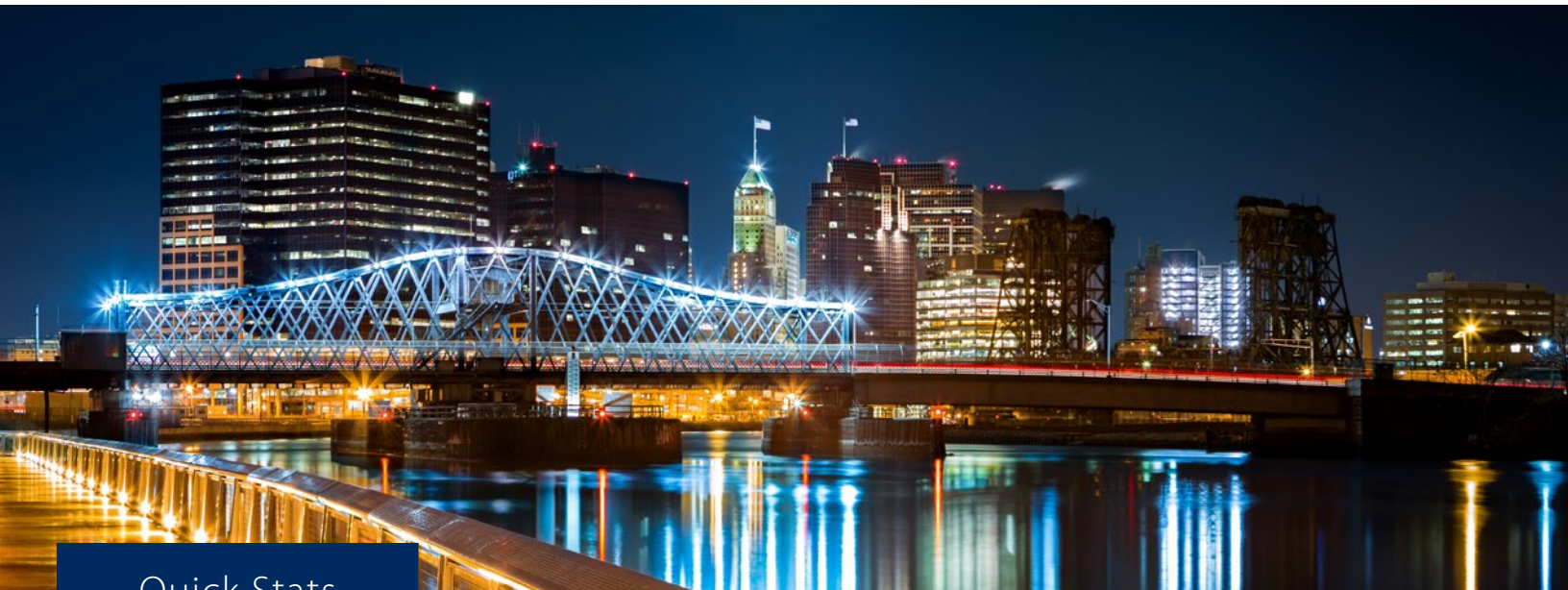


New Jersey



Quick Stats

3.4% ↑

New Jersey's unemployment rate (National rate 3.5%).

2.5% ↓

Overall vacancy rate.

\$8.71 ↑

Market Rent (NNN).

6.0 M ↓

12 month absorption (SF).

Vacancy Rate continues to drop as rents increase

The vacancy rate dropped to 2.5 percent when compared to the fourth quarter of 2018 when it was 2.9 percent. Meanwhile the historic ascent of market NNN rent has continued its historic rise to \$8.71 per square foot.

Link Industrial Properties continues its buying spree

Blackstone's industrial subsidiary, Link Industrial Properties, made two of the largest industrial purchases in the fourth quarter of 2019. In one transaction they purchased a two-property Linden portfolio from Penwood Real Estate Investment Management for \$33.6 million. The two properties were 1501 West Blancke Street (115,935 SF) and 2401 East Linden Avenue (83,220 SF). At the time of sale, both properties were fully occupied. In a second large purchase, Link purchased 7300 West Side Avenue in North Bergen

for \$22 million in a sale-leaseback with Bergen Logistics. The 130,000-square-foot warehouse boasts 22' ceilings as well as 19 tailgates and is in close proximity to routes 1/9 and Interstate-95.

LG Electronics leases almost a million SF in Somerset

In one of the largest lease transactions of the quarter, LG Electronics leased 926,392 square feet at soon to be completed 50 Veronica Avenue in Somerset. The electronics manufacturer signed a seven-year lease with Crow Holdings Development who broke ground on the property earlier in 2019. 50 Veronica boasts 40-foot clear ceilings along with 159 dock positions and is the latest example of the speculative building trends that have been

926,392 SF
LG ELECTRONICS' LEASE
AT 50 VERONICA AVE

popular in the market. LG expects to move in during the first quarter of 2020.

Market Spotlight: Warren County- Bridge Development's gamble pays off

Over the past few years, the New Jersey industrial market has reached unprecedented heights in part due to its proximity to numerous population centers along the northeast and the explosion of e-commerce. But, if one were to take a poll of what could cool down this scorching market, odds are that a lack of land would be toward the top of the list.

