

Industrial Q2 2021

	YoY Chg	12-Mo. Forecast
2.6% Vacancy Rate	▼	—
4.1 MSF Net Abs. YTD, SF	▲	—
\$10.70 Asking Rent, PSF	▲	▲

Overall, All Property Classes

ECONOMIC INDICATORS
Q2 2021

	YoY Chg	12-Mo. Forecast
3.9M New Jersey Employment	▲	▲
7.2% New Jersey Unemployment Rate	▼	▼
5.9% U.S. Unemployment Rate	▼	▼

Source: BLS

ECONOMY: Import Volume at the Port & Private Employment Continue to Improve

Both the local economy and the Port of NY/NJ have recorded modest growth over the first half of 2021, as the state continues to recover amid the COVID-19 pandemic. The state's unemployment rate ticked lower for the third straight month as private employment climbed four of the last five months. Transportation and warehousing jobs in New Jersey are up by 5.3% over the last year, helping to fuel the market's expansion. Meanwhile, consumer confidence reached a 16-month high fueled by the reopening of the economy and labor market optimism. E-commerce accounted for \$215.0 billion of sales this past quarter—13.6% of all retail sales. In comparison, one year ago, there were \$154.6 billion of online sales registered nationwide. At the Port, year-to-date (YTD) cargo totals (TEUs handled) have surpassed that of last year by 48.2% with over 3.6 million TEUs handled, led by a surge in imports, which were up 28.4% year-over-year (YOY).

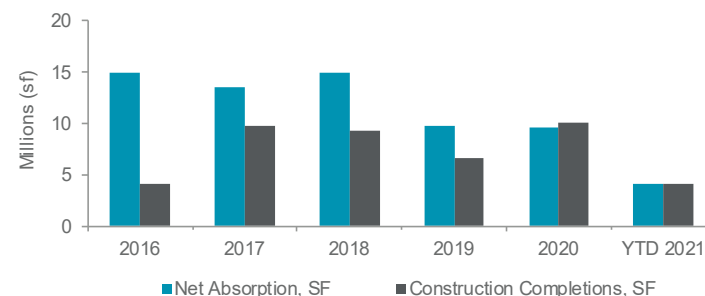
OVERVIEW: Vigorous Tenant Demand Persists Pushing the Market to New Heights

The demand for warehouse space along the New Jersey Turnpike Corridor remained robust in the second quarter, pushing the vacancy rate to another all-time low while asking rents edged higher to yet another record-high. Amid the backdrop of historically tight market conditions, specifically for Class A space, developers continue to add new supply to the marketplace—much of which leases up prior to completion.

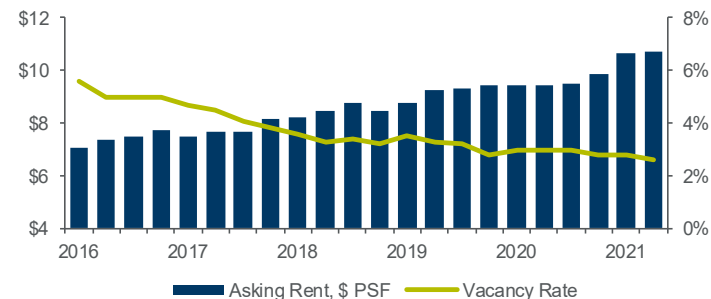
SUPPLY & DEMAND: Record-Low Vacancy Reached in Key Market Segments

Quarterly overall net absorption remained steady throughout the second quarter with another 1.4 million square feet (msf) of net occupancy gains recorded, most of which were within Central New Jersey. Both the Port and Meadowlands submarkets registered modest occupancy losses during the quarter as some mid-sized and large spaces (100,000-plus square feet) came online. Meanwhile, quarterly absorption was strong in the Exit 13 and Lower 287 Corridor submarkets due to healthy demand coupled with preleased construction deliveries. Since the start of 2021, more than 4.1 msf of industrial space has been absorbed throughout the marketplace, ahead of last year's pace of 3.6 msf. However, occupancy gains have remained tempered compared to the historically high years of 2015 through 2018, as there is limited product to absorb. Furthermore, at 2.4%, the warehouse/distribution vacancy rate once again edged lower, reaching another historic low as six of the eight Turnpike submarkets now boast rates below 3.0%. In fact, the Lower 287 Corridor (Exits 10-12) and Exit 8A have registered their lowest warehouse vacancy rates on record at 0.5% and 0.2%, respectively. Finally, Class A vacancy edged downward to a new low of 0.8%.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT





PRICING: Asking and Taking Rents Continue to Trend Higher

At \$10.70 per square foot (psf), the average industrial asking rental rate ticked higher to yet another record high and has now risen by 26.8% over the last three years. The warehouse/distribution direct average rate is now up 11.2% YOY, partially due to robust growth within the Exit 13, Exit 8A, and the Meadowlands submarkets. Record-high asking rents for warehouse space have been registered in many of the primary Turnpike submarkets, and five of the eight key market segments now boast double-digit average rates. Both asking and taking rents for Class A warehouses and new construction have yielded stronger growth rates in recent quarters and should continue to do so near-term.

