

Strong Leasing Pushes Availability to All-Time Low

 **Leasing Activity**
8.8 MSF

 **Net Absorption**
3.0 MSF

 **Availability Rate**
5.5%

 **Class A Avg. Asking Rate**
\$11.58 PSF

- First quarter leasing activity was 8.8 million sq. ft., a 50% increase from Q4 2020, and 37% more than the five-year average.
- The average asking rent for Class A space was \$11.58 per sq. ft., a 4.6% increase from the previous quarter and 11.8% greater year-over-year.
- The availability rate for all classes fell by 20 basis points (bps) to 5.5% from Q4 2020 and dropped 70 bps from Q1 2020.
- Net absorption was 3.0 million sq. ft. in Q1 2021, up from 1.2 million sq. ft. in Q4 2020.

MARKET OVERVIEW

The combined Northern and Central New Jersey industrial markets started 2021 with one of the strongest quarters on record as the market continues to shrug off any COVID-19 related economic uncertainty. Leasing activity of 8.8 million sq. ft. was the second strongest on record only trailing a mark set back in Q3 2006. Much of this demand was for new construction, as preleasing accounted for 3.6 million sq. ft. of the overall leasing total, setting a new high for the market. Net absorption was strongly positive in Q1 2021 at 3.0 million sq. ft., pushing the overall availability rate down to a new low of 5.5%. Unsurprisingly, the blistering market activity pushed Class A asking rents to a new high of \$11.58 per sq. ft., an increase of 11.8% year-over-year.

Overall asking rents also moved upward to \$8.80 per sq. ft., 4.3% higher than Q4 2020. The outlook for the sector projects increased demand, as the passage of the \$1.9 billion federal stimulus will help boost economic activity and consumer spending through the rest of the year.

ECONOMIC OVERVIEW

The outlook for the national and New Jersey economies is improving as COVID-19 vaccines are deployed at a rapid pace. As of April 1st, approximately 34% of residents in the Tri-State are have received at least one dose of a COVID-19 vaccine, with the rate poised to grow quickly as vaccination efforts accelerate. Societal and economic normalization seems possible by midyear. A reopening of the economy would support nearly a 7% national GDP growth this year—the strongest pace seen since the early 1980s.

This expansion is poised to be broad-based, with personal consumption being a critical factor. As social distancing measures subside, much of the spending will likely focus on consumer services, such as restaurants and leisure travel. A recovery within these sectors is critical for the broader labor market, as leisure and hospitality employment are more than 25% below pre-COVID levels in New Jersey, compared to 6.5% for the labor market as a whole (excluding leisure and hospitality) and 4%

for office-using employment. Trade, transportation and utilities – a sector which includes logistics facilities and warehouses –

Figure 1: Top Lease Transactions | Q4 2020

Size (Sq. Ft.)	Tenant	Address	City	Type
1,166,030	Williams Sonoma	3 Sigle Ln.	South Brunswick	Pre-Lease
880,000	UPS	42 Military Ocean Terminal	Bayonne	Pre-Lease
873,743	FedEx	173-268 Doremus Ave.	Newark	Pre-Lease
607,417	Bed Bath and Beyond	1001 W Middlesex Ave.	Renewal	Renewal
513,240	FedEx	39 Edgeboro Rd.	East Brunswick	New Lease

Source: CBRE Research, Q1 2021

also performed relatively well, with employment down only 5% from pre-COVID-19 levels.

Cargo activity in the local market remained robust during the first quarter. The Port of New York and New Jersey posted its busiest month ever in February, with 625,120 twenty-foot equivalent units (TEU), a 7.9% increase in overall cargo activity over February 2020.

RENT TRENDS

Average Class A asking rent growth in the combined Northern and Central New Jersey markets showed no sign of relenting in Q1 2021, posting a 4.6% increase quarter-over-quarter and an 11.8% increase year-over-year, to \$11.58 per sq. ft.

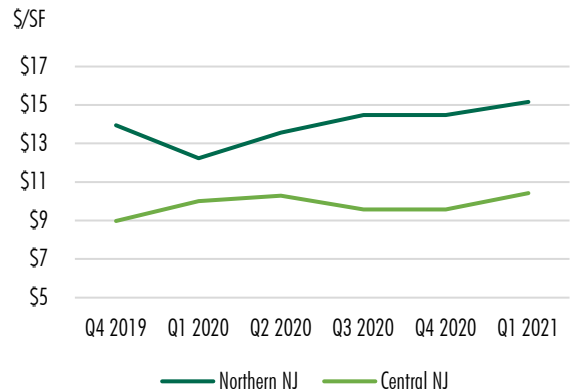
The Northern New Jersey average Class A rent was \$15.16 per sq. ft., 4.7% higher than in Q4 2020 and the first time breaching \$15.00 per sq. ft. The Hudson Waterfront submarket led all Northern New Jersey submarkets in average Class A asking at \$16.28 per sq. ft. The average was driven by six properties under construction and only one existing availability.

