

REMARKABLE 2021 CLOSES AMID ACCELERATING RENTS AND PERSISTENT INVENTORY SHORTAGE

▶ 4.8%	▼ .0.72	▼ 3.2M	▲ \$10.21	▲ \$17.61	▶ 13.3M
Availability Rate	Sq. Ft. Net Absorption	Sq. Ft. Leasing Activity	NNN / Lease Rate Per Sq. Ft.	NNN / Class A Lease Rate Per Sq. Ft.	Sq. Ft. Construction

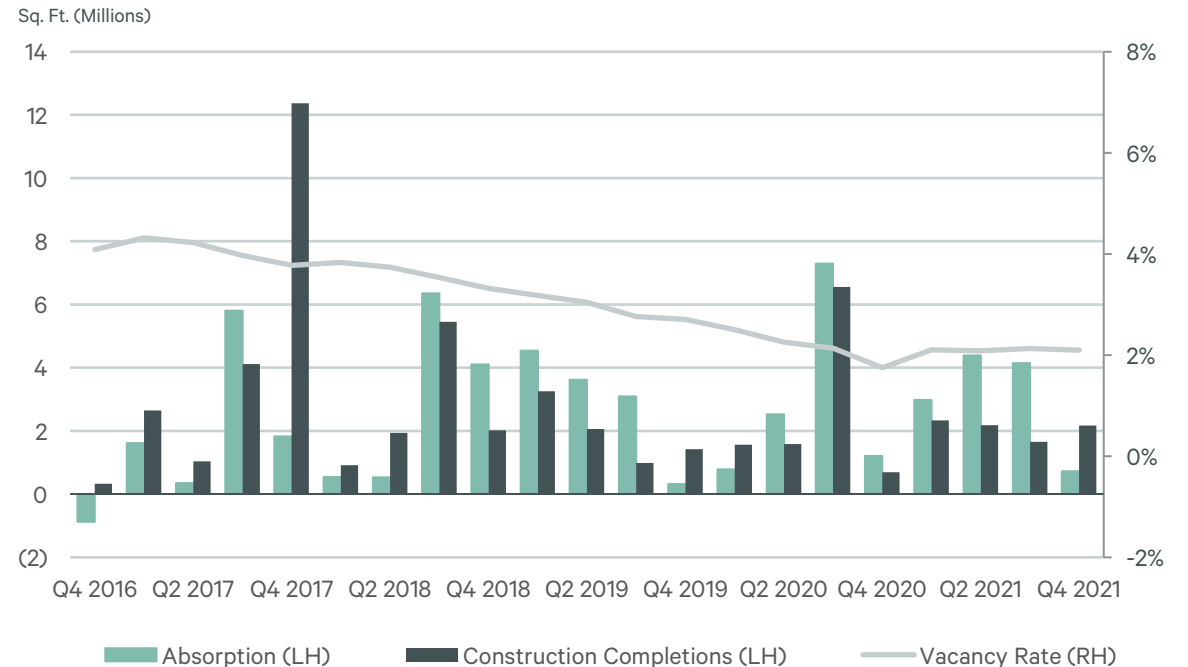
Note: Arrows indicate change from previous quarter.

Market Overview

A mild, yet positive net absorption total of 723,000 sq. ft. in Q4 2021 helped push the Northern and Central New Jersey industrial market to an annual net absorption total of 12.2 million sq. ft., making 2021 the second consecutive year of record high net absorption, surpassing 2020's total by 3.4%. The consistent positive absorption through 2021 pushed the overall availability rate down 90 basis points (bps) year-over-year to 4.8% while the Class A availability rate remained tight at 2.0%. Class A and overall asking rents also posted new record highs of \$17.61 per sq. ft. and \$10.61 per sq. ft. respectively. Class A average asking rents appreciated an astounding 55% year-over-year and 19% quarter-over-quarter.

Quarterly leasing activity, which excludes renewals, was just 3.2 million sq. ft. in Q4 2021, down 44% quarter-over-quarter and 41% year-over-year. Annual leasing for 2021 was 25.7 million sq. ft., short of the annual record set in 2019 by 2.3 million sq. ft. Given the tight condition in the market, renewals set a new annual record of 16.8 million sq. ft., 42% greater than the previous record set in 2010. Quarterly renewal activity was 3.27 million sq. ft., 8% lower quarter-over-quarter but 33% above the five-year quarterly average. The share of renewals to new leases in 2021 grew 450 bps from 2020 to 5.1%. Renewals will continue to grow as a share of total activity in the market as occupiers will look to lock into their spaces rather than risk going to market where inventory is tight and rents are soaring.

