

New Jersey



Quick Stats

4.0% ↓

New Jersey's unemployment rate (National rate 3.8%).

3.6% ↑

Overall vacancy rate.

\$8.51 ↑

Average Direct Asking (NNN) Rent.

10.3 M ↓

12 month absorption (SF).

Vacancy Rate jumps for the first time since 2017

There was an increase in the vacancy rate from 3.4 percent in the first quarter of 2018 to 3.6 percent this quarter, which is the first increase in the vacancy rate since Q1 2017. However, this has not affected the historic ascent of the average asking net rental rate as it continued its rise to \$8.51 per square foot. Leasing activity fell to 4.4 million square feet, compared to 10.2 million square feet in the first quarter of 2018.

Industrial Market Spotlight - Linden - A great location at a discounted price

The city of Linden has continued to be a location of great importance to service the Newark and Elizabeth ports. The city lies just south of Elizabeth along the New Jersey Turnpike at exit 13. Locationally, Linden offers many of the same benefits that Elizabeth offers such as proximity to the ports, good labor and great access to Interstate 95, but it has older warehouse product lacking modern specs. However,

this is about to change bringing Linden to the forefront of delivering the most modern product in the port region. Seizing the opportunity to acquire older or former industrial sites has led to developers looking to Linden to fill their industrial pipeline with product the market needs. Recent examples of developers who have taken notice of the quality and marketability of Linden in recent years include Duke Realty's Legacy Commerce Center development of 1.1 million square feet. Additionally, Advance Realty and Greek Development's joint venture has just announced

plans to build a state of the art 4.1 million square foot logistics park on a 350-acre tract of land in the Tremley Point section of Linden between I-95/New Jersey Turnpike and Arthur Kill. The park is expected to open late in 2020 and will be the largest industrial development in the New York/New Jersey port region.

Over the past two years, the vacancy rate in

4.1 msf

SIZE OF
TREMLEY POINT
DEVELOPMENT

Linden has dropped almost 700 basis points. This has coincided with space staying on the market for only about two months. A recent example of this was W8's sublease at 2001 Lower Road. Within one week of the space hitting the market, the sublandlord STG Logistics received a letter of intent and the sublease was signed just a few weeks later. This trend has been seen across the board with Class A, B & C properties coming off the market at a record pace.

Looking ahead to the future, the success and desirability of the Linden market will continue as the prominence of e-commerce and the port continue to rise in the overall economy.

Capacity LLC leases 300,000 SF in North Brunswick

In one of the largest lease transactions of the quarter, Capacity LLC signed a 300,000 square foot lease at 1601 Livingston Avenue in North Brunswick. The built to suit property will have 40-foot ceilings and 10,000 square feet of office space and is expected to be occupied in the first quarter of 2020. The order fulfillment company is planning on moving its headquarters to 1601 Livingston Avenue but will retain its existing campus at 1112 Corporate Road in North Brunswick.

Oversized goods distributor outgrows its space

Oversized goods distributor, W8 Shipping subleased 240,154 square feet at 2001 Lower Road and 1.5 acres of outdoor storage at 1600 Lower Road in Linden. The property provides great access to I-95, being a mere four miles from exit 12 on the New Jersey Turnpike. W8 will be leaving its current location at 125 Pennsylvania Avenue in Kearny.

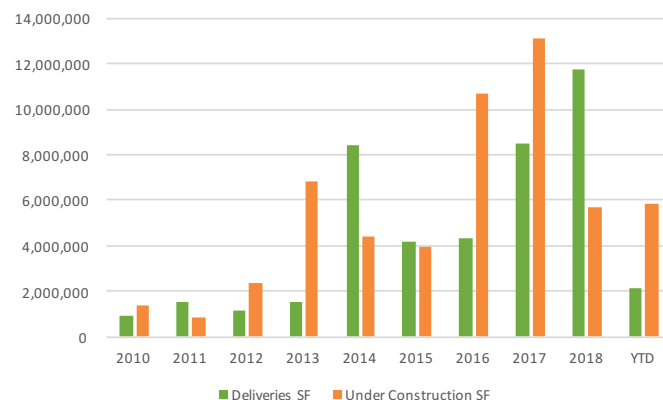
Rubenstein sells six-state portfolio

Rubenstein Properties sold twenty-eight properties over six states to the Silverman Group. The approximate 5.3 million square foot portfolio sold for \$183 million and consisted of nine properties in New Jersey totaling 2.1 million square feet (allocated \$99.5 million). At the time of the sale, the portfolio was 95.8% occupied.

