

# Northern New Jersey Industrial Market

## Rent Growth Accelerates

The Northern New Jersey industrial market continued its positive momentum in the third quarter, as notable expansions brought vacancy down from 3.8% to 3.4%. Lease-up of new construction contributed to 4.7 million square feet of positive net absorption over the past three months, outpacing 1.8 million square feet of deliveries. Asking rent growth accelerated to 15.6% year-over-year, bringing the average to a record high \$10.72/SF.

### New Deliveries Nearly Fully Leased

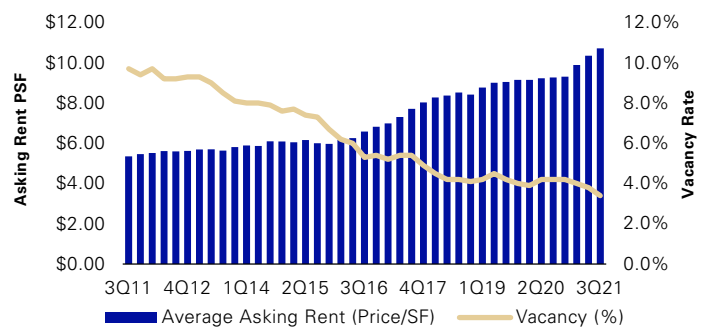
Leases signed during the third quarter of 2021 showcased strong demand for new product. Peloton, an interactive fitness platform and equipment supplier, is expanding into 840,000 square feet at 600 Linden Logistics Way. The distribution center delivered earlier this year, and the deal contributed to 1.5 million square feet of positive net absorption over the quarter in the Linden/Elizabeth submarket. A newly completed project totaling 511,000 square feet in Warren County leased to logistics provider Alan Ritchey during the quarter. Other major developments secured leases at Exit 7A, Exit 9, the Route 46/23 Corridor as well as the Meadowlands, where TJ Maxx pre-leased 325,856 square feet. Only about 1.0% of the 5.0 million square feet of industrial space delivered year-to-date remains available for lease. New groundbreakings kept the construction pipeline healthy, totaling 13.9 million square feet, up from 8.2 million one year ago.

### Current Conditions

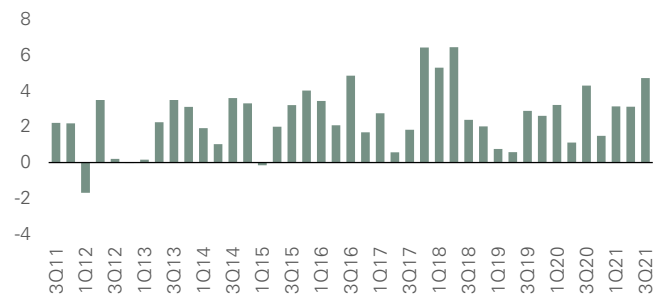
- Persistent leasing demand from e-commerce caused vacancy to decline to another record low of 3.4%.
- Year-to-date deliveries are 99.0% leased.
- Asking rents climbed by 15.6% over the past year, while taking rent growth in prime submarkets such as the Meadowlands is accelerating rapidly.

### 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	672.6M	670.8M	665.2M	↑
Vacancy Rate	3.4%	3.8%	4.2%	↔
Quarterly Net Absorption	4,724,423	3,126,077	4,303,949	↔
Average Asking Rent	\$10.72	\$10.35	\$9.27	↑
Under Construction	13,904,242	13,381,443	8,191,864	↓
Deliveries	1,770,213	1,527,463	4,008,704	↑

## RESEARCH 3Q 2021

### Supply Constraints Propel Rent Growth

Over the past year, average asking rents climbed by 15.6%, well above the five-year annual average of 9.3%. Rapidly increasing warehouse rents are the result of a widening supply and demand imbalance, particularly in New Jersey's most land-constrained submarkets. The Meadowlands is a prime location for industrial users but lacks modern inventory and developable land. Asking rents increased sharply by 28.5% in the submarket over the past year to \$14.41/SF, while taking rents for new construction are quickly approaching \$20.00/SF. This trend is likely to incentivize new development, either through redevelopment or renovations of older facilities, in and around the submarket.

