

Industrial Q1 2023

3.2%

Vacancy Rate

YoY
Chg12-Mo.
Forecast

1.0M

Net Abs. YTD, SF



\$16.52

Asking Rent, PSF



Overall, All Property Classes

ECONOMIC INDICATORS
Q1 2023

4.6M

New Jersey
EmploymentYoY
Chg12-Mo.
Forecast

3.5%

New Jersey
Unemployment Rate

3.5%

U.S.
Unemployment Rate

Source: BLS

ECONOMY: Port of New York and New Jersey Reclaims Spot as the Nation's Busiest Port

The Port of New York and New Jersey (PNYNJ) moved the most cargo in the nation through the first two months of 2023, building upon the improvement exhibited towards the end of 2022. In February, cargo volumes at PNYNJ totaled 571,177 TEUs, outpacing Long Beach and Los Angeles as it reclaimed its top spot as the busiest port in the United States. The gains in market share will continue to benefit the immediate warehouse and distribution market in the greater port region. Additionally, PNYNJ plans to expand its intermodal service after receiving a six million dollar grant to construct a new crossover track, which would allow trains to connect directly with the southbound tracks, eliminating the need to travel north and reducing significant delays. The project aims to improve intermodal utilization and is estimated to add six train departures per day once completed.

OVERVIEW: Demand Reverted to Pre-Pandemic Norms

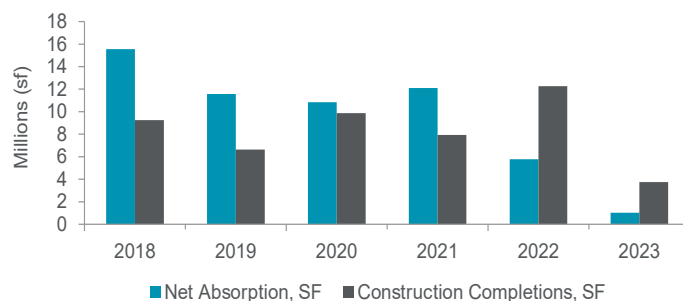
Following unprecedented growth over the last two years, demand in New Jersey's industrial market has stabilized to pre-pandemic norms but is still outperforming other regions across the country. The current construction pipeline remains robust, though there may be a slowdown in future construction starts due to the current economic environment and the challenges in securing project financing. Nevertheless, the industrial sector remained resilient during the first quarter of 2023, with a vacancy rate well below historic averages and demand for modern warehouse space persisted. Strong underlying fundamentals are expected to continue over the long-term, as asking and taking rents remained at record highs.

SUPPLY: Despite New Subleases and Vacant Deliveries, Indicators Remained Positive

The vacancy rate increased off the historic lows achieved during the second quarter of 2022, as a wave of new vacant deliveries and sublease space returned to the market. Though, at 3.2% the overall vacancy rate remained relatively low, demand for newly delivered space in Central New Jersey (CNJ) removed large vacancies from the market, resulting in a positive overall net absorption of 1.0 million square feet (msf), with CNJ leading the charge at positive 2.2 msf. Conversely, Northern New Jersey (NNJ) logged 1.2 msf of negative absorption due to the acceleration of newly vacant space and slower demand during the quarter. United Porte leased 68,000 square feet (sf) at 8 Hook Road in Bayonne—the largest new lease to impact net absorption in NNJ.

Newly vacant sublease space increased over the last six months, ending the first quarter of 2023 at 2.5 msf. This figure is up 42.1% from year-end 2022, led by Kiss Product's 469,600-sf sublease at 600 Ridge Road in Piscataway and a new 277,806-sf sublease at 1330 Campus Parkway in Wall Township. Even so, subleases have proven to lease, evidenced by SupplyOne's 175,000-sf sublease at 150 Milford Road, United Way Distribution taking 122,100 sf at 100 Essex Avenue East, and Yami subleasing 152,736 sf at 150 Whitman Avenue.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT





PRICING: Asking and Taking Rent Growth Persisted into 2023

New Jersey's industrial market demonstrated resilience during the pandemic, with an unwavering demand for warehouse space, leading to record-high asking rents. The delivery of new construction set a higher benchmark for pricing, causing the average asking rent for warehouse space in New Jersey to reach an all-time high of \$16.25 per square foot (psf), up 8.5% year-over-year (YOY). While it's likely that further improvement will be moderated, pricing in core submarkets along the New Jersey Turnpike remained at record highs. For example, the Port and Meadowlands submarkets showed the greatest improvement, with warehouse asking rents surging 68.7% and 15.6% YOY, respectively.