The Central New Jersey average Class A asking rent also posted a new all-time high, \$10.42 per sq. ft., which was 8.8% higher than Q4 2020. Central New Jersey Class A average asking rents were highest in the Carteret/Avenel Submarket at \$14.34 per sq. ft. The submarket’s strong pricing was due to two

to two projects under construction and a rare large block existing availability.

Overall asking rents increased in Q1 2021 as well with a 4.2% increase quarter-over-quarter to \$8.80 per sq. ft. This move was precipitated by a few larger high- quality spaces coming to market in Central New Jersey.

Figure 2: Quarterly Average Class A Asking Rent



Source CBRE Research, Q1 2021

LEASING ACTIVITY

The combined Northern and Central New Jersey market recorded a strong start to 2021, with 8.8 million sq. ft. of leasing activity, an increase of 50.7% quarter-over-quarter and 131.4% year-over-year. The market has not had a higher quarterly leasing figure since Q3 2006. Leasing was 37% higher than the five-year quarterly average of 6.4 million sq. ft. Much of this demand was for new construction, as preleasing accounted for 3.6 million sq. ft. towards the overall leasing total—another record set in Q1 2021.

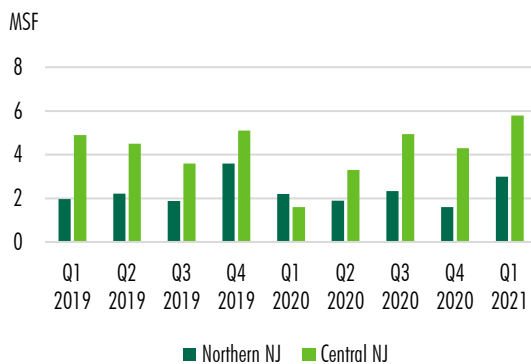
Quarterly renewals totaled 3.4 million sq. ft., which was 59% higher than the five-year quarterly average of 2.2 million sq. ft. Leasing was dominated this quarter by retailers and 3PLs.

Central New Jersey had the largest amount of leasing activity this quarter with 5.8 million sq. ft. The Exit 8A submarket had the largest lease transaction of the quarter and the highest amount of leasing with 2.4 million sq. ft. A 1.2 million sq. ft. prelease by retailer Williams Sonoma at 3 Sigle Ln. in Dayton comprised nearly half of leasing activity in the submarket. Other notable leases in the submarket included a 500,000 sq. ft. commitment by toy makers Melissa and Doug at 380 Deans Hall Rd. in South Brunswick and a 120,000 sq. ft. lease by Market Speed Logistics at 111 Melrich Rd. in Cranbury.

Driven by 3PLs, retailers, and wholesalers, the Route 287/Exit 10 submarket was the second most active with 1.4 million sq. ft. leased.

First quarter leasing activity in Northern New Jersey totaled 3.0 million sq. ft., driven by two large preleases in the Hudson Waterfront and Newark submarkets. UPS signed an 880,000 sq. ft. prelease at 42 Military Ocean Terminal in Bayonne, while FedEx signed an 876,000 sq. ft. lease at 173-268 Doremus Ave. in Newark.

Figure 3: Quarterly Leasing Activity



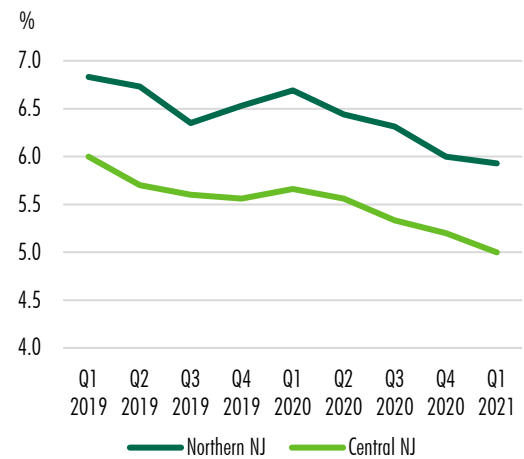
Source CBRE Research, Q1 2021

NET ABSORPTION AND AVAILABILITY

The market saw its seventeenth consecutive quarter of occupancy growth with 3.0 million sq. ft. absorbed in Q1 2021, a 147.3% increase from the previous quarter's 1.2 million sq. ft.