### Ecommerce Demand Persists

Insatiable demand from ecommerce, corresponding with a long-term shift in consumer spending habits towards online shopping and away from traditional retail stores, remains a key driver of leasing activity. Amazon is continuing its expansion,

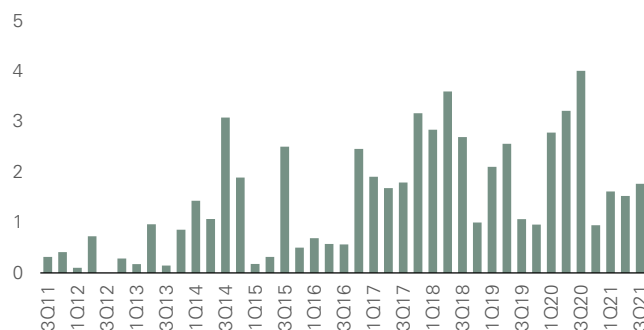
leasing more than 400,000 square feet at 38 Market Street in Elmwood Park during the quarter. In addition, the company announced plans to spend \$125.0 million to redevelop two existing buildings into a 250,000-square-foot air cargo facility at Newark Liberty International Airport as part of a lease agreement with the Port Authority. Amazon will soon occupy approximately 25.0 million square feet of warehouse space and employ more than 50,000 people statewide.

Despite limited existing availability, persistent demand and a healthy construction pipeline generated 28.0 million square feet of leasing activity year-to-date, surpassing the total from all of 2020. In the coming months, robust demand from ecommerce and logistics companies is expected to maintain a record low vacancy rate, driving further growth in warehouse rents. Rising costs of construction, shipping delays and labor shortages associated with the pandemic will be challenges for the industrial market, which has proved to be resilient during the first nine months of 2021.

### Submarket Statistics by Subtype

Current Quarter	WH/Dist	Gen Ind	R&D/Flex
Total Inventory (SF)	497.8M	131.9M	42.9M
Vacancy Rate	2.9%	3.9%	6.4%
Quarterly Net Absorption	4,394,161	66,852	263,410
Average Asking Rent	\$10.65	\$10.51	\$11.35
Under Construction	13,249,561	147,681	507,000
Deliveries	1,770,213	0	0

### Construction Completions (Square Feet, Millions)



### Lease/User Transactions

Tenant	Building	Submarket	Type	Square Feet
Volkswagen of America	47-49 Station Road	Exit 8A	Lease Renewal	935,000
Peloton	600 Linden Logistics Way	Linden/Elizabeth	Direct Lease	840,203
Alan Ritchey	39 Strykers Road	Western I-78 Corridor	Direct Lease	511,200
DSV Solutions	1005 West Middlesex Avenue	Exit 12	Lease Renewal	507,519
Amazon	38 Market Street	Bergen Central	Direct Lease	413,600

### Select Sales Transactions

Building	Submarket	Sale Price	Price/SF	Square Feet
63 Stults Road	Exit 8A	\$91,000,000	\$332	274,430
1 Slater Drive	Linden/Elizabeth	\$34,500,000	\$143	242,000
111 Thomas McGovern Drive	I-287 Corridor	\$21,700,000	\$330	65,715