FIGURE 1: Net Absorption, Construction Deliveries & Vacancy



Source: CBRE Research, Q4 2021

Economic Overview

Expectedly, waves of COVID-19 continued during the past year and new variants, from Delta to Omicron, have tested growth. But the U.S. economy is learning how to function amid the pandemic. Sturdy income growth, robust consumer spending, and business investment should remain elevated and support GDP growth in the mid-4% range for 2022.

New Jersey’s overall unemployment rate continues to improve but remains elevated at 6.6%, considerably down from its peak of 16.6% in July 2020, but above the national unemployment rate of 4.2%. Trade, Transportation, and Utilities, a sector which includes warehouse and logistics firms, made steady employment gains through Q4. Overall, the sector now stands at 99.2% of its pre-COVID employment total, up from 98.3% at the end of Q3. The manufacturing sector, another major user of industrial space and a bright spot in the months before COVID-19, continued its brisk recovery through Q4, adding back workers and rising to 99.0% of its pre-COVID employment level.

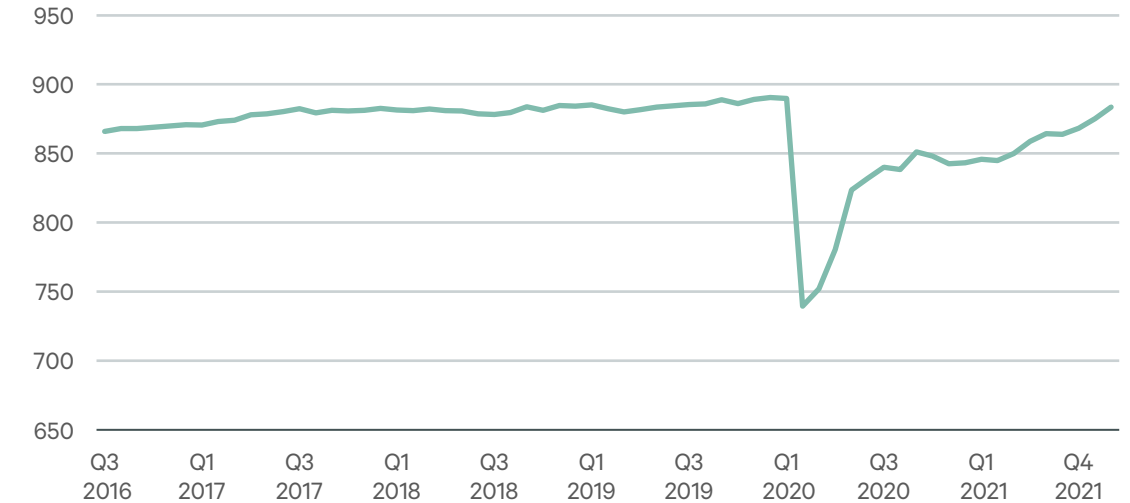
Shortages of raw materials may continue to weigh on the trade and transportation sector, however, robust port activity in the Northeast is driving record-levels of industrial space construction, boding well for future employment growth in the logistics sector.

Rent Trends

Northern and Central New Jersey’s Class A average industrial rents ended the year at \$17.06 per sq. ft., up 19% from the prior quarter and 55% year-over-year. The brisk pace of rent appreciation in the market is due to a lack of inventory, unceasing demand, and a construction pipeline struggling with a scarcity of land, building material shortages, and lengthy municipal plan approval processes.

