

Industrial Q4 2022

2.9%

Vacancy Rate

YoY
Chg12-Mo.
Forecast

5.3M

Net Abs. YTD, SF



\$16.21

Asking Rent, PSF



Overall, All Property Classes

ECONOMIC INDICATORS
Q4 2022

4.5M

New Jersey
EmploymentYoY
Chg12-Mo.
Forecast

3.4%

New Jersey
Unemployment Rate

3.7%

U.S.
Unemployment Rate

Source: BLS

ECONOMY: Port of New York and New Jersey Streak Continues as Busiest U.S. Port

The Port of New York and New Jersey moved 723,069 TEUs during November, outpacing both Los Angeles and Long Beach ports and solidifying New Jersey's four-month streak as the busiest port in the United States. East Coast ports continued to gain market share amid the unresolved labor negotiations at the West Coast ports. Subsequently, strong demand for warehouse space in the Port Region submarket persisted, despite the current macroeconomic headwinds.

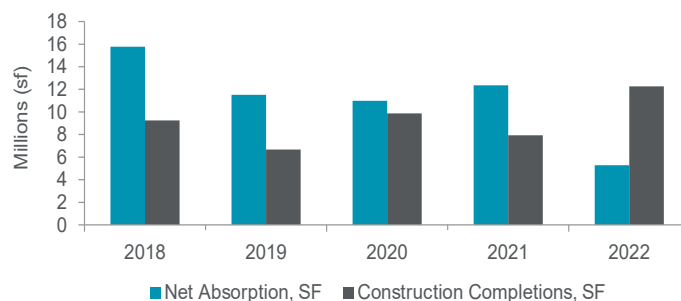
OVERVIEW: Wave of New Deliveries Boosts Net Absorption

A rebound in new leasing activity, coupled with a wave of new occupied completions, improved net absorption this quarter. Fourth-quarter net absorption surpassed the 1.0 million square foot (msf) mark after falling short in the previous two quarters. Although annual leasing activity and net absorption figures are down from a 2021 high of 28.1 msf and 10.3 msf, respectively, New Jersey's industrial market ended 2022 strong, with positive momentum heading into the new year.

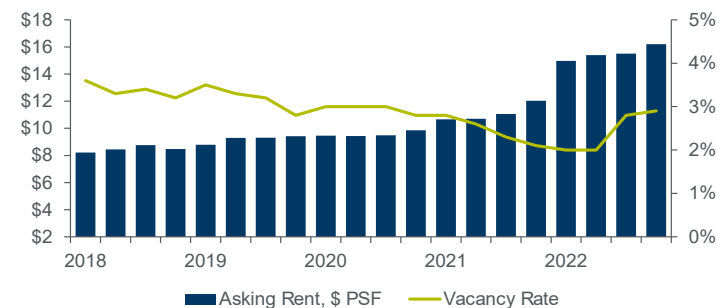
SUPPLY: Vacant Completions Adds to Vacancy

In 2022, a record amount of new product was added to the industrial inventory, providing additional space options for occupiers. Overall, 42 properties totaling 12.2 msf were delivered, of which 52.0% was pre-leased. As such, the vacancy rate grew by 110 basis points (bps) year-over-year (YOY) to 2.9%. This rise can also be attributed to increased sublease vacancies during the fourth quarter, with the top five newly available subleases contributing over 800,000 square feet (sf) of vacant space to the market. However, subleases have proven to lease up quickly, evidenced by United Way Distribution taking Peloton's sublease at 100 Essex Avenue East in Avenel. Despite the uptick of new supply, market conditions remained historically tight in four of the eight primary Turnpike submarkets—the Port Region, Exit 8A, Exit 9, and Lower 287 Corridor—all ending the year with rates under the 2.5% mark.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT





PRICING: Average Asking Rents Soar as New Product Delivers

New construction delivered during the quarter boosted the average asking rent for warehouse/distribution space by 27.9% YOY to \$15.59 per square foot (psf). Despite growing Port container traffic, the lack of available land caused developers and users to compete for existing available inventory. Additionally, the delivery of new Class A space and growth from submarkets along the New Jersey Turnpike continued to set a higher benchmark for pricing. The Port Region submarket had the most significant jump in pricing, up 76.5% YOY to \$22.01 psf, while Exit 9 was up 52.0% to \$18.74 psf.