CONSTRUCTION: Robust Pre-Leasing Totals Persist Within Ample Developments

While deliveries slowed throughout the second quarter, there have been 4.1 msf of new deliveries through mid-year, 88.5% of which were leased prior to completion. Almost all the projects were built on a speculative basis, with many of the facilities less than 200,000 sf in size. Another 8.0 msf of industrial product is under development, with 48.7% of the square footage already leased. The market should exceed 10.0 msf of new deliveries by year-end, much of which is concentrated along the New Jersey Turnpike Corridor. Meanwhile, the development pipeline remains robust as approximately 40.0 msf is proposed to deliver through 2024, adding much-needed Class A supply to the marketplace.

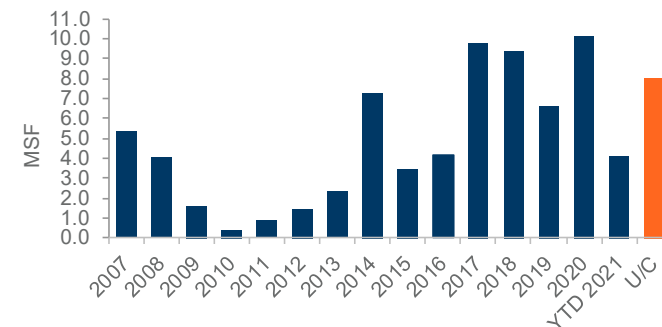
DEMAND: Mid-Year New Leasing Total Hits Century High Mark

The appetite for warehouse space by tenants has not waived following the recent historic high set for new leasing activity registered during the first quarter. Another 8.5 msf of new leases were inked during the second quarter, much of which was concentrated within Central New Jersey from Exit 10 through Exit 13 and along the I-287 Corridor. The Meadowlands, Exit 7A/8, and the Upper 287 Corridor submarkets all recorded quarterly improvements in new demand totals. The robust second quarter helped push the mid-year total to a record high of 19.8 msf, propelled as usual by the submarkets along the New Jersey Turnpike Corridor. This marked an 81.9% increase over mid-year 2020. Of the total square footage leased so far in 2021, one-third of the total occurred within facilities not yet built as Class A space remains scarce throughout much of the market. Renewal activity remained steady as well, posting another 3.8 msf of commitments. The demand drivers continue to be 3PL & logistics, E-commerce, and consumer goods companies, accounting for 58.5% of total deal volume as these three sectors represented the top 20 leases signed in the marketplace in the quarter.

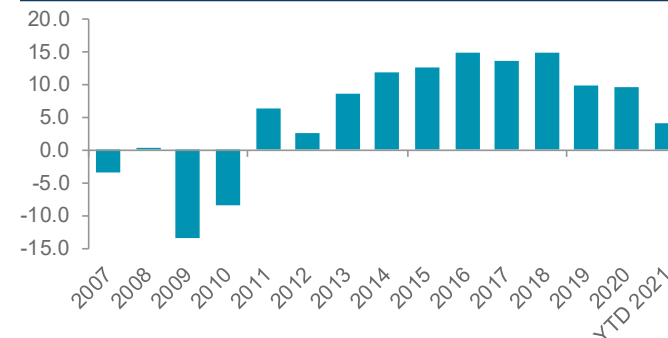
Outlook

- Strong demand totals are projected to continue throughout the coming quarters as consumer confidence is on the rise, the economy trends positively, and port volume totals surge.
- Developers are likely to build on a speculative basis as robust pre-leasing numbers persist due to historically low Class A vacancy
- With historically tight market conditions anticipated to endure, rental rate growth will likely trend even higher, specifically along the Turnpike Corridor
- Expect asking and taking rents in both Class A and new developments to swell markedly as competition for these spaces remain fierce