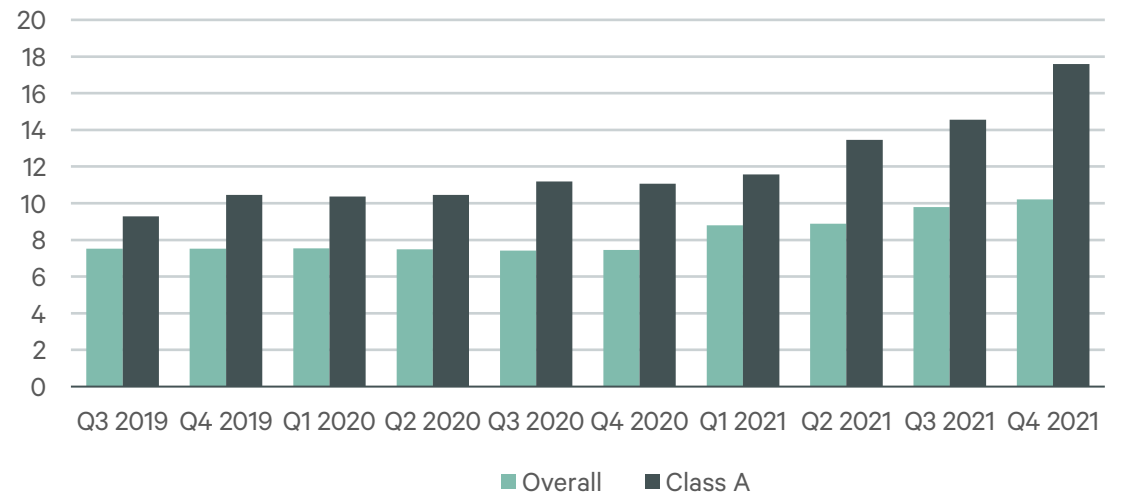
Northern New Jersey average Class A asking rents surged 29% quarter-over-quarter and 55% annually to \$22.44 per sq. ft. The price escalation reflects owners pushing asking rents higher due to the tight market conditions, rather than an influx of newly available space. The Meadowlands submarket had the highest Class A average asking rents at \$24.38 per sq. ft., up 8.6% quarter-over-quarter and 62% year-over-year.

FIGURE 2: NJ Trade, Transportation, and Utilities Employment (Thousands)



Source: BLS

FIGURE 3: New Jersey Average Asking Lease Rates (\$/Per Sq. Ft.)



Source: CBRE Research, Q4 2021

The Central New Jersey average Class A asking rent also continued appreciating at \$17.61 per sq. ft., 37% higher than Q3 2021 and 84% greater year-over-year. Central New Jersey Class A average asking rents were highest in the Carteret/Avenel submarket at \$18.44 per sq. ft., up 12% quarter-over-quarter and 42% year-over-year. Three projects currently under construction—totaling 1.2 million sq. ft.—have asking rents between \$18.00 and \$19.00 per sq. ft., which drove the submarket’s average rent higher.

Asking rents for all industrial asset classes increased by 4.3% quarter-over-quarter and 37% year-over-year to \$10.21 per sq. ft.

Leasing Activity

Despite strong demand, the combined North and Central NJ Industrial market saw a slowdown in leasing activity due to a lack of available space and rapidly escalating prices. Total Q4 2021 leasing activity was 3.2 million sq. ft., 44% below the previous quarter and less than half of the five-year quarterly average of 6.5 million sq. ft. The annual leasing total for 2021 reached 25.7 million sq. ft., 1.3% below the five-year annual average.

This relatively tame performance compared to previous quarters is a function of several factors. First, the critical lack of supply in the market restricts the amount of deals that can be done as fewer availabilities can meet an occupier’s needs and the few adequate spaces available will command a premium price. 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 can compete for these sought-after spaces. Also, higher pricing is pushing some occupier’s out of the market and further north to Rockland County, west to the Lehigh Valley, or south to Burlington and Gloucester Counties.

Renewals totaled 3.27 million sq. ft. in Q4 2021, 8% less than the renewal total for Q3 2021, but 33% higher than the five-year quarterly average. The annual renewal total for 2021 reached a new high of 16.8 million sq. ft., surpassing the previous record of 11.8 million sq. ft. set in 2010 by 42% as occupier’s committed to their space before it reaches a highly competitive market.

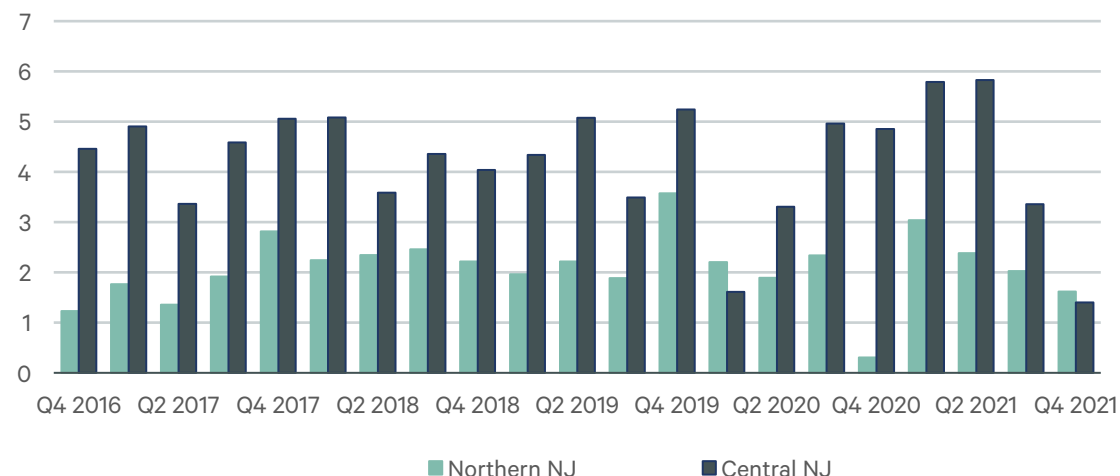
There were 18 new leases and renewals of 100,000 sq. ft. or greater signed in the fourth quarter, compared to 30 in the third quarter. Among these large transactions, average deal size decreased slightly to 241,000 sq. ft. from 268,000 sq. ft. in Q3 2021.