CONSTRUCTION: Record of New Deliveries Come Online as Pre-Leasing Starts to Slow

Developers have rapidly pushed to bring new product to the market this year following robust Class A demand in 2021. A record high of 12.2 msf of new product was delivered in 2022, up from 7.9 msf last year. Pre-leasing activity slowed this year, as 52.0% of the square footage delivered was occupied upon completion, compared to 77.0% the prior year. Still, notable pre-leasing persisted, while new-to-market product exhibited strong demand just a few months after completion. For example, United Distribution leased 384,895 sf at 1365 Lambertson Road in Hamilton, and United Legwear leased 220,000 sf at 505 Route 33 in Millstone.

There is currently 13.7 msf of warehouse space under construction, with Central New Jersey accounting for 71.4% of this figure. Significant projects that recently broke ground included the three-building, 1.1 msf project at Arsenal Trade Center in Sayreville, and 1 Apple Orchard Drive in South Brunswick. The project developed by Heller Industrial Parks will span 387,744 sf once completed.

DEMAND: Demand for New Product Lifts Fourth Quarter Leasing Activity

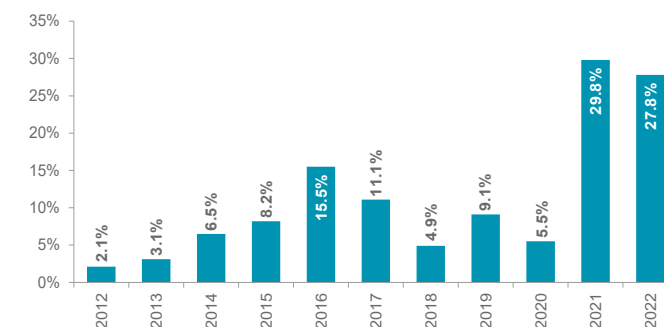
Leasing activity for warehouse space ended the year positively, with fourth-quarter volume increasing 61.6% to 5.2 msf quarter-over-quarter, bringing the full-year total to 20.8 msf. While annual leasing activity was down from its historic 2021 high, the strong finish demonstrated sustained tenant demand for industrial space in New Jersey. Demand throughout the quarter was driven by activity in newly delivered product. Home Depot inked the largest fourth quarter transaction for 1.3 msf at 904 Cranbury South River Road in Monroe, while Accem Warehouse committed 293,887 sf at 8 Peach Tree Hill Road in Livingston.

Big-box transactions fueled the rise in demand. There were 13 new deals executed by quarter-end, each greater than 100,000 sf, compared to just five similar transactions recorded during the third quarter. Moreover, healthy renewal activity persisted, evidenced by 15 renewals transacted greater than 100,000 sf.

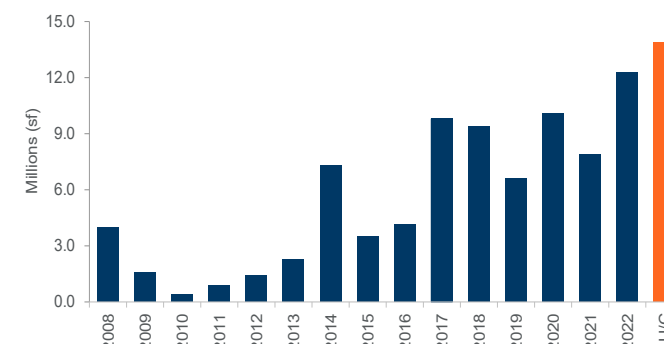
Outlook

- Asking rent increases, particularly in Northern New Jersey, is anticipated to persist; however, expect growth to be tempered compared to current YOY increases.
- Economic uncertainty, climbing capital costs, and towns imposing ordinances to slow the spread of warehouse sprawl may result in a slowdown in new construction starts.
- The Port of New York and New Jersey will continue to be a major driver of demand for the region as more ships are diverted to the East Coast ports.