CONSTRUCTION: Construction Started Showing Signs of Slowdown

Although new construction starts are anticipated to taper, the pipeline for 2023 remains robust. In total, 12.5 msf of space is currently under construction, with Central New Jersey accounting for 73.3% of the total square footage. During the first quarter, 3.8 msf of warehouse space was delivered, of which 44.8% was pre-leased. This figure was driven down by the 1.2 msf vacant delivery at 1289 Rahway Avenue in Avenel. Although warehouses have been delivered vacant faster, many have been leased shortly after completion. For instance, TransAmerica Trucking & Warehouse leased 602 New Market Avenue, DMI leased 1365 Lambertson Road, and Vanguard took 400 Linden Logistics Way.

Eleven properties totaling 2.3 msf broke ground during the first quarter of 2023, with the largest belonging to the Rockefeller Group, which is constructing a 654,640-sf warehouse at 85 Main Street in Spotswood. Also notable was Active Acquisition starting construction on a 368,000-sf speculative warehouse at 400 Fairfield Road in Monmouth County.

DEMAND: Demand for New Product Lifts Fourth Quarter Leasing Activity

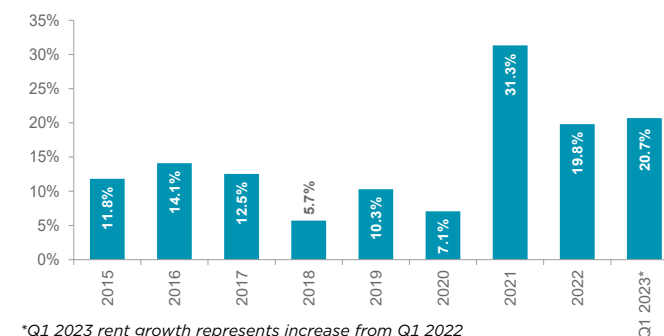
After a record-setting demand in 2021, fueled by e-commerce and a stimulated economy, leasing activity during the first quarter of 2023 returned to pre-pandemic norms. New leasing activity for warehouse space totaled 5.3 msf, up slightly from the 5.2 msf recorded during the previous quarter. Relatively strong demand persisted and continued to benefit from the growing market share at the Port of NY and NJ.

Leasing activity during the quarter was driven by CNJ, accounting for 80.8% of the new leasing activity, as tenants, particularly third-party logistic companies, leased large blocks of available space. The quarter's leasing activity was boosted by significant new leases from DMI Personal Care (845,078 sf), GXO Logistics (610,949 sf), and Vanguard Logistics (372,159 sf), which alone accounted for over a third of the total new leasing activity.

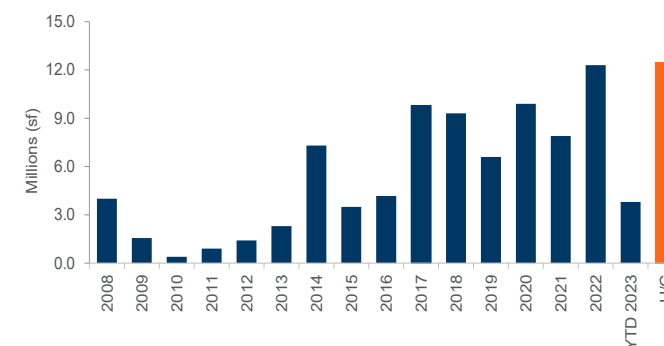
Outlook

- Rent growth is anticipated to endure; however, future increases will be moderated compared to the increases recorded between 2021 and 2022.
- The construction pipeline will remain robust in 2023, while construction starts have shown signs of moderating as climbing capital costs and economic headwinds persists.
- Tenant demand is anticipated to perform well compared to other U.S. markets, fueled by demand from logistics companies and food & beverage users.

