

# New Jersey



## Quick Stats

**15.2%** ↑

New Jersey's unemployment rate\* (National rate 11.1%\*\*).

**2.8%** ↓

Overall vacancy rate.

**\$8.96** ↑

Market Rent (NNN).

**6.1 M** ↓

12 month absorption (SF).

\*May 2020  
\*\*June 2020

### Industrial remains strong as e-commerce strengthens its grip on retail

The vacancy rate dropped to 2.8 percent when compared to the first quarter of 2019 when it was 3.1 percent, while the historic ascent of market rent has continued its historic rise to \$8.96 per square foot net. Historically, real estate trails the economy in a time of recession, but early indications are that e-commerce has bucked the trend and increased its grip on the future of retail, resulting in the strengthening of an already strong industrial market. The next few quarters will be important as we get a clearer picture of the effects the virus has on the New Jersey industrial market.

### Amazon makes a slew of leases during the second quarter

With the numerous “stay at home” orders over the past few months in many states

around the country including New Jersey, e-commerce has only become more popular. This has resulted in the industrial real estate market to remain active, with arguably the most famous e-commerce company leading the way. Amazon completed numerous large deals this quarter including deals at Alfieri’s 343 Half Acre Road in Cranbury (953,595 SF); Centerpoint’s 1800 Lower Road in Linden (386,296 SF); Prologis’ 8-B Court South in Edison (289,698 SF); Duke Realty’s 1 Paddock Street in Avenel (185,017 SF); RTC Properties’ 5 Logistics Drive in Kearny (181,440 SF); Brookfield’s 10 Patton Drive in West Caldwell (167,894 SF); Black Creek’s 5 Paddock Street in Avenel (156,307 SF) and CT Realty Investors’ 79 Thomas McGovern Drive in Jersey City (95,808). These recent leases further demonstrate Amazon’s belief that New Jersey’s central location remains essential as they continue to expand to service its customers in the Northeast.

## White Claw distributor joins Uniqlo at Bridge Point 78 in Phillipsburg

White Claw distributor, Mark Anthony Brewing Inc. signed a seven-year, 419,460 square foot lease at Bridge Development Partners' Bridge Point 78 in Phillipsburg. Mark Anthony Brewing Inc., which is also known for launching Mike's Hard Lemonade, will be joining clothing retailer Uniqlo at the six-warehouse, 3.85 million square foot industrial campus. The White Claw distributor is expected to employ about 100 employees once the site is fully operational.



## The market starts to adjust from the fallout of COVID-19

While the industrial market has seemingly not missed a beat as a result of the pandemic, with e-commerce taking on a larger role in the retail space, there have been and will be few changes that we would like to highlight will be occurring both in the short and long term.

The first is the size of the space available. While the pandemic has been a boon for many big-box retailers, many small to medium size users of industrial space were affected negatively, forcing many of them to leave their space. This has resulted in an uptick of available space 50,000 square feet and less. Eighty-one percent of space that has come to the market since February has been less than 50,000 square feet. This is compared to sixty-seven percent of the space that has been marketed as available before February. We are expecting this to revert to the pre-pandemic levels as the economy recovers from this current recession.

The second trend that we see having both a short-term and long-term effect on the industrial market is an emphasis on reverse logistics. Reverse logistics is the part of the supply chain that handles returns. While in the past, this been the "boring" part of the supply chain with very little innovation and viewed as "just a cost of doing business," the increased rise in e-commerce has caused this part of the supply chain to be getting a lot more attention from companies. While in the short-term, there is an expected boom in returns as a result of COVID-19 with many consumers having merchandise to return. These consumers purchased their items online but have been unable to return them due to store closures.

There is a hesitancy to venture outside to the post office or delivery service company. As a result, many companies are expecting an uptick in returns, usually reserved for post-holiday in January.

In the long-term reverse logistics is expected to continue to play a larger role in companies' supply chain. The ease for customers to purchase multiple sizes and styles of same items online, with the intention to only keep the correct size or style, coupled with the expectation of free and easy returns will continue to make reverse logistics more relevant as e-commerce continues to grow.

This expected uptick in returns, both in the short and long-term leads to the third trend. An increase in staffing needed to manage this increase. As a result of the pandemic, many service jobs have been lost, and it is expected that a portion of them will not be returning once the economy returns to its "new normal." Economists are expecting that many of the people that do not have their jobs return, will turn to e-commerce to fill their increased need for new labor. Companies will have to develop safety plans to attract this new labor as well as develop plans to train these new employees as quickly and safely as possible.