FIGURE 4: Notable Lease Transactions, Q4 2021

Size	Tenant	Address	City	Transaction Type
1,000,000	Petco	257 Prospect Rd..	Cranbury	Renewal
905,000	Keurig/Green Mountain	100 W Manor Way	Robbinsville	Renewal
164,232	ModaXpress	900 Secaucus Rd	Carteret	Renewal
163,760	Abilene Supply	59 Hook Rd.	Bayonne	New Lease
135,126	Ebin New York	5 Empire Blvd.	Moonachie	New Lease

Source: CBRE Research, Q4 2021

FIGURE 5: Historical Industrial Leasing Activity (Million Sq. Ft.)



Source: CBRE Research, Q4 2021

Leasing activity in Central NJ was down 58% quarter-over-quarter and 71% year-over-year to 1.4 million sq. ft. Exit 8A had the most space leased among the Central NJ submarkets with 601,000 sq. ft. The largest deal in the submarket was a 218,00 sq. ft. new lease at 130 Docks Corner Rd in South Brunswick. The Exit 8A submarket totaled the most renewals sq. ft. during the quarter with 1.0 million sq. ft.—all in a single deal at 257 Prospect Plains Rd in Cranbury.

With the slowdown in leasing in the Central NJ market, the Northern NJ market unexpectedly claimed most of the leasing in Q4, totaling 1.78 million sq. ft. with the Meadowlands submarket leading the way with 588,000 sq. ft. in new leasing. No single deal constituted most of the leasing in the submarket, although there were four deals over 100,000 sq. ft. and eight deals between 20,000 sq. ft. and 100,000 sq. ft. The largest new lease was ModaXpress' 164,000 sq. ft. commitment at 900 Secaucus Rd. in Secaucus.

Wholesale/retail companies composed the dominate share of industry activity in, accounting for 48% of all sq. ft. for deals over 50,000 sq. ft. 3PL/logistics was the second most active industry with 26% of the total deals while food and beverage was third for the quarter with 22%. There were no substantial e-commerce transactions during the quarter.

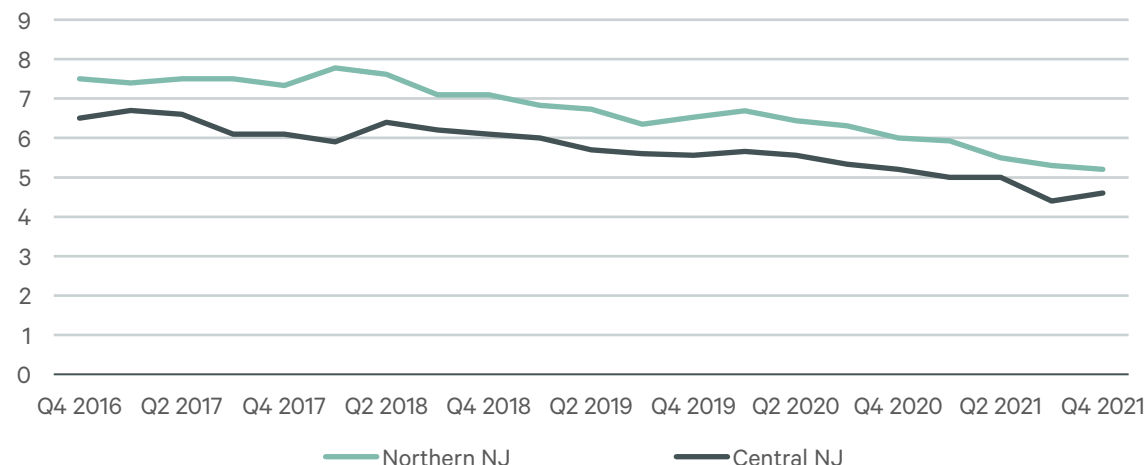
Net Absorption and Availability

The market recorded its 20th consecutive quarter of occupancy growth as 723,000 sq. ft. was absorbed in Q4, but was significantly lower than Q3's total of 4.1 million sq. ft. and the five-year quarterly average of 2.8 million sq. ft. Despite the quarter's lower net absorption, 2021's total set a new record of 12.2 million sq. ft., besting the previous high set in 2020 by 2.0%.