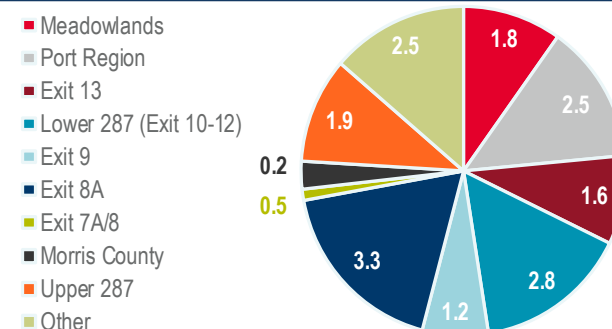
NEW SUPPLY



HISTORICAL NET ABSORPTION



YTD WAREHOUSE LEASING BY SUBMARKET (MSF)



MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	OVERALL VACANCY RATE	YTD LEASING ACTIVITY (SF)	CURRENT QUARTER NET ABSORPTION (SF)	YTD NET OVERALL ABSORPTION (SF)	UNDER CNSTR (SF)	CNSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG. NET RENT (HT)	OVERALL WEIGHTED AVG. NET RENT (MF)	OVERALL WEIGHTED AVG. NET RENT (W/D)
Bergen County	86,706,582	3.7%	1,813,223	149,683	415,832	155,004	424,385	\$11.42	\$7.01	\$11.77
Essex County	45,959,805	2.1%	1,407,550	-128,694	-14,157	1,348,905	30,005	\$9.95	\$10.19	\$10.00
Hudson County	74,528,027	3.2%	1,899,156	-570,185	-759,847	1,270,901	91,000	\$16.00	N/A	\$10.95
Morris County	40,371,466	5.3%	597,091	11,294	-66,903	222,500	0	\$18.45	\$12.53	\$7.18
Passaic County	41,126,369	4.0%	769,530	-62,596	-5,973	566,461	0	N/A	\$8.06	\$9.65
NORTHERN NJ TOTAL	288,692,249	3.6%	6,486,550	-600,498	-431,048	3,563,771	545,390	\$14.74	\$8.39	\$10.11
Mercer County	32,648,122	4.6%	351,219	52,118	48,630	1,401,233	0	\$35.00	\$3.65	\$9.21
Middlesex County	222,448,908	0.8%	8,639,777	712,339	3,020,595	2,184,767	2,243,646	\$13.63	\$8.80	\$9.72
Monmouth County	13,618,774	4.8%	288,134	24,156	139,084	80,000	0	\$13.68	N/A	\$8.47
Somerset County	37,143,444	2.3%	1,983,900	172,089	296,692	304,000	0	\$12.52	N/A	\$9.91
Union County	59,462,207	2.9%	2,020,415	1,028,181	979,381	134,740	0	\$18.00	\$10.20	\$11.57
CENTRAL NJ TOTAL	365,321,455	1.8%	13,283,445	1,988,883	4,484,382	4,104,740	3,565,619	\$14.47	\$7.83	\$10.50
NEW JERSEY TOTALS	654,013,704	2.6%	19,769,995	1,388,385	4,053,334	7,668,511	4,111,009	\$14.59	\$8.24	\$10.25