## RESEARCH 3Q 2021

### Submarket Statistics

	Total Inventory (SF)	Under Construction (SF)	Total Vacancy 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)
<b>Northern NJ</b>	<b>309,093,305</b>	<b>4,093,831</b>	<b>4.3%</b>	<b>181,639</b>	<b>385,144</b>	<b>\$11.23</b>	<b>\$11.67</b>	<b>\$11.30</b>
Bergen Central	18,263,984	130,000	4.3%	-16,387	442,312	\$11.68	\$15.15	\$11.60
Bergen Northeast	4,825,725	0	6.7%	-39,775	93,658	\$9.53	\$10.50	\$11.05
Bergen Northwest	14,584,290	0	5.2%	-227,317	-72,678	\$10.76	\$11.36	\$11.55
Hudson Waterfront	30,631,086	704,432	5.2%	-13,271	-374,715	\$13.61	\$10.09	\$13.01
Meadowlands	90,473,975	1,052,585	4.1%	191,164	207,648	\$14.73	\$13.42	\$14.41
Morris East	22,844,479	222,500	5.7%	144,914	306,851	\$8.93	\$11.24	\$9.28
Morris West	17,055,477	0	7.2%	105,274	57,947	\$7.24	\$11.62	\$7.49
Newark	38,743,381	1,202,632	2.8%	-158,957	-231,335	\$9.07	-	\$9.01
Paterson/Passaic	27,810,282	111,111	3.1%	128,249	88,381	\$7.66	\$9.75	\$7.85
Route 280/Suburban Essex	9,957,752	0	4.3%	-82,130	-32,060	\$11.34	-	\$11.29
Route 46/23 Corridor	33,902,874	670,571	3.3%	149,875	-100,865	\$11.46	\$11.45	\$11.33
<b>Central NJ</b>	<b>363,460,014</b>	<b>9,810,411</b>	<b>2.6%</b>	<b>4,542,784</b>	<b>10,608,512</b>	<b>\$9.36</b>	<b>\$11.20</b>	<b>\$9.72</b>
Exit 12	20,364,661	2,429,720	0.1%	99,489	499,031	\$14.00	-	\$14.00
Exit 10	55,947,492	0	1.6%	484,880	2,219,624	\$10.07	\$13.22	\$10.34
Exit 9	28,401,170	0	2.5%	568,338	989,596	\$8.45	\$14.50	\$8.74
Exit 8A	78,247,590	1,798,603	1.8%	459,213	1,523,690	\$8.21	\$14.10	\$11.56
Exit 7A	29,277,154	1,657,548	5.6%	87,613	48,284	\$6.31	\$11.04	\$8.10
I-287 Corridor	53,644,160	969,840	2.2%	841,097	1,821,230	\$8.45	\$9.73	\$9.24
Linden/Elizabeth	31,275,261	1,715,200	2.2%	1,486,843	1,804,219	\$8.63	-	\$8.59
Monmouth	16,466,025	1,129,500	5.7%	120,854	128,362	\$12.17	\$9.57	\$10.76
Union Central	25,693,375	0	3.4%	-80,034	134,671	\$8.97	\$18.00	\$9.46
Western I-78 Corridor	24,143,126	110,000	4.0%	474,491	1,439,805	\$7.46	\$10.72	\$7.85
<b>Northern/Central NJ</b>	<b>672,553,319</b>	<b>13,904,242</b>	<b>3.4%</b>	<b>4,724,423</b>	<b>10,993,656</b>	<b>\$10.65</b>	<b>\$11.35</b>	<b>\$10.72</b>

## RESEARCH 3Q 2021

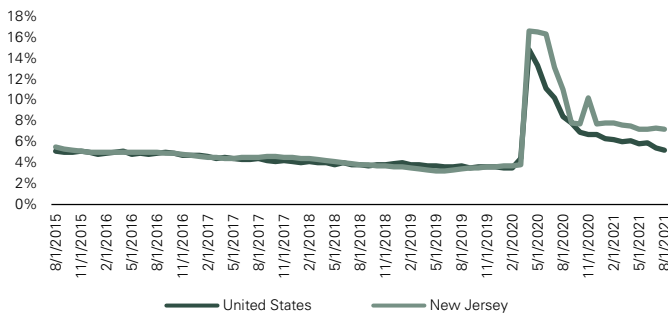
### Economic Conditions

New Jersey's labor market continued its recovery over the past quarter, with total employment up 6.1% from one year ago. The jobless rate now stands at 7.2% down from its 2020 peak of 16.6% but remains elevated compared to before the pandemic when it fell below 4.0%.