The availability rate for existing Class A space, which excludes buildings under construction, increased a modest 60 bps but remained very tight at 2.0%. The existing direct availability rate of Class A space ended the quarter at 1.3%, 30 bps greater quarter-over-quarter. There were five existing Class A availabilities totaling 840,000 sq. ft. added to the market, the largest being 256,000 sq. ft. at 1532 S. Washington Ave in Piscataway.

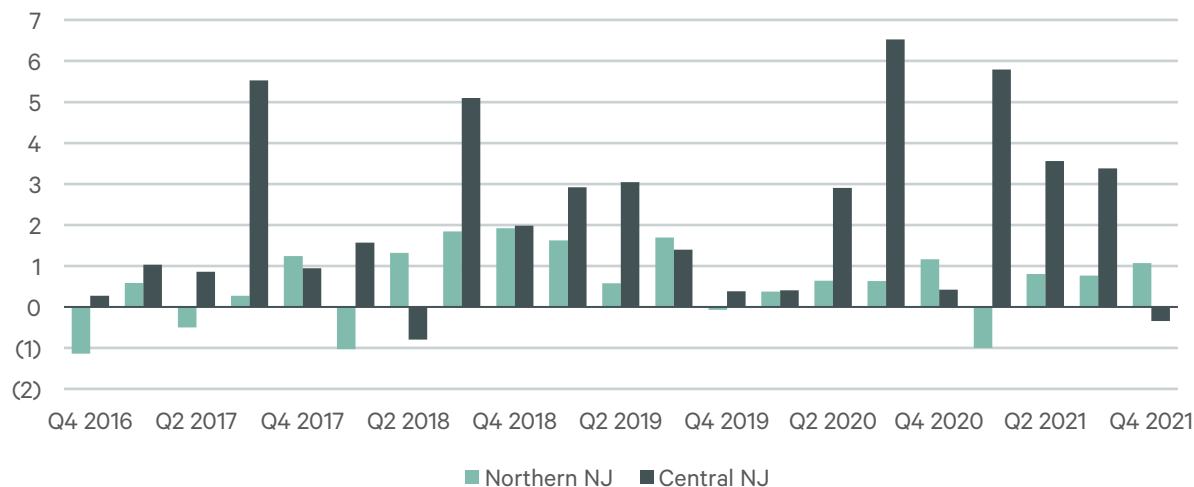
The availability rate among all classes remained stable quarter-over-quarter at its all-time low of 4.8%, 90 basis points below the 2020 level. The availability rate in Northern NJ moved 10 bps lower quarter-over-quarter to 5.3%, down 70 bps from year-end 2020.

FIGURE 6: Availability Rate (%)



Source: CBRE Research, Q4 2021

FIGURE 7: Net Absorption (Million Sq. Ft.)



Source: CBRE Research, Q4 2021

Central NJ’s availability rate moved 20 bps higher quarter-over-quarter to 4.6%, also 70 bps lower than year-end 2020.

The largest contributor to Q4 2021’s positive net absorption was the Exit 8A submarket, which had net absorption of 985,970 sq. ft. due to the completion of 3 Sigle Lane in Dayton, a nearly 1.17 million-sq.-ft. Class A property fully leased to Williams-Sonoma. The Hudson Waterfront submarket also furthered the quarter’s net absorption total by 314,053 sq. ft. as a result of a 164,000 sq. ft. by commitment by Abaline Supply at 59 Hook Rd. and 51,000 sq. ft. at 700-800 1st St. in Harrison. Additional positive absorption resulted from withdrawals of 51,000 sq. ft. and 49,000 sq. ft. at 51-53 Hook Rd. in Bayonne and 600 Guyan Dr. in Harrison respectively.

There were three new availabilities over 200,000 sq. ft. added in Q4 and 18 over 100,000 sq. ft. Geographically, the new availability in larger blocks was skewed towards Central NJ as it added 2.1 million sq. ft. in blocks over 100,000 sq. ft. compared to 900,000 sq. ft. in Northern NJ.

