

Industrial Q2 2022

2.0%

Vacancy Rate

YoY
Chg12-Mo.
Forecast

1.8M

Net Abs. YTD, SF



\$15.40

Asking Rent, PSF



Overall, All Property Classes

ECONOMIC INDICATORS
Q2 2022

4.5M

New Jersey
EmploymentYoY
Chg12-Mo.
Forecast

3.9%

New Jersey
Unemployment Rate

3.6%

U.S.
Unemployment Rate

Source: BLS

ECONOMY: Port Terminal Activity Continued Record-Breaking Pace

Retail sales in the U.S. recorded their first drop in five months in May as auto vehicle purchases tumbled amid constrained supply and record-high fuel prices siphoned spending away from other goods. Still, year-over-year (YOY) retail sales were up 8.1% and were well above pre-pandemic levels, driven by high personal savings and rising wages. The tight labor market drove the unemployment rate under 4.0% for the first time since March 2020, to 3.9%. The transportation, warehousing, and & utilities and manufacturing industries have recorded strong job gains over the last year, up 9.9% and 2.3%, respectively. Meanwhile at the port, cargo volumes continued to increase as a steady surge of cargo ships made their way into the Port of New York and New Jersey. Year-to-date (YTD) through April, total volume increased by 11.9% from the prior year with the seaport handling 3.2 million TEUs.

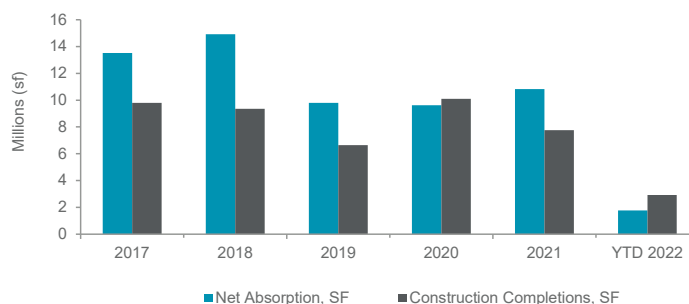
OVERVIEW: Shortage of Supply Impacts Leasing Activity as Pricing Continued to Climb

Occupier demand for industrial product in New Jersey persisted; however, limited supply resulted in a reduction of the square footage leased during the second quarter. The decline in new activity was anticipated and driven by the lack of available space in the market. The average asking rent for warehouse space in New Jersey set a new benchmark this quarter as the shortage of space led to fierce competition for existing available inventory.

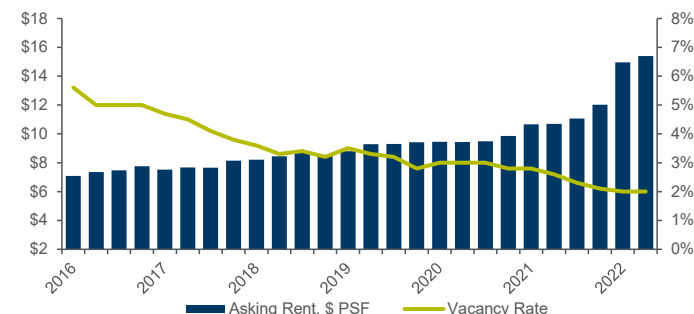
SUPPLY: Net Absorption Turns Red as Vacancies Sit at Historic Lows

Although tenant demand remained strong during the quarter, net absorption for industrial product reached its lowest level since 2013 at negative 22,631 square feet (sf). Central New Jersey (CNJ) drove negative net absorption with 738,742 sf of occupancy losses, while Northern New Jersey (NNJ) recorded positive net absorption of 716,111 sf. The shortage of available space, particularly big-box class A product, resulted in difficulty for tenants in search of new space. With fewer options for occupiers to choose from, many opted to renew in place, which typically does not impact net absorption. Further, just one out of the nine new lease transactions in CNJ completed this quarter greater than 100,000 sf contributed to positive net absorption. At 1.8%, the vacancy rate for warehouse space remained at an all-time low. Several key submarkets along the New Jersey Turnpike boasted vacancy rates at or below 1.0%, with Exit 8A, Exit 9 and Lower 287 Corridor submarkets recording rates at 0.4%, 0.7% and 1.0%, respectively.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT





PRICING: Average Asking Rents Soar as Space Options Are Limited

Pricing increases for warehouse space persisted during the second quarter, as the shortage of space led to fierce competition for existing inventory. The average direct asking rent reached \$13.96 per square foot (psf) and was up 36.6% from the prior year. This represented the largest YOY increase on record. Significant increases occurred in core submarkets along the New Jersey Turnpike. The Lower 287 Corridor submarket posted the sharpest bump in pricing, up 48.9% YOY to \$15.66 psf, while pricing in the Meadowlands increased 35.2% to \$17.11 psf.