The availability rate for the combined Northern and Central markets hit an all-time low of 5.5%, a quarter-over-quarter decrease of 20 bps. Central New Jersey saw a 30 bps decrease in availability to 5%. Northern New Jersey had a decrease in availability of 10 bps to 5.9%. The submarkets with the largest totals were all in Central New Jersey; Exit 8A with 1.9 million sq. ft. of net absorption, Route 287/Exit 10 with 1.2 million sq. ft. of net absorption, and Brunswicks/Exit 9 with net absorption of 603,000 sq. ft.

Figure 4: Quarterly Availability Rate



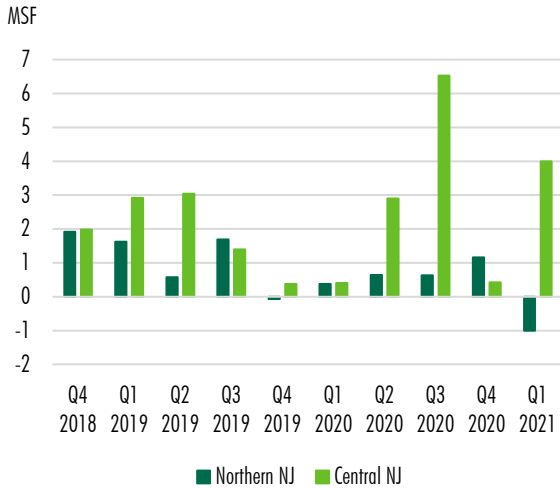
Source CBRE Research, Q1 2021

The first quarter's net absorption total was the result of robust leasing levels, but more significantly, a lack of available space hitting the market, with just two new additions of over 200,000 sq. ft. or more in the entire combined Northern and Central New Jersey markets. These included 324 Half Acre Rd. in Cranbury and 600 Jefferson Ave. in Secaucus. Five spaces were added between 100,000 sq. ft. and 200,000 sq. ft., the largest two being 1000 New County Rd. in Secaucus and 30 Corporate Dr. in Wayne.

CONSTRUCTION ACTIVITY

Four buildings completed construction in the first quarter, totaling over 2.3 million sq. ft. The largest completion was 353 Half Acre Rd. in the Exit 8A submarket, an 870,950 sq. ft. prelease by Crate & Barrel. The second and third largest deliveries were two buildings totaling 1.3 million sq. ft. at the Linden Logistics Center. The fourth delivery was 2555 Kuser Rd. in Hamilton, a 145,950 sq. ft.

Figure 5: Quarterly Absorption

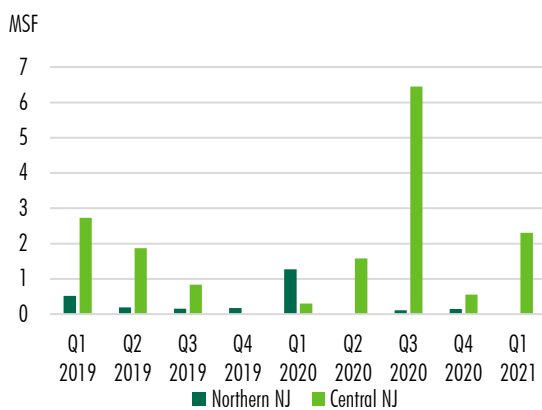


Source CBRE Research, Q1 2021

building in the Trenton/295 submarket, which was partially preleased by The Legacy Companies.

There were nine new starts in Q1 2021 totaling over 2.4 million sq. ft. Eight starts occurred in Northern New Jersey and one in Central New Jersey. There are currently 40 properties under construction totaling over 11.3 million sq. ft., 45.9% of which is preleased.

Figure 6: Quarterly Deliveries



Source CBRE Research, Q1 2021

INVESTMENT SALES

Investment sales activity was quieter to start the year, totaling \$313.3 million compared to Q4 2020's \$1.2 billion. 2.5 million sq. ft. was sold in Q1 2021, 54% of the five-year quarterly average of 4.6 million sq. ft.

Lincoln Equities sale of the 1.5 million sq. ft. Wharton Interstate Commerce Center was the largest sale during Q1. The Class B manufacturing and distribution property was sold for approximately \$185 million or \$123 per sq. ft. to Brookfield. The site is fully leased to Quaker, Refresco, LineMart, and DMI Personal Care.