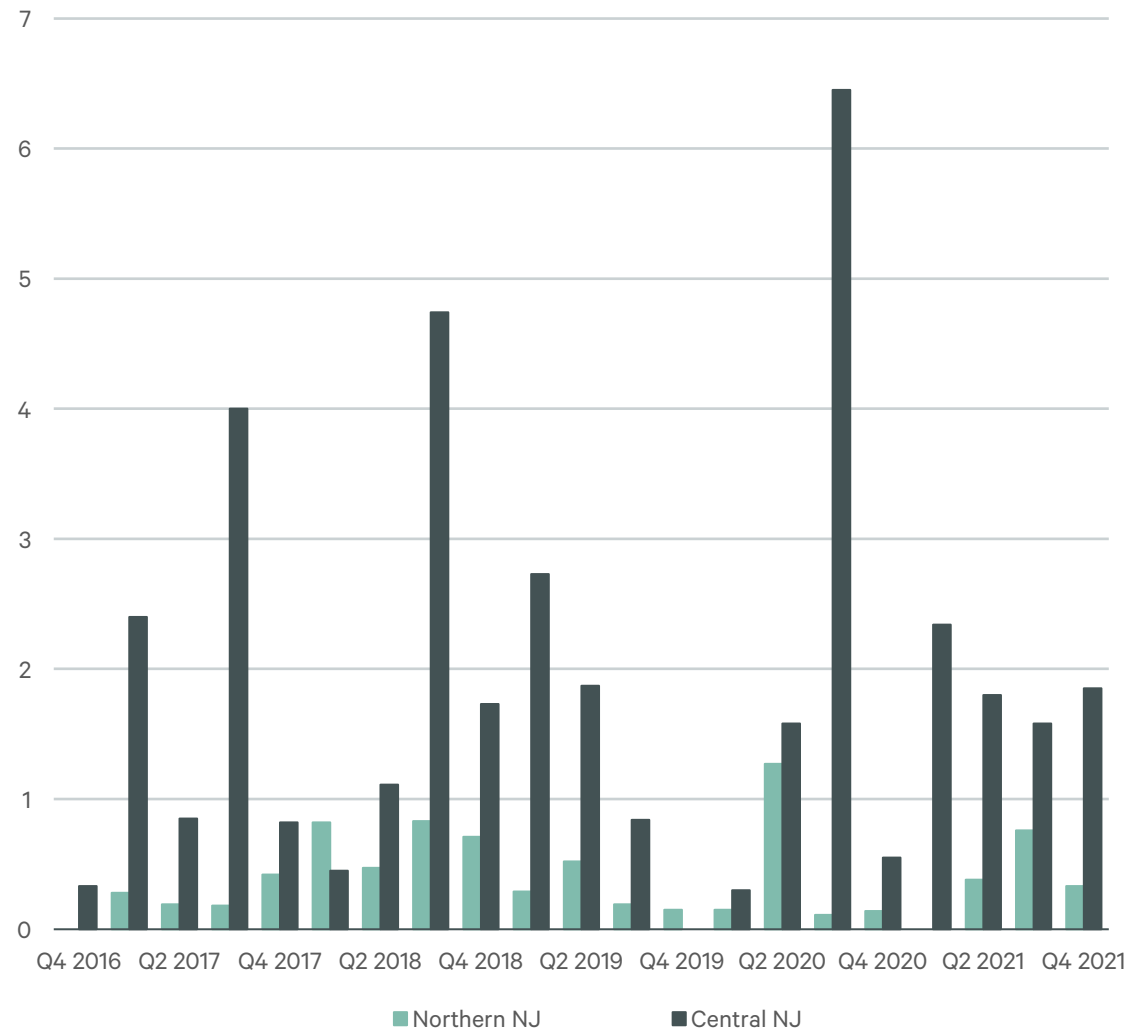
Construction Activity

Eight buildings completed construction in Q4, totaling 2.17 million sq. ft. with a cumulative pre-lease rate of 85%. The largest completion was Heller Industrial Park’s nearly 1.17 million-sq.-ft. at 3 Sigle Lane in Dayton, which delivered fully leased to Williams Sonoma. The second largest construction completion was 65 Baekeland Ave in Middlesex. The 400,000 sq. ft. building, owned by the Rockefeller Group, delivered fully leased by an e-commerce tenant. The remaining six completions were all under 200,000 sq. ft. and had an average size of 101,055 sq. ft. The cumulative pre-lease rate of these buildings was 47%

Seven projects began construction in Q4 totaling 1.94 million sq. ft., Central New Jersey accounted for almost 1.06 million sq. ft. and six of the total starts with an average size of just over 176,000 sq. ft. The largest construction in Central New Jersey was Duke Realty’s 268,000 sq. ft. 2 Paddock Drive in Avenel which is fully leased to FreezPak Logistics.