Global supply chain challenges are creating a logjam at many international container ports, including the Port of New York and New Jersey. Despite frequent delays, the port handled 5.2 million TEUs year-to-date, an increase of 29.7% from the same period in 2020 and is seeing import volumes that were not previously expected until 2025. As a result of this trend, as well as dwindling warehouse availability in Northern New Jersey, tenants should expect to pay inflated shipping and real estate costs as these disruptions persist.

### Unemployment Rate

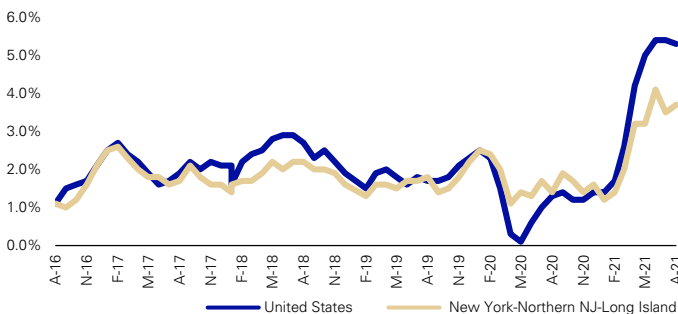
#### SEASONALLY ADJUSTED



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

### Consumer Price Index (CPI)

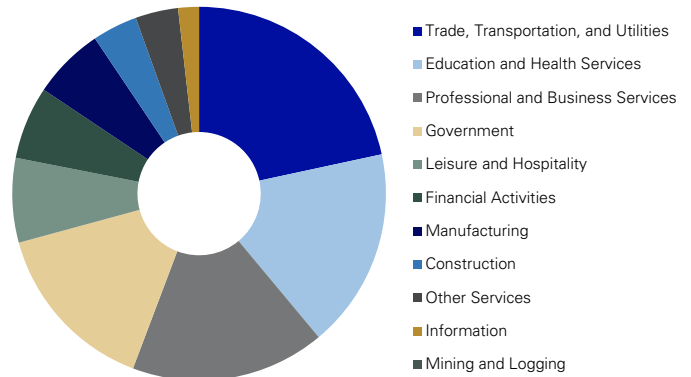
#### ALL ITEMS, 12-MO. % CHANGE, NOT SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics