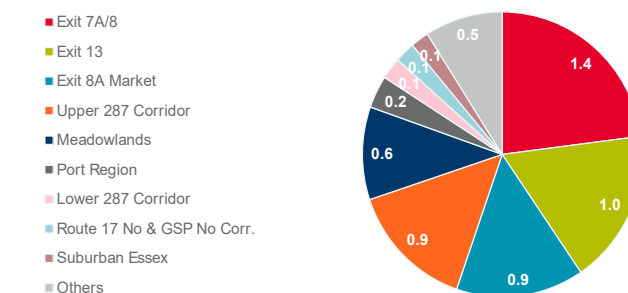
ANNUAL WAREHOUSE RENT GROWTH (%)



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	85,576,600	2.9%	636,705	-119,197	-119,197	1,863,313	413,600	\$18.37	\$16.52	\$16.15
Essex County	47,457,836	3.2%	145,796	-295,126	-295,126	426,352	0	\$14.91	\$13.32	\$17.45
Hudson County	77,134,769	4.4%	484,772	-356,011	-356,011	110,656	759,840	\$21.00	\$12.26	\$18.89
Morris County	40,120,214	2.7%	93,747	-134,977	-134,977	901,793	0	\$14.32	\$14.23	\$13.34
Passaic County	42,009,744	1.8%	28,533	-252,589	-252,589	25,714	0	\$13.59	\$9.55	\$14.63
NORTHERN NJ TOTAL	292,299,163	3.2%	1,389,553	-1,157,900	-1,157,900	3,327,828	1,173,440	\$15.81	\$12.30	\$17.18
Mercer County	33,630,700	4.6%	1,372,753	1,359,736	1,359,736	261,646	368,575	\$12.57	N/A	\$13.57
Middlesex County	224,203,671	2.5%	1,752,834	34,263	34,263	6,151,569	1,482,838	\$15.67	\$12.96	\$15.88
Monmouth County	15,324,546	11.7%	35,297	-192,862	-192,862	368,050	206,642	\$13.43	\$12.39	\$13.02
Somerset County	32,768,434	2.5%	346,549	716,719	716,719	652,862	524,964	\$14.93	N/A	\$15.02
Union County	59,231,321	3.4%	1,055,883	263,048	263,048	1,714,000	0	N/A	\$13.82	\$19.62
CENTRAL NJ TOTAL	365,158,672	3.3%	4,563,316	2,180,904	2,180,904	9,148,127	2,583,019	\$14.27	\$13.33	\$15.65
NEW JERSEY TOTALS	657,457,835	3.2%	5,952,869	1,023,004	1,023,004	12,475,955	3,756,459	\$15.07	\$13.00	\$16.25

*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 Q1 2023

PROPERTY	SF	TENANT	PROPERTY TYPE	SUBMARKET	LEASE TYPE
1365 Lambertson Road - Building 1	845,078	DMI Personal Care	Warehouse/Distribution	Exit 7A/8	New Lease
301-321 Herrod Boulevard	610,949	GXO Logistics	Warehouse/Distribution	Exit 8A Market	New Lease
1665 Jersey Avenue	547,334	Pioneer Commodities USA LLC	Warehouse/Distribution	Exit 9	Renewal
400 Linden Logistics Way	372,159	Vanguard Logistics	Warehouse/Distribution	Exit 13	New Lease
1601 West Edgar Road	321,765	Coda Logistics	Warehouse/Distribution	Exit 13	New Lease