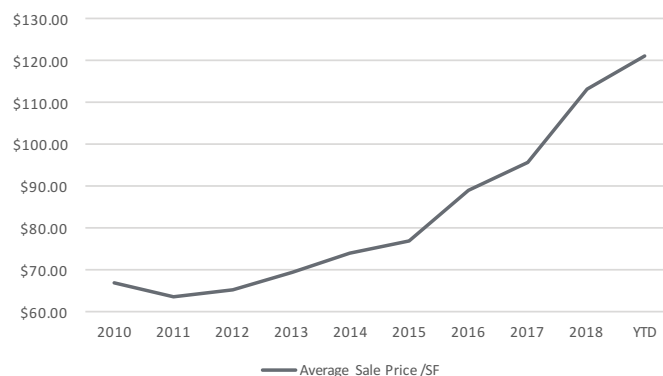
Colony acquires Snow Joe building in their recent purchase

Colony Industrial acquired 271,176 square foot 100 Performance Drive in Mahwah from Sitex Group. The property is fully occupied by the eco-friendly lawn and garden tool manufacturer, Snow Joe, who signed a lease during the first quarter of 2018. The property features 36-foot ceilings, as well as visibility from Interstate 287 and sold for \$62 million.

Under Construction vs. Deliveries



Average Sale / SF



Market Data Points

New Jersey

Indicator	Q1 19	Q1 18
Vacancy	3.6%	3.4%
Rent	\$8.51	\$7.91

Northern New Jersey

Indicator	Q1 19	Q1 18
Vacancy	4.1%	4.1%
Rent	\$9.09	\$8.46

Central New Jersey

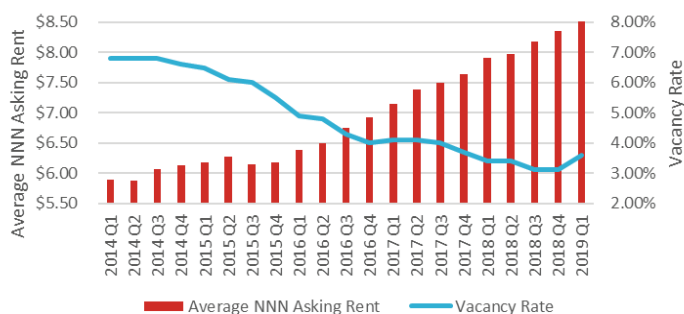
Indicator	Q1 19	Q1 18
Vacancy	3.1%	2.8%
Rent	\$7.99	\$7.44

Select Industrial Sale Transactions

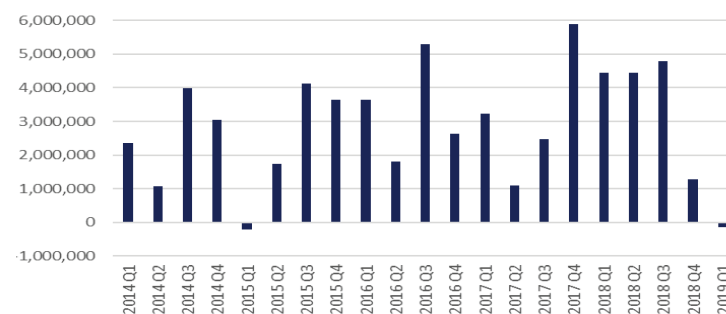
Building	Submarket/Market	Sale Price	Price PSF	Size (SF)
Rubenstein Portfolio (26 Properties)	New Jersey Region	\$183,000,000 (NJ: \$99,500,000)	\$241.68	5,300,000 (NJ: 2,100,000)
100 Performance Drive, Mahwah	Bergen North / I-80 / Northern New Jersey	\$62,000,000	\$228.62	271,176
Newark Industrial Plaza, Newark (6 Properties)	Newark / Northern New Jersey	\$61,000,000	\$55.00	1,100,000

