18,530,665	6.7		7.82	107,500	-37,200
Hudson Waterfront	65,274,524	6.2	15.03	7.17	55,200	-50,920
Meadowlands	94,365,456	6.8	15.04	8.81	771,764	315,666
Morris Region	42,963,398	7.3	9.08	7.84	190,000	145,329
Newark	52,426,699	4.3	16.00	6.55	297,357	218,660
North East Bergen	8,016,737	5.8		7.58	0	75,750
North West Bergen	19,073,458	6.0		8.88	50,377	307,789
Rt 23 North	553,533	4.3		9.80	0	0
Rt 280 Corridor	3,815,100	2.3		12.85	0	-40,000
Rt 46/23/3 Interchange	57,629,592	6.1	12.42	7.17	133,485	209,546
Suburban Essex	12,070,135	3.0		4.37	0	0
Northern New Jersey Total	406,126,973	6.0	14.48	7.80	1,605,683	1,161,651
Brunswick/Exit 9	27,145,166	6.1	10.00	8.18	496,891	-553,240
Carteret/Avenel	26,125,480	5.4	12.95	7.19	82,250	65,383
Central Union	25,145,322	6.3		6.33	0	165,507
Exit 8A	80,520,183	4.0	9.05	7.71	207,021	-637,647
Hunterdon/Warren	14,027,850	7.9	7.56	6.75	175,055	187,478
Linden/Elizabeth	45,775,719	5.7	12.46	7.11	152,290	-269,856
Monmouth	25,228,545	8.0	9.23	7.89	3,150	-137,552
Princeton	12,057,360	1.8	8.25	6.69	608,442	608,442
Rt 287/Exit 10	108,497,386	3.9	11.17	7.42	1,610,999	157,516
Rt 78 East	9,783,021	8.8		5.02	0	-118,000
Somerset	40,428,119	6.3	9.36	7.37	838,099	575,094
Trenton/295	30,438,586	5.8	8.02	5.29	78,585	0
Central New Jersey Total	445,172,737	5.3	9.58	6.98	4,252,782	43,125
NJ TOTAL	851,299,710	5.7	11.07	7.46	5,858,465	1,204,776

Source CBRE Research, Q4 2020

iii: The Class A Avg. Asking Rent includes all Existing, and Under Construction properties with availability.



- | | |
|---------------------------|-----------------------|
| 1. Route 23 North | 13. Route 78 East |
| 2. North West Bergen | 14. Central Union |
| 3. North East Bergen | 15. Linden/Elizabeth |
| 4. Morris Region | 16. Newark |
| 5. Route 46/23/3 Corridor | 17. Hudson Waterfront |
| 6. Central Bergen | 18. Princeton |
| 7. Fairfield Market | 19. Brunswicks/Exit 9 |
| 8. Route 280 Corridor | 20. Route 287/Exit 10 |
| 9. Suburban Essex | 21. Carteret/Avenel |
| 10. Meadowlands | 22. Trenton/295 |
| 11. Hunterdon/Warren | 23. Exit 8A |
| 12. Somerset | 24. Monmouth |

DEFINITIONS

Asking Rent: Weighted average asking rent.

Availability Rate: The amount of space currently being marketed for lease, divided by the total current inventory of built space in the market, expressed as a percentage.

Leasing Activity: Total amount of sq. ft. leased within a specified period of time, including new deals, expansions, and pre-leasing, but excluding renewals.

Leasing Velocity: Total amount of sq. ft. leased within a specified period of time, including new deals, expansions, and pre-leasing and renewals.

Net Absorption: The change in the amount of occupied sq. ft. within a specified period of time.

Taking Rent: Actual, initial base rent in a lease agreement.

Vacancy: Unoccupied space available for lease

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