There was only one construction start in Northern New Jersey, the 886,000 sq. ft. 42 Military Ocean Terminal at Lincoln Logistics in Bayonne. This project, fully leased to UPS, is the largest construction start in Northern and Central New Jersey since 3 Sigle Lane in Dayton began construction in Q3 2020.

Figure 8: Construction Completions (Million Sq. Ft.)



Source: CBRE Research, Q4 2021

Investment Sales

Investment sales volume increased over three-fold quarter-over-quarter to \$1.59 billion to close out a record year. The year’s annual investment sales volume totaled \$3.04 billion, 2.8% greater than 2020’s total and 20% above the five-year average.

The average sales price also increased quarter-over-quarter by 11% and year-over-year by 4.7% to \$157.00 per sq. ft. 4.3 million sq. ft. of properties sold during Q4, down 46% quarter-over-quarter, up 9.6% year-over-year and 12% below the five-year average.

The largest sale of the quarter was Square Mile Capital’s \$157 million sale (\$110.00 per sq. ft.) of 703 Bartley Chester Rd in Flanders to Saadia Group. The Class B building is approximately 1.43 million sq. ft. and 40% leased to Elogistics, who signed a new lease in Q1 2020.

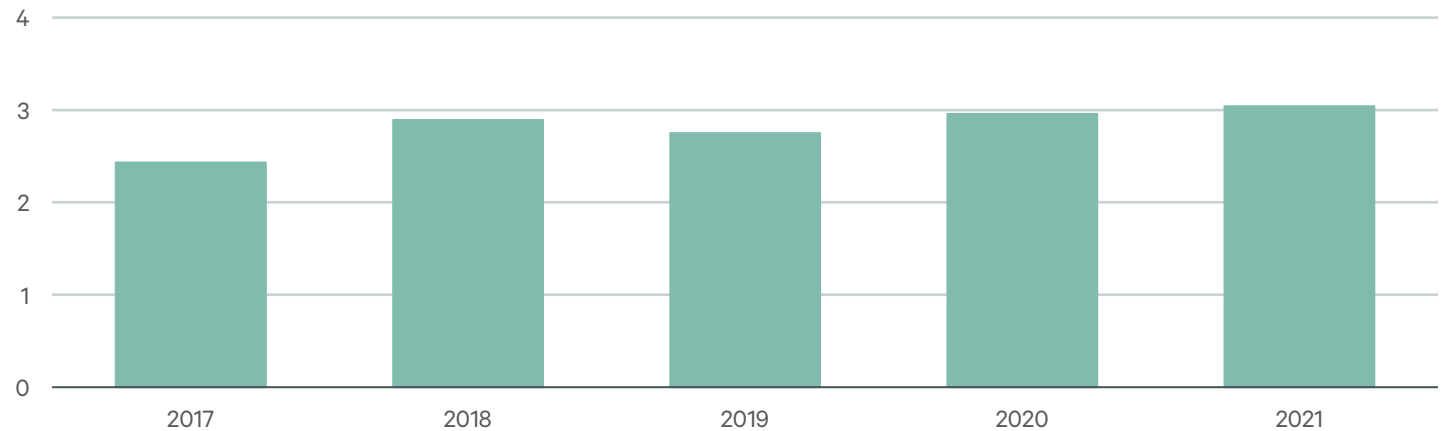
The next largest was a \$146 million sale of 22-11 State Route 208 in Fair Lawn by Mondelez to Greek Development. The 39-acre former Nabisco plant will be fully razed by the development company and redeveloped into contemporary industrial space.

FIGURE 9: Notable Sales

Total Sale Price (Millions)	Size (Sq. Ft.)	Address	City	Buyer
\$157.00	1,430,000	703 Bartley Chester Rd	Flanders	Saadia Group
\$146.50	824,000	22-11 State Rte 208	Fair Lawn	Greek Development
\$79.50	278,000	800 Centennial Ave	Piscataway	TA Realty
\$66.00	190,000	135, 137-141, 170 W Commercial Ave	Carlstadt	EverWest RE Investors
\$62.00	246,000	1200 Madison Ave	Paterson	Link Logistics

Source: CBRE Research, Q4 2021

FIGURE 10: Annual Sales Volume (\$ Billions)