*Rental rates reflect weighted net asking \$psf/year

**Leasing activity totals do not include renewals

HT = High Tech/Flex MF = Manufacturing W/D = Warehouse/Distribution

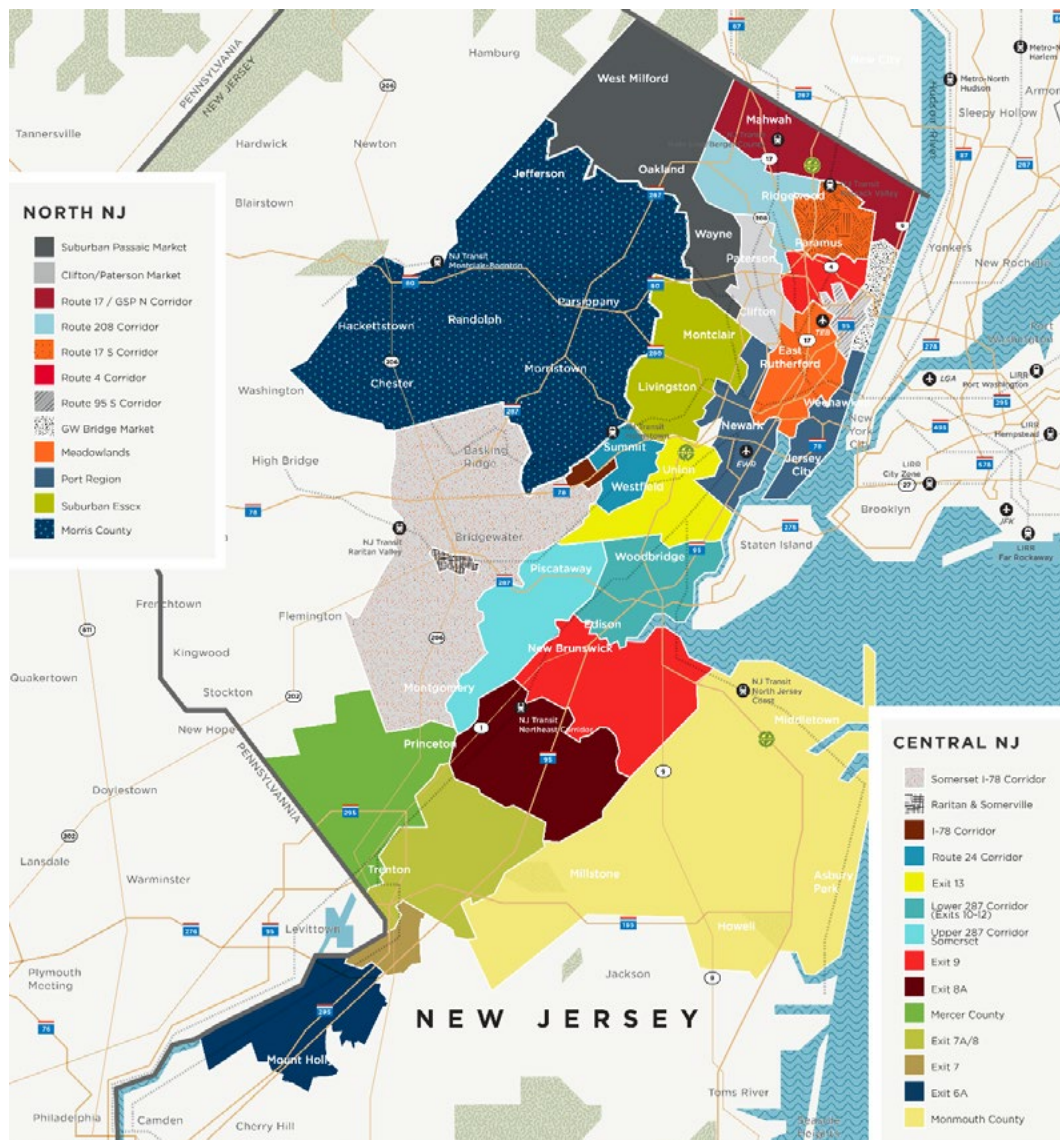
KEY LEASE TRANSACTIONS Q2 2021

PROPERTY	SF	TENANT	PROPERTY TYPE	SUBMARKET	LEASE TYPE
Tremley Point Road, Building E, Linden	481,770	World Distribution Services	Warehouse/Distribution	Exit 13	New Lease
301 Middlesex Center Boulevard, South Brunswick	450,005	CDS	Warehouse/Distribution	Exit 8A	Renewal/Expansion
47 Veronica Avenue, Building 1, Franklin Township	425,250	Dream on Me	Warehouse/Distribution	Upper 287 Corridor	New Lease
65 Baekeland Avenue, Middlesex	400,000	Confidential E-commerce user	Warehouse/Distribution	Upper 287 Corridor	New Lease

KEY PROJECTS UNDER CONSTRUCTION

PROPERTY	SF	DEVELOPER	PROPERTY TYPE	MAJOR TENANT	SUBMARKET
3 Sigle Lane, South Brunswick	1,166,030	Heller Industrial Parks	Warehouse/Distribution	Williams Sonoma	Exit 8A
173-268 Doremus Avenue, Newark	871,928	The Morris Companies	Warehouse/Distribution	FedEx	Port Region
Van Keuren Avenue, Bldg 1, Jersey City	427,200	AMZ / Hilco	Warehouse/Distribution	Speculative	Port Region
65 Baekeland Avenue, Middlesex	400,000	Rockefeller Group	Warehouse/Distribution	Confidential E-commerce user	Upper 287 Corridor

INDUSTRIAL SUBMARKETS

**JASON PRICE**

Director—Tri-State Industrial Research

Tel: +1 201 508 5208

jason.price@cushwake.com

Cushman & Wakefield
1 Meadowlands Plaza, 7th Floor
East Rutherford, NJ 07073
cushmanwakefield.com

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with approximately 50,000 employees in 400 offices and 60 countries. In 2020, the firm had revenue of \$7.8 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services. To learn more, visit www.cushmanwakefield.com or follow @CushWake on Twitter.

©2021 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.