It is expected that the market share e-commerce has gained through the past few months will remain relatively stable. With that, reverse logistics will continue to play a larger role both in business as a whole, as well as the company's real estate decisions. These decisions could include combining both their forward and reverse logistics operations at the same facilities close to population centers. It could also include enabling their retail partners or their third-party logistics provider to handle the responsibility of returns as opposed to the manufacturer. These are just a couple of options that companies might implement, in the hope of reducing cost, and ultimately getting the product back to an end-user quicker and more efficiently. While this emphasis on reverse logistics did not just appear during the COVID-19 pandemic, like many of the changes happening in the marketplace, it was just accelerated. It has forced decisions to be made on employment, training, safety, and real estate among others a lot quicker than most experts expected it to be.

## Market Data Points

### New Jersey

Indicator	Q2 20	Q2 19
Vacancy	2.8%	3.1%
Rent	\$8.96	\$8.55

### Northern New Jersey

Indicator	Q2 20	Q2 19
Vacancy	3.5%	3.8%
Rent	\$10.26	\$9.52

### Central New Jersey

Indicator	Q2 20	Q2 19
Vacancy	2.1%	2.4%
Rent	\$8.69	\$7.53

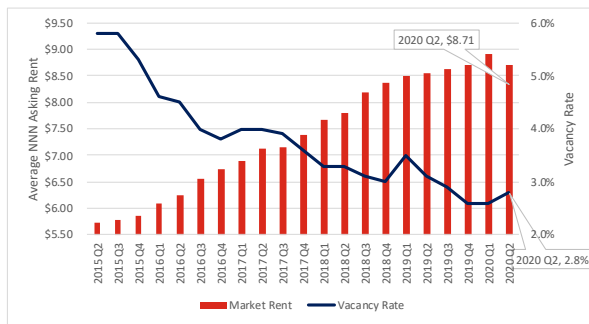
## Select Industrial Sale Transactions

Building	Submarket/Market	Seller	Buyer	Sale Price	Price PSF	Size (SF)
50 Veronica Avenue, Somerset	Somerset / Central New Jersey	Crow Holdings & The Carlyle Group	Bentall Green Oak	\$164,000,000	\$177.03	926,392
220 Circle Drive, Piscataway	Exit 9- Piscataway/ Northern New Jersey	Humanscale	Black Creek Group	\$20,550,000	\$167.00	123,000
100 Industrial Road, Berkley Heights	Union/ Central New Jersey	EGL Company	Camber Real Estate Partners	\$8,400,000	\$107.87	77,875

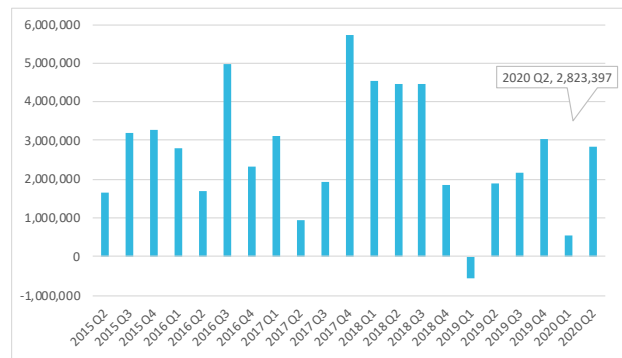
## Select Industrial Lease Transactions

Tenant	Building	Submarket / Market	Type	Size (SF)
Amazon	343 Half Acre Road, Cranbury	Exit 8/ Central New Jersey	New	953,595
Mark Anthony Brewing	942 Memorial Parkway, Phillipsburg	Warren/ Central New Jersey	New	419,459
Amazon	1800 Lower Road, Linden	Union/ Central New Jersey	New	386,296

## New Jersey Industrial Vacancy Rate vs. Direct Asking Rent



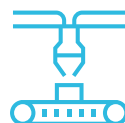
## Total Net Absorption



## Trends to Watch



Growing e-commerce market share will only tighten an already tight industrial market



The newly signed USMCA trade deal signed by the United States, Canada, and Mexico, that supersedes NAFTA

