

## Quick Stats

10.9% ↑

New Jersey's unemployment rate\*\* (National rate 7.9%\*).

3.0% ↑

Overall vacancy rate.

\$9.05 ↑

Market Rent (NNN).

7.2 M ↑

12 month absorption (SF).

\*August 2020

\*\*September 2020

The vacancy rate seemed to have bottomed out, as rent continues to rise

The vacancy rate was 3.0 percent at the close of the third quarter this year. This is slightly higher than the 2.9 percent during the third quarter of 2019. While the historic ascent of market NNN rent has continued its historic rise to \$9.93 per square foot, the market has experienced its sixth straight quarter of positive absorption. Historically, real estate usually trails the economy in a time of recession but early indications point to e-commerce increasing its grip on the future of retail, resulting in the strengthening of an already strong industrial market.

AAA Wholesale Group leases converted retail center

In a deal that encapsulates the direction of the market over the past few years, AAA Wholesale Group leased 130,000 square feet at 370 Essex Street in Lodi. The owner, Urban Edge, announced in May that it planned to redevelop the former National Wholesale Liquidators location into a warehouse and distribution center. The redeveloped property is expected to be 103,000 square feet of warehouse space and approximately 20,000 square feet of retail space with a delivery date in late fourth quarter 2021. As the line between retail and industrial continues to blur, it is expected that we will continue to see redevelopments such as this one.

### Transwestern Development Corp. looks to turn one property into two in Piscataway

In one of the largest industrial sale transactions this quarter, Transwestern Development Corp. purchased a 16.1-acre site in Piscataway. The site is located at 330 South Randolphville Road, and currently has an existing 146,505 square foot property located on it. The site sold for \$28.25 million and is expected to be converted into two class A properties. Building A is expected to be 146,505 square feet with 20 dock doors, while building B is expected to be 151,708 square feet with 22 dock doors. Both buildings will have 36-foot clear ceilings and have an expected delivery of the second quarter of 2021.

**\$28.25 M sf**  
AMOUNT TDC PAID FOR THEIR SITE IN PISCATAWAY

### Market Spotlight - Piscataway: In the center of the state and the center of the industrial boom

Located in the center of the state, Piscataway is at the center of the industrial boom going on in New Jersey and around the country. With great proximity to routes 287, 95, and 18, coupled with a strong labor pool and a constant demand fueled by nearby Rutgers University, Piscataway has all the ingredients for a great industrial property. When taking a look at its near-zero percent vacancy rate, it seems like many people share that sentiment.

The industrial market in Piscataway has witnessed a 740 basis point drop in vacancy rate since the third quarter of 2017, as well as a

19.3 percent growth in rental rate over that same time. This is a result of some major lease deals over that period including: 725,000 square feet by Best Buy (300 Ridge Road), 451,800 square feet by Cascades Containerboard Packaging (1 Turner Place), 296,750 square feet by SHI International (400 Ridge Road) as well as many more. The strength of the market has also led to major development as well. Since 2018, there have been eleven buildings built, and there are also three that are currently under construction consisting of over 4.4 million square feet.

**0.8%**  
VACANCY RATE IN PISCATAWAY

This past quarter has seen a continuation of this development trend. Transwestern Development Corp. announced their purchase and planned redevelopment of 330 South Randolphville Road. Transwestern announced plans to build two class A buildings on 16.1 acres, which sit along Exit 7 on Route 287. The expected delivery of the properties is the middle of 2021. With the aforementioned low vacancy rate, this new development is a welcomed sight to users looking to enter this very desirable market.

Like many cities located in close proximity to the New Jersey Turnpike, Piscataway's industrial market has been very strong, leading to low vacancy and high rental rates. As more users look to enter the market, developers will keep an eye out for underutilized industrial, office, and retail products to redevelop to meet their needs.