The next largest transaction of the quarter was the \$29.3 million sale of 1000-1108 Jefferson Ave. in Elizabeth. The 207,000 sq. ft. Class C building traded for \$145.00 per sq. ft. and was 80% leased at the time of sale. The buyer, Elion Partners, saw the building as well-positioned for last-mile delivery given its 38 loading docks and proximity to both Newark Airport and the port.

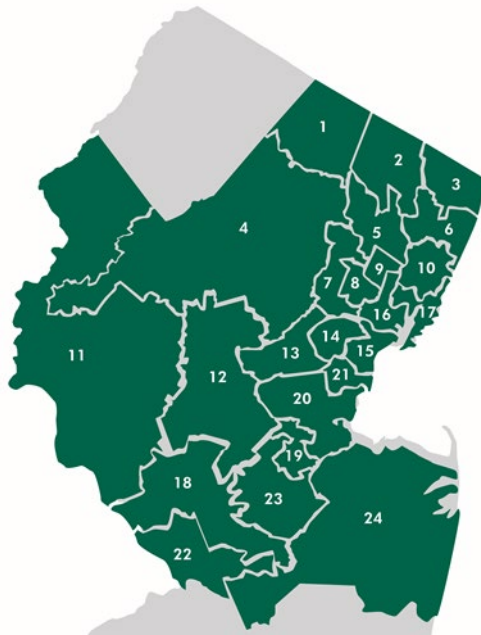
The third largest sale was the \$23.7 million 111 Bauer Dr. transaction in Oakland, a 120,760 sq. ft. flex building. The buyer, Exeter Property Group, paid \$196.00 per sq. ft. for the fully leased building. Exeter Property group also acquired 3070 US-22 for \$21.4 million, a 223,658 sq. ft. manufacturing building. This was the third largest transaction of the quarter, at \$96.00 per sq. ft.

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	33,769,003	5.4%	10.5	\$8.51	40000	-26,599
Fairfield Market	18,579,301	6.0%		\$8.54	214,214	106,800
Hudson Waterfront	64,261,080	5.4%	16.28	\$8.67	940,000	3,643
Meadowlands	93,164,891	7.8%	14.73	\$10.53	482,937	-796,015
Morris Region	41,552,142	7.2%	8.25	\$8.09	94,646	107,621
Newark	53,671,499	3.2%	16.24	\$8.59	879,743	-207,591
North East Bergen	8,086,523	6.4%		\$9.13	36240	-58,500
North West Bergen	19,405,324	6.4%		\$9.21	0	-91,950
Rt 23 North	603,533	4.0%		\$12.00	0	0
Rt 280 Corridor	4,428,850	1.0%		\$0.00	0	40,000
Rt 46/23/3 Interchange	58,005,505	6.2%	14.19	\$7.80	349,304	-76,264
Suburban Essex	11,015,635	3.0%		\$6.29	0	0
Northern New Jersey Total	406,543,286	5.9%	15.16	\$8.98	3,037,084	-998,855
Brunswick/Exit 9	28,250,853	5.1%	9.80	\$7.89	685,807	603,039
Carteret/Avenel	28,806,671	4.6%	14.34	\$11.23	122,100	-78,977
Central Union	25,028,447	5.9%		\$8.74	34074	-23,500
Exit 8A	76,322,360	3.4%	9.23	\$8.97	2,423,055	1,948,090
Hunterdon/Warren	9,066,009	12.3%	7.75	\$7.69	0	-70,000
Linden/Elizabeth	44,953,049	7.3%	12.91	\$9.07	543,655	313,116
Monmouth	25,304,741	8.6%	7.95	\$8.96	113,016	-144,730
Princeton	12,839,690	2.8%		\$7.52	0	-40,000
Rt 287/Exit 10	108,874,213	3.1%	11.36	\$7.66	1,434,979	1,203,619
Rt 78 East	9,917,276	7.0%		\$6.60	0	-80,000
Somerset	39,810,806	7.7%	9.27	\$7.63	281,170	269,063
Trenton/295	34,176,237	4.2%	9.24	\$8.78	151,580	78585
Central New Jersey Total	443,350,352	5.0%	10.42	\$8.57	5,789,436	3,978,305
NJ TOTAL	849,893,638	5.5%	11.58	\$8.80	8,826,520	2,979,450

Source CBRE Research, Q1 2021

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 |

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Note

Historical average asking rent data has been revised in Q1 2021 to reflect newly available information.

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