It is important to note that the average asking rents may not be indicative of pricing in all property types, as Class A industrial product and new construction has been leased prior to the space becoming vacant and as such, has not been factored into the historical rent figures. Asking lease rates for new construction in the Port and Meadowlands submarkets have achieved taking rents north of \$20.00 psf, while pricing guidance along Exit 8A and 7A are north of \$12.00 psf.

CONSTRUCTION: Wave of New Developments Underway to Meet Heightened Class A Demand

With increasing constraints on New Jersey's industrial supply, the construction pipeline remained robust. At the end of Q2 2022, there were 41 projects under construction totaling 13.6 million square feet (msf), of which 86.5% were being built on spec. Although just 22.2% of the projects under construction have been pre-leased, it is anticipated many projects will lease prior to completion as tenant interest remains strong. The future pipeline is bright as well, evidenced by Trammell Crow Company's recent announcement of a three-building development in Sayreville. The site, known as Arsenal Trade Center, sits on 74 acres at 50 South Minisink Road and will span a total of 1.1 msf once completed in late 2023.

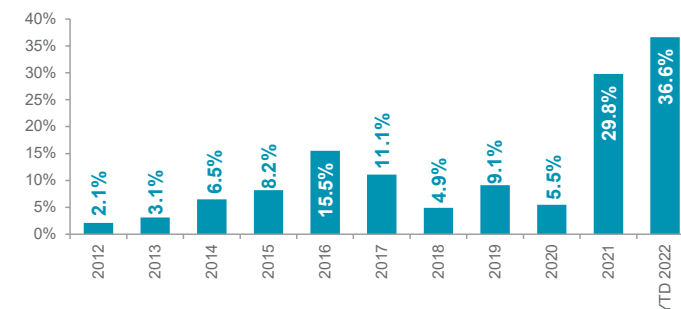
DEMAND: Limited Supply Slows Demand During the Second Quarter

Leasing activity for warehouse space dipped this quarter, reaching 4.8 msf, after reaching 7.0 msf last quarter. Still, strong demand during the year boosted the midyear leasing total to 11.8 msf, slightly below the midyear leasing volume of 12.9 msf achieved between 2017-2021. The Exit 8A and Upper 287 submarkets propelled leasing this quarter, accounting for 37.0% of the total activity. Similar to last quarter, 3PL and logistics users continued to grow, representing a 49.0% share of the 4.8 msf leased this quarter. Renewal activity persisted, accounting for a quarter of all lease types signed. Major renewals completed this quarter included LG Electronics' 410,137-sf extension at 159 Milford Road in East Windsor and Central Garden and Pet's 169,260-sf renewal at 401 Cabot Drive in Hamilton.

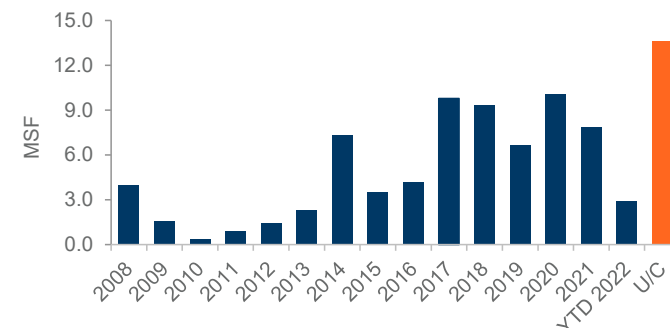
Outlook

- Historically tight market conditions should continue in the near-term as occupier demand for modern, Class A warehouse space persists
- The average asking rent will continue to rise, but future increases will be tempered compared to the record increases exhibited in the first half of 2022
- The fears of inflation and the looming recession have recently led to a drop in consumer spending, which in the long term may impact the tailwinds that had boosted the market post-COVID