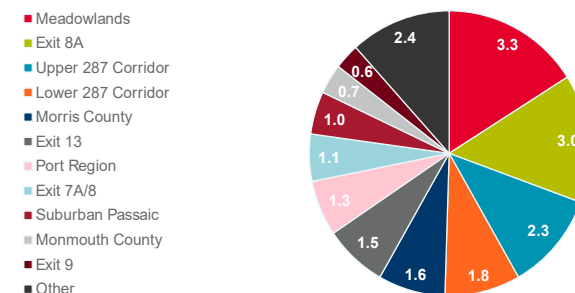
ANNUAL WAREHOUSE RENT GROWTH (%)



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	85,883,327	2.4%	2,988,623	-80,840	866,848	2,143,790	0	\$14.23	\$15.71	\$15.77
Essex County	48,228,396	2.6%	1,458,283	213,698	713,907	426,352	1,710,257	\$18.95	\$8.86	\$18.18
Hudson County	76,413,973	3.0%	2,142,854	193,819	1,443,633	870,496	1,815,286	\$20.00	N/A	\$15.68
Morris County	40,641,733	2.4%	2,164,672	267,452	854,137	470,044	63,440	\$13.93	\$14.30	\$13.32
Passaic County	41,783,584	1.5%	1,490,491	26,163	399,237	0	205,350	\$14.87	\$8.85	\$15.49
NORTHERN NJ TOTAL	292,951,013	2.5%	10,244,923	620,292	4,277,762	3,910,682	3,794,333	\$14.76	\$11.30	\$15.93
Mercer County	34,133,759	7.10%	1,482,275	280,492	745,544	400,575	2,087,345	\$31.18	N/A	\$13.42
Middlesex County	227,095,298	2.0%	7,702,965	1,460,721	-671,698	6,670,996	2,498,440	\$11.83	\$12.56	\$14.81
Monmouth County	15,385,234	10.2%	847,089	208,274	402,513	206,642	1,593,430	\$13.15	N/A	\$13.13
Somerset County	37,623,649	3.0%	1,133,763	-104,306	-201,570	999,554	405,547	\$18.19	N/A	\$13.42
Union County	59,610,276	3.8%	1,922,724	-690,641	736,918	1,713,876	1,885,857	N/A	\$11.99	\$20.87
CENTRAL NJ TOTAL	373,848,216	3.2%	13,088,816	1,154,540	1,011,707	9,991,643	8,470,619	\$23.09	\$12.21	\$15.34
NEW JERSEY TOTALS	666,799,229	2.9%	23,333,739	1,774,832	5,289,469	13,902,325	12,264,952	\$21.46	\$11.94	\$15.56