Select Industrial Lease Transactions

Tenant	Building	Submarket / Market	Type	Size (SF)
Capacity	1601 Livingston Avenue, North Brunswick	Exit 9 - Piscataway / Central New Jersey	New	300,000
W8 Shipping	2001 Lower Road, Linden	Union / Central New Jersey	Sublease	240,154
Barrett Distribution Centers	152 Route 206, Hillsborough	Somerset / Central New Jersey	New	171,560

New Jersey Industrial Vacancy Rate vs.
Direct Asking Rent

Total Net Absorption



Trends to Watch



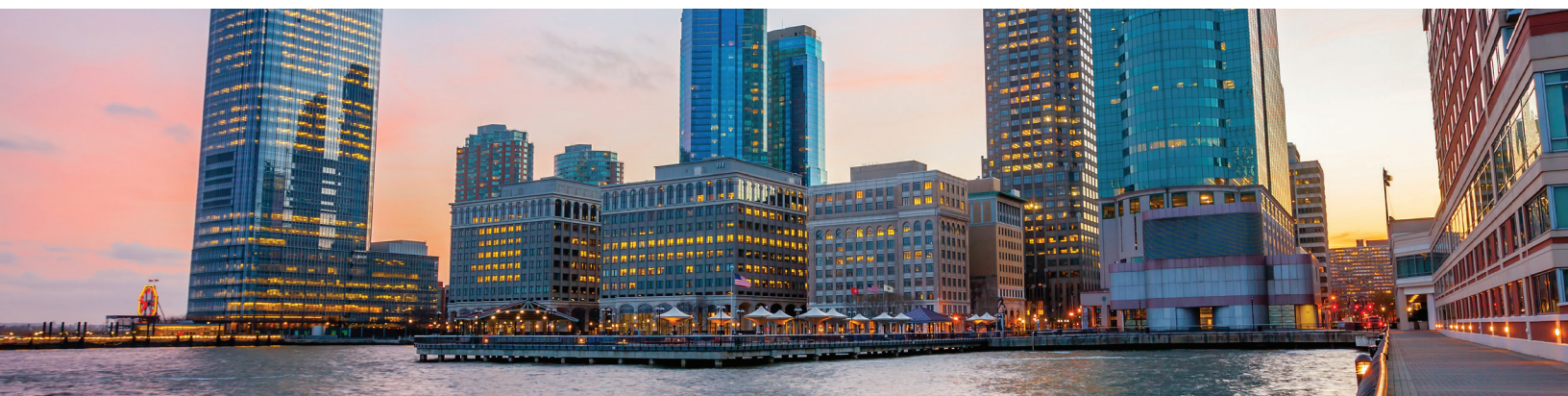
Vacancy rates appear to have bottomed out as a result of an increase in spec building.



Companies around the state continue to face a shortage of truck drivers and skilled laborers for their warehouses.