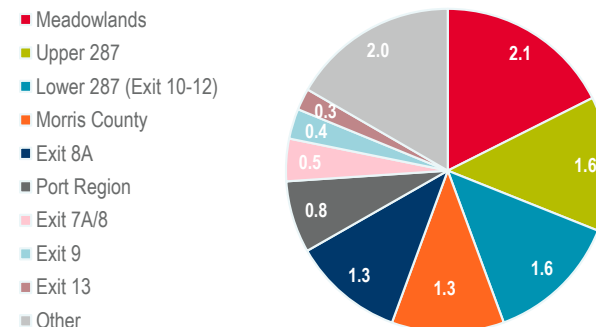
ANNUAL WAREHOUSE RENT GROWTH (%)



NEW SUPPLY



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	85,835,166	2.8%	1,693,320	212,182	454,497	818,429	0	\$13.36	\$15.40	\$15.07
Essex County	47,493,482	1.7%	914,026	-227,171	517,116	652,473	1,057,784	\$9.47	\$9.00	\$12.72
Hudson County	74,926,801	2.6%	1,321,672	-1,579	430,608	2,108,763	466,286	\$19.58	N/A	\$17.19
Morris County	40,448,846	2.8%	1,483,755	533,083	644,549	63,440	0	\$12.45	\$12.06	\$12.81
Passaic County	41,641,130	1.4%	640,841	199,596	450,302	0	205,350	\$14.00	\$10.92	\$12.63
NORTHERN NJ TOTAL	290,345,425	2.4%	6,053,614	716,111	2,497,072	3,643,105	1,729,420	\$13.01	\$12.32	\$14.80
Mercer County	33,088,763	4.6%	849,638	-30,799	292,098	1,743,776	742,499	\$33.66	\$6.00	\$13.51
Middlesex County	224,988,428	1.2%	4,338,606	-821,513	-1,159,357	4,028,515	125,189	\$12.31	\$12.76	\$14.11
Monmouth County	13,984,804	3.6%	541,844	-78,084	62,519	1,426,642	193,000	\$13.53	\$10.00	\$12.60
Somerset County	37,403,102	1.3%	1,036,577	-33,116	20,120	1,049,311	0	\$19.64	N/A	\$11.34
Union County	58,943,559	2.1%	469,050	224,770	55,318	1,751,117	134,740	\$17.65	\$10.57	\$10.85
CENTRAL NJ TOTAL	368,408,656	1.7%	7,235,715	-738,742	-729,302	9,999,361	1,195,428	\$25.96	\$10.39	\$13.29
NEW JERSEY TOTALS	658,754,081	2.0%	13,289,329	-22,631	1,767,770	13,642,466	2,924,848	\$21.41	\$10.78	\$14.07