As land becomes more scarce developers who are looking to meet the needs of the market have been forced to look beyond the usual locations of interstate 95 and route 287, to build their next big project. This is where Bridge Point 78 comes into the picture. The 380-acre, 6 building, 3.8 million-square-foot development, is located in Phillipsburg and is being built by Bridge Development. The site is the former Ingersoll Rand property and has changed hands a few times since the industrial manufacture shut down operations in 2000, eliminating close to 500 jobs.

The development has been marketed as a cheaper alternative to other properties along Interstate 95, 287 and the Lehigh Valley in Pennsylvania, with toll-free

access to Port Newark. Bridge Development reported its first big success earlier in 2019 when Japanese clothing retailer UNIQLO announced that they signed a lease to rent the entire Building 7. UNIQLO has said that they expect their new facility to generate close to 300 new jobs for the area. The 975,751-square-foot building is the second largest in the complex and has 40-foot ceilings along with 199 loading docks. Bridge Development will continue to look for other large users to occupy the five additional soon to be built properties.

Other developers will be looking to replicate the success Bridge Development has had so far. Jandel Land Company is one of those companies. They recently presented informal plans to build a seven-building, 6.3 million-square-foot industrial complex in White Township. These plans have been met with concern about how the development would increase traffic as well as the environmental impact of the project in the historically rural area.

As industrial demand continues to rise and land to build on becomes scarcer, developers will have to look at previously passed over locations to construct their next development. Local officials are going to need to maintain a delicate balance of bringing in development and business while also maintaining the character of the towns and cities their constituents enjoy.



Market Data Points

New Jersey

Indicator	Q4 19	Q4 18
Vacancy	2.5%	2.9%
Rent	\$8.71	\$8.07

Northern New Jersey

Indicator	Q4 19	Q4 18
Vacancy	3.3%	3.6%
Rent	\$9.96	\$9.01

Central New Jersey

Indicator	Q4 19	Q4 18
Vacancy	1.7%	2.1%
Rent	\$8.43	\$7.84

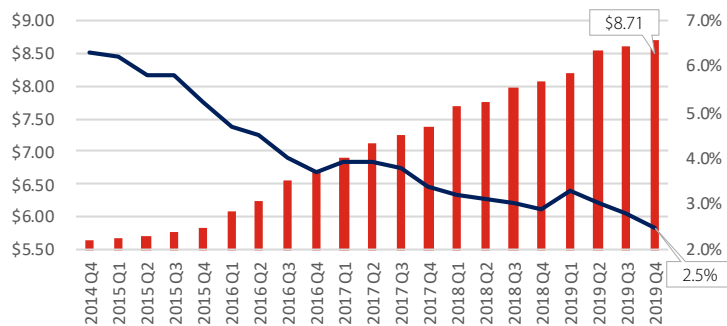
Select Industrial Sale Transactions

Building	Submarket/Market	Seller	Buyer	Sale Price	Price PSF	Size (SF)
Penwood NJ Portfolio, Linden (2 Properties)	Union/ Central New Jersey	Penwood REIM	Link Industrial Proiperties	\$33,600,000	\$168.71	199,155
18 Van Veghten Drive, Bridgewater	Somerset/ Central New Jersey	Finderne Associates	Oliva Miller, Inc	\$28,000,000	\$126.74	220,929
7300 West Side Avenue, North Bergen	Meadowlands/Northern New Jersey	Bergen Logistics	Link Industrial Proiperties	\$22,000,000	\$169.23	130,000

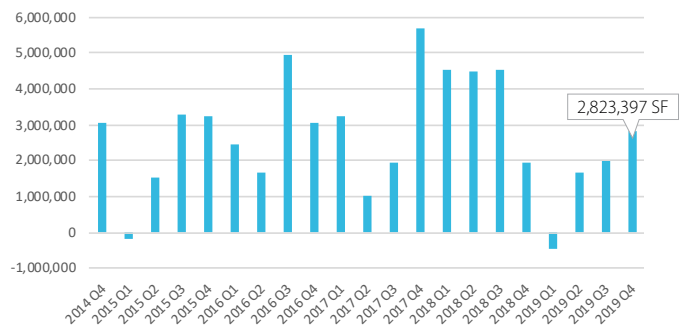
Select Industrial Lease Transactions

Tenant	Building	Submarket / Market	Type	Size (SF)
LG Electronics	50 Veronica Avenue, Somerset	Somerset/ Central New Jersey	New	926,392
Cooper Electric	311-315 Half Acre Road, Cranbury	8A/ Central New Jersey	New	650,123
Arizona Beverage Company	21 Constitution Avenue, Piscataway	Brunswick/ Piscataway/ Central New Jersey	New	288,115

New Jersey Industrial Vacancy Rate vs. Direct Asking Rent



Total Net Absorption



Trends to Watch



Will the lack of buildable land be the Achilles heel of the market?



There has been an increase in early renewals among small and medium-sized companies as they try to get ahead of rising rental rates.