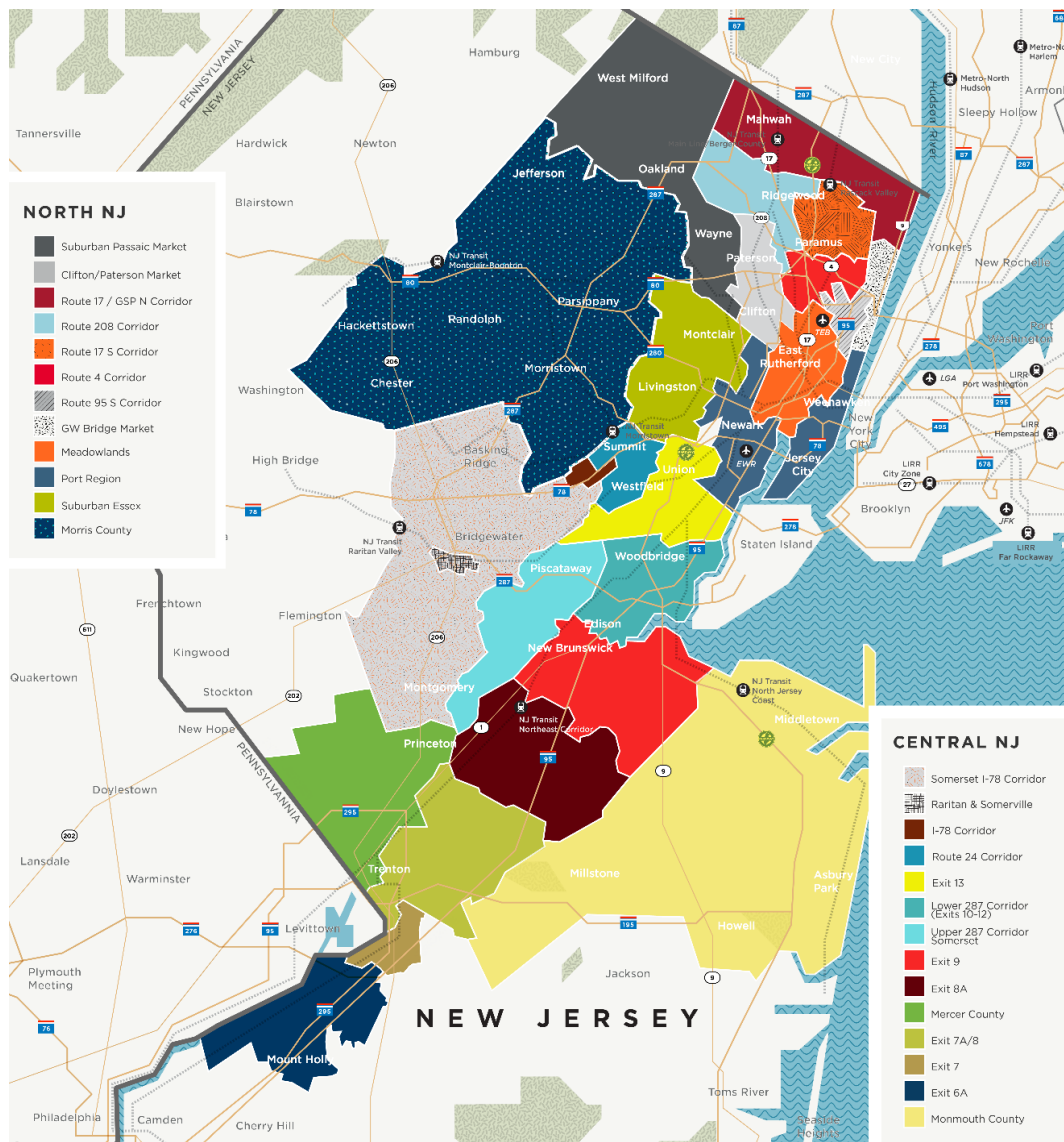
*Renewals not included in leasing statistics

KEY PROJECTS UNDER CONSTRUCTION

PROPERTY	SF	DEVELOPER	PROPERTY TYPE	MAJOR TENANT	SUBMARKET
Jake Brown Road - Building 3	818,400	2020 Acquisitions	Warehouse/Distribution	N/A	Exit 9
85 Main Street	654,640	Rockefeller Group	Warehouse/Distribution	N/A	Exit 9
200 Linden Logistics Way	516,600	PGIM, INC	Warehouse/Distribution	N/A	Exit 13
1 Malcolm Avenue	515,421	Hartz Mountain	Warehouse/Distribution	N/A	Meadowlands
Jake Brown Road - Building 6	497,694	2020 Acquisitions	Warehouse/Distribution	N/A	Exit 9



INDUSTRIAL SUBMARKETS



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