## Market Data Points

### New Jersey

Indicator	Q3 20	Q3 19
Vacancy	3.0%	2.9%
Rent	\$9.05	\$8.62

### Northern New Jersey

Indicator	Q3 20	Q3 19
Vacancy	3.2%	3.8%
Rent	\$10.36	\$9.86

### Central New Jersey

Indicator	Q3 20	Q3 19
Vacancy	2.8%	2.0%
Rent	\$8.78	\$8.35

## Select Industrial Sale Transactions

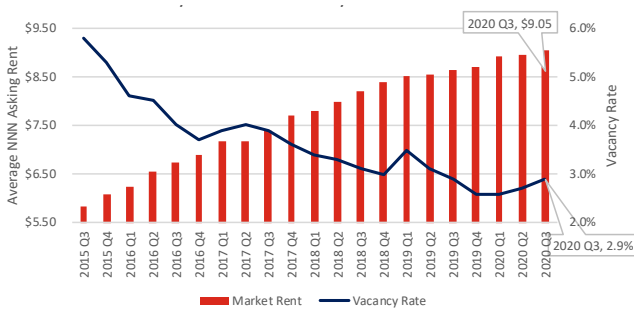
Building	Submarket/Market	Seller	Buyer	Sale Price	Price PSF	Size (SF)
2200 Secaucus Road, North Bergen	Meadowlands/ Northern New Jersey	Resources Warehousing & Consolidation Services	Prologis	\$59,000,000	\$368.75	160,000
330 South Randolphville Road, Piscataway	Exit 9- Piscataway/ Central New Jersey	330 S. Randolphville LLC	Transwestern Development Company	\$28,250,000	\$192.83*	146,505*
349-369 1 st Street, Elizabeth	Union/ Central New Jersey	Coach USA	CenterPoint	\$25,665,000	\$670.38	38,284

\* Existing building only, development will include a second 151,708SF property

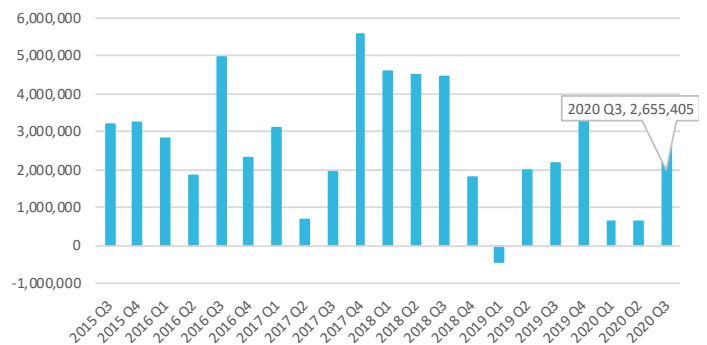
## Select Industrial Lease Transactions

Tenant	Building	Submarket / Market	Type	Size (SF)
All Season Movers	909 Newark Turnpike, Kearny	Meadowlands/ Northern New Jersey	Sublease	205,600
Amazon	250 Gregg Street, Lodi	Bergen Central/ Northern New Jersey	New	200,385
AAA Wholesale Group	370 Essex Street, Lodi	Bergen Central/ Northern New Jersey	New	134,740

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



## Total Net Absorption



## Trends to Watch



The future of tariffs and trade relations as a result of the United States Presidential election coming up in the third quarter



The increasing need for both trailer and employee parking at industrial properties