*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 2022

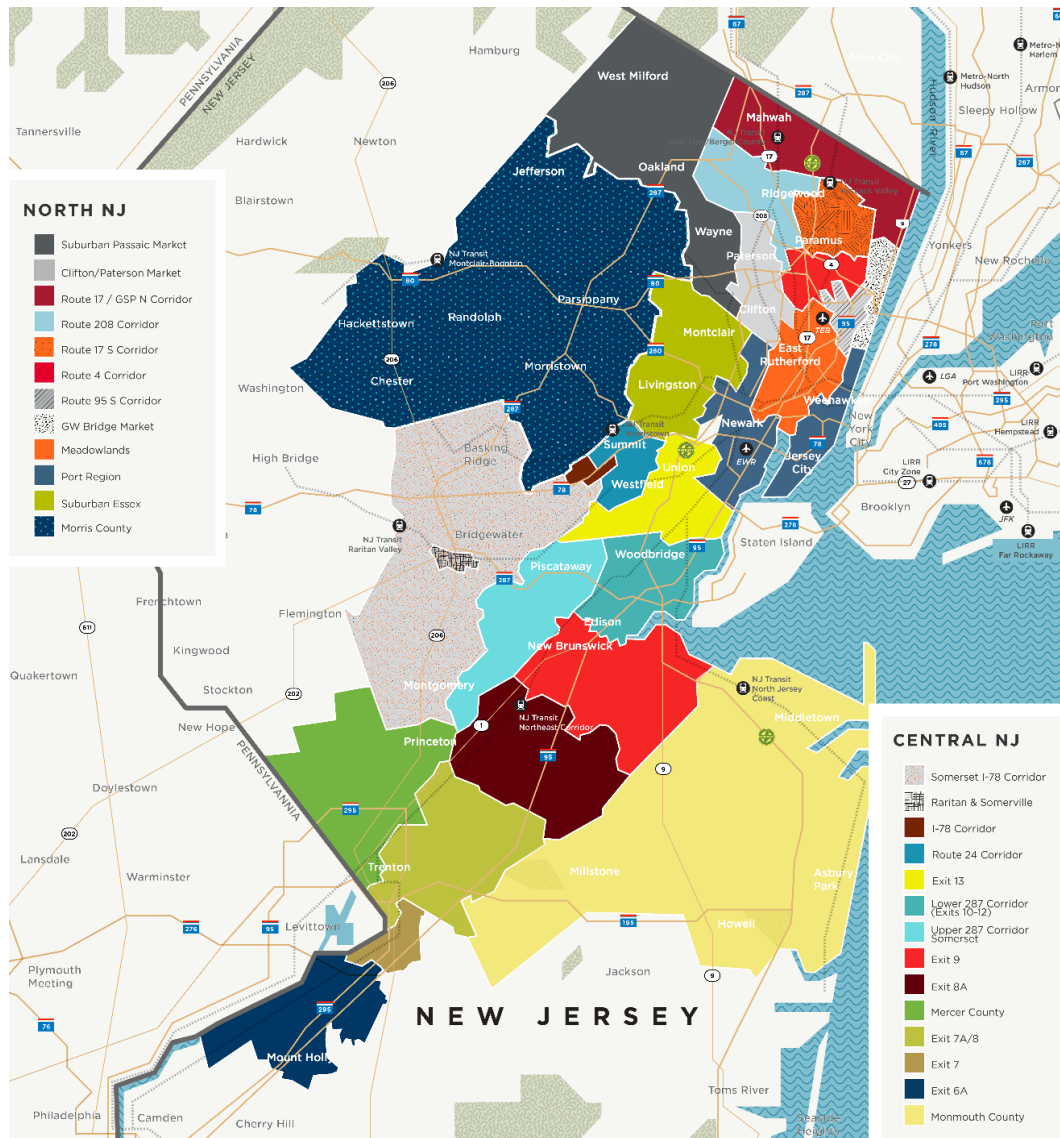
PROPERTY	SF	TENANT	PROPERTY TYPE	SUBMARKET	LEASE TYPE
703 Bartley Chester Road, Flanders	844,373	List Logistics	Warehouse/Distribution	Route 206 Corridor	New Lease
159 Milford Road, East Windsor	410,137	LG Electronics	Warehouse/Distribution	Exit 7A	Renewal*
1 Jebara Way, Monroe	293,420	Best Buy	Warehouse/Distribution	Exit 8A	New Lease
4 Aurora Drive, Cranbury	249,600	SEKO Logistics	Warehouse/Distribution	Exit 8A	New Lease
1570 South Washington Avenue, Piscataway	216,892	JD.com	Warehouse/Distribution	Upper 287 Corridor	New Lease

*Renewals not included in leasing statistics

KEY PROJECTS UNDER CONSTRUCTION

PROPERTY	SF	DEVELOPER	PROPERTY TYPE	MAJOR TENANT	SUBMARKET
918 Cranbury South River Road, Monroe	1,281,000	Brookfield Properties	Warehouse/Distribution	Speculative	Exit 8A
1289 Rahway Avenue, Avenel	1,216,110	The Morris Companies	Warehouse/Distribution	Speculative	Lower 287 (Exits 10-12)
505 Route 33, Millstone	1,000,000	CROW Holdings	Warehouse/Distribution	Speculative	Monmouth County
42 Military Ocean Terminal, Bayonne	876,000	Lincoln Equities Group	Warehouse/Distribution	Confidential	Port Region

INDUSTRIAL SUBMARKETS

**JOHN OBEID**

Senior Research Manager, New Jersey

Tel: +1 201 351 0885

john.obeid@cushwake.com

KRISTEN COSTANZA

Senior Research Analyst, New Jersey

Tel: +1 201 268 3739

kristen.costanza@cushwake.com

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