*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 Q4 2022

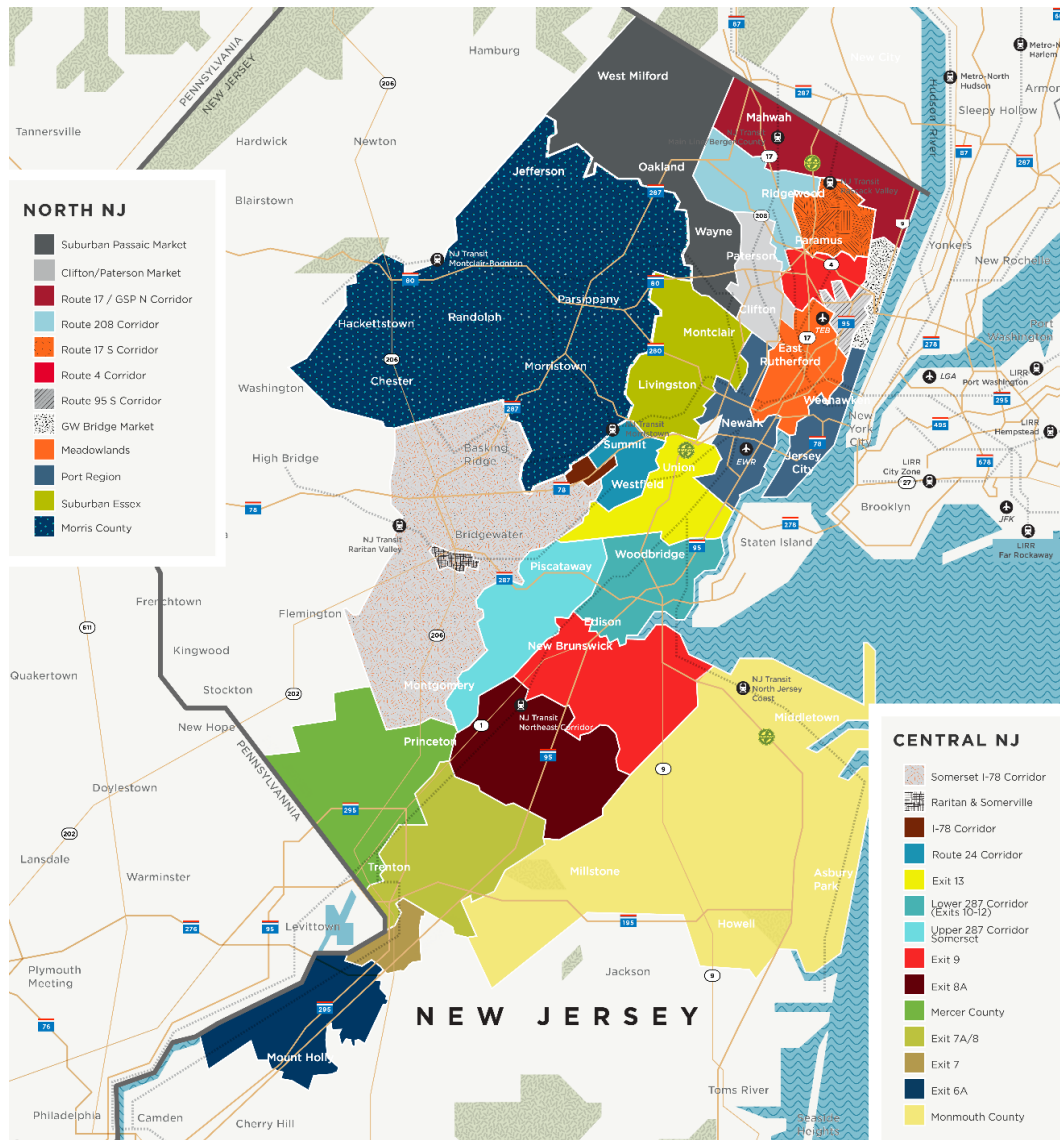
PROPERTY	SF	TENANT	PROPERTY TYPE	SUBMARKET	LEASE TYPE
904 Cranbury South River Road, Monroe	1,281,000	Home Depot	Warehouse/Distribution	Exit 8A	New Lease
6 West Belt Parkway, Wayne	505,000	Driscoll Foods	Warehouse/Distribution	Passaic - Suburban Region	Renewal*
20-40 Harry Shupe Boulevard, Wharton	429,426	Quaker Sales & Distribution	Warehouse/Distribution	Western Region	Renewal*
200 Middlesex Avenue, Carteret	406,000	Continental Terminals	Warehouse/Distribution	Lower 287 Corridor	New Lease
1365 Lambertson Road - Building 2, Hamilton	384,895	United Distribution	Warehouse/Distribution	Exit 7A/8	Renewal*

*Renewals not included in leasing statistics

KEY PROJECTS UNDER CONSTRUCTION

PROPERTY	SF	DEVELOPER	PROPERTY TYPE	MAJOR TENANT	SUBMARKET
Central 9 Logistics Park, Bldgs. 3-6, Old Bridge	1,863,478	2020 Acquisitions	Warehouse/Distribution	Speculative	Exit 9
1289 Rahway Avenue, Avenel	1,216,110	The Morris Companies	Warehouse/Distribution	Speculative	Lower I-287
50 South Minisink Road, Bldgs. 1-3, Sayreville	1,077,776	Trammell Crow Company	Warehouse/Distribution	Speculative	Exit 9
1 Malcolm Avenue, Teterboro	515,421	Hartz Mountain Industries	Warehouse/Distribution	Speculative	Meadowlands
1098 Route 46, Ridgely	337,592	Brookfield Properties	Warehouse/Distribution	Speculative	I-95 South Corridor

INDUSTRIAL SUBMARKETS

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