## Market By The Numbers

Submarket	Inventory (SF)	Direct Vacant (SF)	Sublet Vacant (SF)	Vacancy Rate (%)	Q3 20 Net Absorption	YTD Net Absorption	Current Under Construction (SF)	Market Rent
Bergen Central	21,881,975	783,799	22,200	3.7%	76,037	-25,544	-	\$11.95
Bergen North	19,750,746	538,491	50,620	3.0%	162,787	64,669	-	\$10.72
Eastern Morris	17,156,529	687,930	31,645	4.2%	(6,655)	-153,985	-	\$9.23
Hudson Waterfront	30,522,057	893,403	61,500	3.1%	(51,900)	136,254	-	\$11.20
Meadowlands	90,233,754	2,125,953	645,317	3.1%	(138,187)	1,021,116	589,338	\$10.63
Morris West/I-80	14,581,498	1,251,069	11,000	8.7%	616,476	419,174	49,500	\$8.22
Morristown Area	2,818,289	89,588	0	3.2%	45,000	47,813	-	\$9.72
Newark	37,233,433	548,125	0	1.5%	545,512	725,727	1,232,144	\$12.94
Northwest Frontier	2,522,132	14,856	0	0.6%	16,740	29,040	-	\$9.62
Rt. 46/23/3	48,520,316	1,416,073	210,964	3.4%	233,406	271,143	-	\$9.82
West Essex	20,110,038	451,277	37,517	2.4%	(92,452)	11,279	-	\$9.69
Northern New Jersey	305,330,767	8,800,564	1,070,763	3.2%	1,406,764	2,546,686	1,870,982	\$10.36
Exit 8 A	69,091,352	1,630,935	273,642	2.8%	(678,012)	-1,023,718	1,824,545	\$8.30
Exit 9- Piscataway	49,948,271	451,412	16,000	0.9%	(52,861)	792,706	2,197,295	\$9.48
Exit 10- Carteret Avenel	78,006,425	1,059,990	135,762	1.5%	1,358,446	1,263,373	1,701,047	\$9.95
Mercer	31,902,826	1,724,608	151,580	5.9%	(185,251)	-842,518	1,375,923	\$7.45
Monmouth	16,061,074	721,125	0	4.5%	67,874	160,648	104,272	\$8.27
Somerset	29,605,274	1,205,512	92,573	4.4%	794,325	1,847,336	409,762	\$8.53
Union	58,050,990	1,938,050	18,485	3.4%	(55,880)	-813,532	1,351,127	\$9.21
Central NJ	332,666,212	8,731,632	688,042	2.8%	1,248,641	1,384,295	8,963,971	\$8.78
New Jersey	637,996,979	17,532,196	1,758,805	3.0%	2,655,405	3,930,981	10,834,953	\$9.05



# New Jersey Economy



## The unemployment rate drop seems to indicate a path to recovery

As of August 2020, New Jersey's seasonally adjusted unemployment rate was 10.9 percent. This is a significant improvement from the unemployment rate in April of 16.3 percent when the pandemic-induced unemployment was at its highest. New Jersey has regained about 49.0 percent of the jobs lost in the four months since April.

The New Jersey unemployment rate remains 300 basis points higher than the national unemployment rate of 7.9 percent (September 2020), which has come down from its high in April of 14.7 percent.

## Governor Murphy finally gets his "Millionaire tax", as corporate surtax gets extended

In April of this year, New Jersey made the unique decision to push its fiscal year-end date from June 30th to September 30th. This move was made in part to allow the governor and the legislature to assess the fiscal damage of the pandemic. As a result of this extension, the 2021 fiscal budget was recently released and passed by the Democratic-controlled legislature.

The budget is set at \$32.7 billion for the nine months from October 2020 until June 2021. (Bubble: \$32.7 Billion- NJ Budget for Oct. 2020- June 2021) The budget also calls for a \$2.5 billion reserve, put in place in the event there is another Covid-19 outbreak. The approved budget also includes a \$4.5 billion borrowing plan, to add to the current \$44.4 billion in



outstanding bonds, which places New Jersey with the highest debt per capita in the country.

Two of the highlights of the budget are the new "Millionaire tax" and extension of the 2.5 percent surcharge on corporate taxes for businesses with over \$1 million in profit.

The 2.5 percent surtax was added in 2018, raising the corporate tax rate on profits over \$1 million to 11.5%. The surcharge was in the middle of its wind-down period where the rate was reduced to 1.5 percent, until December 31, 2021, when it was scheduled to expire. The new budget deal extends the scheduled sunset to December 2023.

The "Millionaire tax" is something that Governor Murphy has been trying to get restored since he took office. The new tax will increase the tax rate on gross income between \$1 million and \$5 million to 10.75% (the rate on \$5 million-plus) from 8.97%. In a corresponding action, the budget calls for a \$500 tax rebate to all two-parent households that have less than \$150,000 in gross income, and at least one dependent child (and a \$75,000 gross income cap on the single-parent household). The rebates are expected to be sent out in the summer of 2021. When asked, Governor Murphy had stated that he plans on keeping both the "Millionaire Tax" and \$500 tax rebate beyond this year.



Opponents of these two measures have said this is the wrong time, as the state looks to attract new companies and their executives, as well as retain its current ones. Only time will tell if this was the right decision as the state prepares for the financial repercussions of Covid-19 and beyond.