Market By The Numbers

Submarket	Inventory (SF)	Direct Vacant (SF)	Sublet Vacant (SF)	Vacancy Rate (%)	Q4 19 Net Absorption	YTD Net Absorption	Current Under Construction (SF)	Market Rent
Bergen Central	22,369,438	668,503	72,700	3.3%	(135,705)	(60,551)	-	\$11.31
Bergen North	20,096,638	865,444	53,995	4.6%	(191,699)	98,217	-	\$10.25
Eastern Morris	17,008,422	591,129	29,907	3.7%	192,873	257,220	-	\$9.01
Hudson Waterfront	30,303,380	1,037,111	24,500	3.5%	187,922	241,393	188,343	\$10.61
Meadowlands	90,160,422	1,753,924	570,984	2.6%	(187,039)	(1,357,150)	1,805,434	\$10.35
Morris West/I-80	14,252,973	1,654,683	-	11.6%	83,887	315,126	25,000	\$7.83
Morristown Area	2,818,289	213,541	-	7.6%	(101,643)	(74,513)	-	\$9.44
Newark	36,761,259	563,009	48,000	1.7%	106,363	125,581	804,713	\$12.63
Northwest Frontier	2,466,132	43,534	-	1.8%	29,867	12,422	-	\$9.34
Rt. 46/23/3	48,466,386	1,479,377	12,500	3.1%	695,953	787,661	-	\$9.34
West Essex	21,109,698	506,269	8,300	2.4%	(235,171)	(42,293)	-	\$9.44
Northern New Jersey	305,813,037	9,376,524	820,886	3.3%	445,608	303,113	2,823,490	\$9.96
Exit 8 A	68,784,739	482,555	11,156	0.7%	1,091,586	1,399,377	2,125,865	\$7.94
Exit 9- Piscataway	49,654,351	451,174	17,500	0.9%	20,017	886,895	367,200	\$9.11
Exit 10- Carteret Avenel	76,749,089	1,347,771	148,874	2.0%	438,751	1,580,999	2,204,415	\$9.68
Mercer	31,987,158	696,860	-	2.2%	232,062	439,511	486,350	\$7.12
Monmouth	16,107,041	817,524	15,000	5.2%	(15,431)	(249,268)	178,283	\$8.03
Somerset	27,264,932	335,548	32,573	1.4%	177,229	470,001	1,114,574	\$8.18
Union	59,198,359	1,324,607	23,664	2.3%	433,575	1,205,450	1,612,842	\$8.96
Central NJ	329,745,669	5,456,039	248,767	1.7%	2,377,789	5,732,965	8,089,529	\$8.43
New Jersey	635,558,706	14,832,563	1,069,653	2.5%	2,823,397	6,036,078	10,913,019	\$8.71

New Jersey Economy



Unemployment slightly rises as more people enter the workforce

As of November 2019, New Jersey's seasonally adjusted unemployment rate rose 30 basis points since September of this year. The unemployment rate is now 3.4 percent and remains 10 basis points lower than the national rate of 3.5 percent. The uptick in unemployment was caused by more individuals entering the workforce and actively looking for jobs. Since September 2019, about 53,000 new people entered the workforce.

American Dream finally opens with high hopes it brings a boom to the economy

During the fourth quarter of 2019, American Dream Meadowlands finally opened its doors (kind of). The on-again-off-again megamall project (~3m sf) that was first proposed in 2003 executed their first two stages of their four-stage opening. On October 25th they opened the Nickelodeon Amusement Park and ice-skating rink, and on December 5th, they opened Big Snow American Dream ski slope, the first indoor snow park in North America. The remaining two stages of the opening, including a water park, over 450 retail stores, and over 100 eateries are expected to be completed by the end of the first quarter of 2020.

This megamall is anticipated to create a boost to the New Jersey economy through a variety of ways including, a projected 16,000 jobs to the area, sales taxes, and tourism. But this expected boom came at a very steep price. While there is no exact number, experts have estimated that more than \$1 billion

could be dependent upon the success or failure of American Dream through local tax incentives, state-owned land, and transportation upgrades.

The project has had an effect on other malls in the state that are looking to compete with the behemoth in the Meadowlands. Westfield Garden State Plaza in Paramus, one of the largest malls in the state, announced that it will be turning itself into a mixed-use town center. They are expecting to have parks, transit centers, stores, restaurants, and apartments. This transformation is expected to be completed by 2022. The Monmouth Mall in Eatontown near the Jersey Shore is also looking to redevelop themselves into a more "experiential" mall with more dining, entertainment, medical, and apartments. Other malls in the state that are undergoing changes include the Willowbrook Mall, Paramus Park Mall, and Rockaway Townsquare.

American Dream has also had an effect on the decision-making process of other "experiential" tenants such as bowling alleys, movie theaters, and amusement centers. Retail professionals are finding that these types of users are taking a "wait and see" approach. They are trying to determine if the high density of entertainment providers at the megamall monopolize the entertainment seeking clientele.

Everyone from real estate professionals to politicians to the taxpayers will be keeping a close eye on the self-described "style and entertainment destination" to see if American Dream is successful and if they rise to their own lofty expectation to become a worldwide destination and compete with attractions like Disney World.