## Market By The Numbers

Submarket	Inventory (SF)	Direct Vacant (SF)	Sublet Vacant (SF)	Vacancy Rate (%)	Q1 20 Net Absorption	Current Under Construction (SF)	Market Rent
Bergen Central	21,992,050	587,358	178,900	3.5%	52,294	-	\$11.83
Bergen North	20,032,087	894,206	68,027	4.8%	(60,555)	-	\$10.61
Eastern Morris	17,008,422	637,319	29,007	3.9%	(36,994)	-	\$9.14
Hudson Waterfront	30,734,100	1,052,054	16,800	3.5%	152,850	-	\$11.09
Meadowlands	90,669,927	2,420,574	375,281	3.1%	(132,255)	1,533,901	\$10.52
Morris West/I-80	14,285,926	1,055,121	11,000	7.5%	(62,732)	-	\$8.14
Morristown Area	2,818,289	219,041	-	7.8%	(5,500)	-	\$9.682
Newark	37,588,606	526,334	48,000	1.5%	75,634	142,972	\$12.81
Northwest Frontier	2,522,132	41,096	-	1.6%	2,800	-	\$9.582
Rt. 46/23/3	48,480,710	1,460,662	212,964	3.5%	157,020	-	\$9.572
West Essex	20,732,006	564,360	32,571	2.9%	90,869	-	\$9.59
Northern New Jersey	306,864,255	9,458,125	972,550	3.4%	233,431	1,676,873	\$10.26
Exit 8 A	68,784,416	523,435	11,156	0.8%	409,585	2,125,865	\$8.22
Exit 9- Piscataway	49,462,332	385,364	15,870	0.8%	673,908	1,680,702	\$9.38
Exit 10- Carteret Avenel	76,491,309	1,149,733	39,763	1.6%	19,384	2,326,515	\$9.85
Mercer	31,607,158	716,271	-	2.3%	8,527	486,350	\$7.37
Monmouth	16,129,133	892,190	15,000	5.6%	4,614	108,283	\$8.19
Somerset	26,863,815	408,176	32,573	1.6%	45,933	2,356,674	\$8.44
Union	58,819,634	1,350,804	7,055	2.3%	(319,923)	1,612,842	\$9.12
Central NJ	328,157,797	5,425,973	121,417	1.7%	842,028	10,697,231	\$8.69
New Jersey	635,022,052	14,884,098	1,093,967	2.5%	1,075,459	12,374,104	\$8.96

# New Jersey Economy



## New Jersey unemployment significantly higher year over year, but down from April

As of May 2020, New Jersey's seasonally adjusted unemployment rate was 15.2 percent. While this is significantly higher as compared to May 2019 (3.3 percent), it is also lower compared to the revised April 2020 unemployment rate of 16.3 percent. The New Jersey rate was 190 basis points higher than the national rate and ranked eighth highest in the country. It is expected that the unemployment rate will continue to drop, as New Jersey business continue to open up.



## NJ economy moves down the path towards a “New Normal,” as long-term effects of Virus wait to be seen

The past few months have been unlike anything our economy has ever seen, with extremely high unemployment and an almost complete freeze of all in-person commerce. These events have been coupled with unprecedented recovery/preventive actions taken by the Federal Government, such as the CARES Act as well as numerous programs by the State of New Jersey. As of the time of this writing, the state was in the midst of implementing many features of its “Phase 2” of Governor Murphy’s four-phase recovery plan culminating in a “New Normal”

While the state inches its way back to a “New Normal,” we will be able to evaluate the measures taken by both federal and local governments to try to determine if they achieved their intended goal, of keeping the economy afloat turning this unusual period.

We will specifically look at the unique approach taken by the Federal Government to give money directly to taxpayers, and provide money on top of the typical unemployment benefits. We will also have an opportunity to review the result of the government’s efforts to keep small businesses running through the crisis with the Payroll Protection Program and other state programs. Observers will be taking a close look at many factors such as which jobs return, which jobs people still want, and if consumer demand returns to its pre-COVID-19 levels.

The long-term effects of the virus on the economy remains to be seen. A few items that will be focused on, is the further of acceleration of E-commerce, the practicality of experiential entertainment (movie theaters, sports games, amusement parks and the surrounding business they support), and the shift in consumers spending/saving habits as they prepare for a potential second and third wave of the virus. There will also be a reexamination by companies around the world in regards to business travel and its transformation on both the airline and hospitality industry. Finally, there will be an effect of the tremendous amount of debt the local and national have taken on a part of the recovery package, and its potential hindrance of current and future government programs.

While economists and laypeople alike will be keeping a keen eye on the new economic landscape created by the pandemic, it will take years to see the full impact the virus has on the economy. One thing that most people agree on is that, history will look upon the past few months as a major turning point in the worldwide economy from which change has likely occurred on a permanent basis.. (At the time of this writing there have been talks about an additional stimulus package, but no such package has been approved yet.)