Source: CBRE Research, Q4 2021

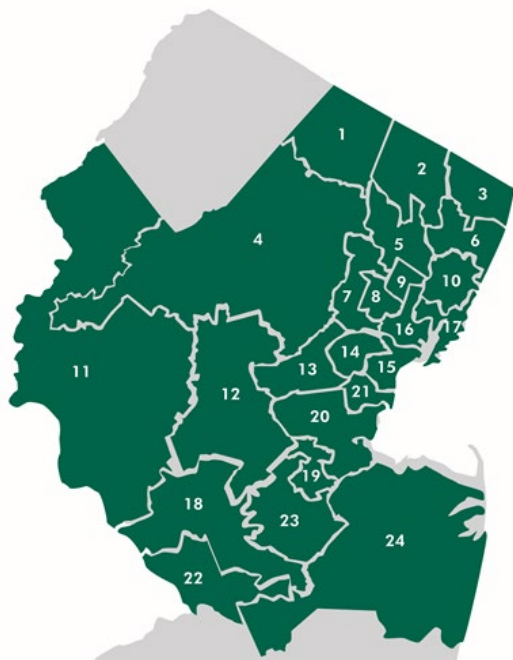
FIGURE 10: Submarket Statistics

District	Inventory (SF)	Availability Rate (%)	Class A Avg. Asking Rent (\$/Sq. Ft.)	All Space Avg. Asking Rent (\$/Sq. Ft.)	Leasing Activity (Sq. Ft.)	Net Absorption (Sq. Ft.)	Under Construction (Sq. Ft.)
Central Bergen	35,635,699	5.89		9.92	227,395	43,633	
Fairfield Market	18,662,856	5.43		9.20	170,172	175,096	
Hudson Waterfront	64,302,275	3.36	22.12	9.75	215,026	314,053	1,882,217
Meadowlands	93,027,708	6.73	24.38	12.65	588,035	292,357	1,372,604
Morris Region	41,262,280	7.35	13.75	9.11	217,214	(147,176)	138,940
Newark	53,906,568	2.58	21.47	11.12	166,167	199,430	1,314,719
North East Bergen	8,111,473	6.22		11.88	27,000	78,764	
North West Bergen	18,476,412	5.79		9.89	0	116,377	
Rt 23 North	603,533	3.95		9.80	0	0	
Rt 280 Corridor	4,428,850	2.33		14.00	0	(11,752)	
Rt 46/23/2 Interchange	58,280,463	5.33	18.00	9.79	64,807	(101,491)	205,350
Suburban Essex	11,015,635	3.00		N/A	108,930	108,930	
Northern New Jersey Total	407,713,752	5.17	22.44	10.77	1,784,746	1,068,221	4,913,830
Brunswicks/Exit 9	27,522,376	5.48		9.14	95,521	(192,633)	
Carteret/Avenel	28,345,996	3.77	18.44	9.77	19,223	35,865	2,697,295
Central Union	25,056,437	5.64		8.81	79,000	92,542	
Exit 8A	78,052,123	2.87	13.25	9.16	601,927	985,970	58,404
Hunterdon/Warren	11,103,610	3.15		6.81	41,250	(61,980)	
Linden/Elizabeth	45,433,789	3.75	18.00	10.06	104,448	(150,398)	2,013,068
Monmouth	25,424,007	7.80	12.00	8.97	15,000	(278,840)	1,260,000
Princeton	15,243,134	3.01	12.95	8.24	0	67,685	742,499
Route 287/Exit 10	110,660,340	3.63	15.00	9.80	212,101	(161,168)	433,213
Route 78 East	9,917,276	7.81		8.80	0	(975)	
Somerset	40,388,219	6.47	15.00	8.39	236,264	(215,324)	659,790
Trenton/295	32,291,750	7.51	11.09	8.19	0	(465,710)	487,470
Central NJ Total	449,439,057	4.57	16.04	9.49	1,404,734	(344,966)	8,351,739
NJ Total	857,152,809	4.86	17.61	10.21	3,189,480	723,255	13,265,569

Source: CBRE Research, Q4 2021

Market Area Overview

1. Route 23 North
2. North West Bergen
3. North East Bergen
4. Morris Region
5. Route 46/23/3 Corridor
6. Central Bergen
7. Fairfield Market
8. Route 280 Corridor
9. Suburban Essex
10. Meadowlands
11. Hunterdon/Warren
12. Somerset



13. Route 78 East
14. Central Union
15. Linden/Elizabeth
16. Newark
17. Hudson Waterfront
18. Princeton
19. Brunswicks/Exit 9
20. Route 287/Exit 10
21. Carteret/Avenel
22. Trenton/295
23. Exit 8A
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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