### Employment By Industry

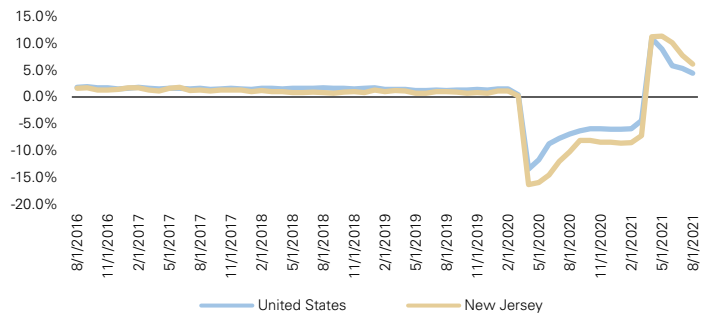
#### NEW JERSEY, ANNUAL AVERAGE 2020



Source: U.S. Bureau of Labor Statistics

### Payroll Employment

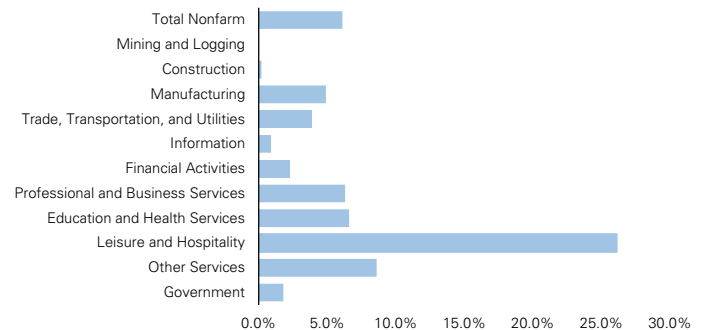
#### TOTAL NONFARM, NOT SEASONALLY ADJUSTED, 12-MO. % CHANGE



Source: U.S. Bureau of Labor Statistics

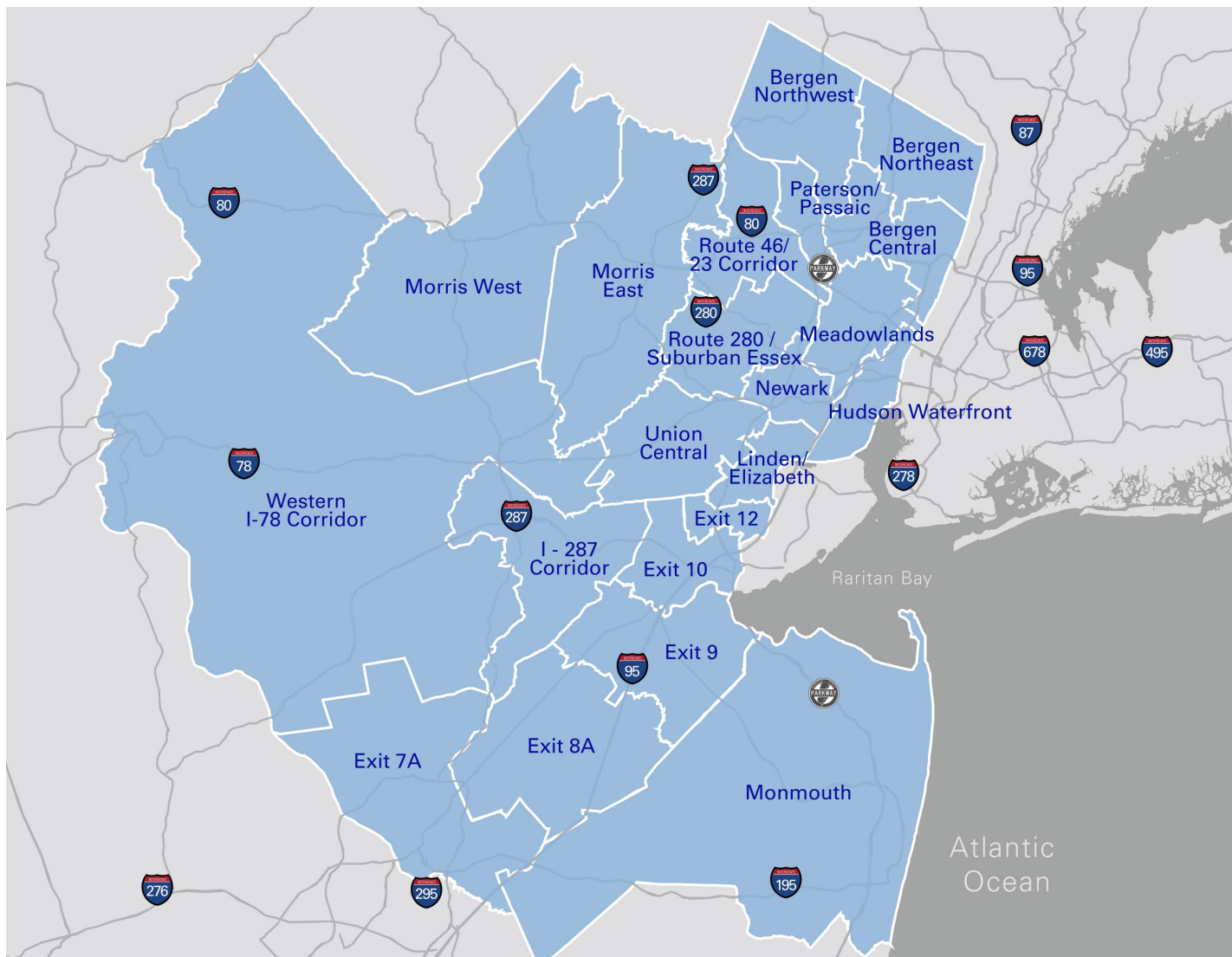
### Employment Growth By Industry

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



Source: U.S. Bureau of Labor Statistics

Northern NJ Industrial Submarkets



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