Market By The Numbers

Submarket	Inventory (SF)	Direct Vacant (SF)	Sublet Vacant (SF)	Vacancy Rate (%)	Qtr Net Absorption	Current Under Construction (SF)	Direct Average Asking Rent
Bergen Central	24,171,467	847,347	19,356	3.6%	(142,523)	30,000	\$11.06
Bergen North	23,326,046	1,181,497	30,000	5.2%	3,240	-	\$9.51
Eastern Morris	20,590,972	1,106,993	275,695	6.7%	(63,957)	-	\$8.88
Hudson Waterfront	31,990,229	1,429,896	5,500	4.5%	96,575	286,828	\$9.90
Meadowlands	94,090,615	2,223,554	198,620	2.6%	(262,343)	738,293	\$9.93
Morris West/I-80	15,756,939	1,756,372	18,954	11.3%	134,115	140,000	\$7.59
Morristown Area	3,349,215	132,422	0	4.0%	37,006	54,576	\$10.32
Newark	37,748,244	766,572	0	2.0%	(8,752)	828,880	\$7.89
Northwest Frontier	2,681,732	50,812	0	1.9%	12,279	-	\$9.14
Rt. 46/23/3	52,375,444	2,443,175	40,565	4.7%	(325,566)	-	\$8.36
West Essex	23,893,654	945,283	11,500	4.0%	(92,729)	-	\$9.28
Northern New Jersey	329,974,557	12,883,923	600,190	4.1%	(612,655)	2,078,577	\$9.09
Exit 8 A	69,264,597	2,113,188	0	3.1%	(382,650)	251,288	\$8.69
Exit 9- Piscataway	51,033,726	807,975	31,283	1.6%	(130,537)	1,953,112	\$8.08
Exit 10- Carteret Avenel	80,578,753	1,200,433	184,210	1.7%	1,045,734	635,086	\$8.53
Mercer	36,769,207	1,478,772	250,000	4.7%	156,612	433,528	\$5.17
Monmouth	20,492,045	1,116,282	27,356	5.6%	(209,893)	225,000	\$10.29
Somerset	32,915,321	1,121,263	71,600	3.6%	(83,634)	118,182	\$8.05
Union	61,937,705	2,556,125	42,701	4.2%	62,758	132,685	\$7.42
Central NJ	352,991,354	10,394,038	607,150	3.1%	458,390	3,748,881	\$7.99
New Jersey	682,965,911	23,277,961	1,207,340	3.6%	(154,265)	5,827,458	\$8.51



Economy - New Jersey takes significant steps in improving the lives of employees

As of February 2019, New Jersey's seasonally adjusted unemployment rate held at 4.0 percent for the second straight month, while dropping 50 basis points year-over-year. New Jersey remains 20 basis points above the 3.8 percent national unemployment rate.

The first quarter of 2019 saw sufficient changes to labor laws as Governor Murphy tries to follow through on some of his campaign promises. A few of these legislative milestones include a new paid sick leave law, an updated paid family leave act and an increase to the minimum wage.

In October of 2018, New Jersey became the tenth state in the country to require employers to provide employees with paid sick leave. The program allows employees to earn hours of paid sick leave based on the number of hours they work. Employees began earning hours in October but were only able to use their accrued paid sick leave starting February 26, 2019. Under the new law, employees can use their paid sick time to care for either themselves or family members.

On February 19th Governor Murphy signed into law an expanded paid family leave program. The new rule expanded on the family leave law that was enacted in 2009, which at the time was the second in the nation to be put in place. The updated law will increase the eligibility period from six to twelve weeks and increase the reimbursement cap from \$633 to \$859 per week. The law will also provide job protection to employees of businesses with at least thirty employees, down from fifty. The increased benefit will go into effect in July 2020. The new

legislation is designed to allow more middle and lower-class employees to stay home and bond with their new children or take care of a sick loved one, but it comes at a cost to the taxpayers. The updated family leave program will be financed by adjusting the formula every worker contributes from being taxed only on the first \$34,400 in wages (with a maximum of \$27.52 per year) to the first \$131,000 in wages.

In 2017, while campaigning as a candidate to be the next Governor of New Jersey, Governor Murphy proposed numerous legislative initiatives including a state bank, legalizing marijuana and raising the minimum wage. While the Governor is still working to create a state bank and legalize marijuana, he was able to sign into law a minimum wage increase to begin July 1, 2019. The new law will raise the minimum wage for most workers to \$10.00 per hour on July 1st and then again to \$11.00 January 1, 2020, with one dollar increases every January 1st until it reaches \$15.00 per hour in 2024. There are exceptions to the new law for seasonal, tipped, farm and small business (less than six people) employees.

These initiatives have been widely celebrated by labor advocates, who hope that this is just the beginning of equalizing the playing field for lower and middle-class workers in the state. Small business owners have been less enthusiastic about these changes, out of fear of what this might do to their bottom line. The long-term effects of these changes remain to be seen.