



# Northern New Jersey Industrial Market

## All-Time Record Leasing Activity

The proliferation of ecommerce is causing unprecedented demand for logistics space, which fueled a record-breaking quarter in Northern New Jersey's industrial market. A total of 11.1 million square feet of lease transactions closed during the first three months of 2021, the most ever on record. Tenant demand helped push the average asking rent to a new high of \$9.79/SF, an increase of 7.1% from one year ago. The market recorded more than 3.0 million square feet of net absorption, outpacing deliveries by 1.4 million square feet, as vacancy declined from 4.3% to 4.1%.

### Pre-Leasing Swells Along NJ Turnpike Corridor

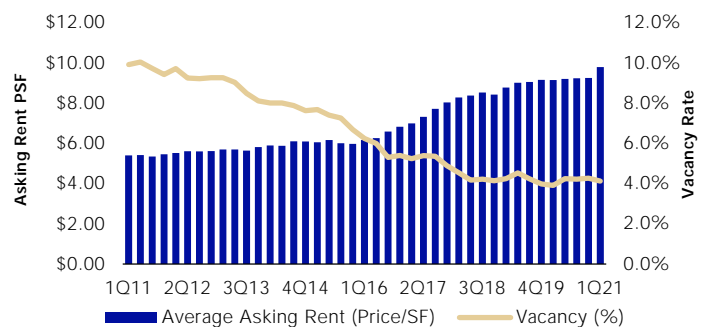
Approximately half of the new leasing volume during the first quarter was for new construction, and all of these developments are along the New Jersey Turnpike Corridor. Home goods retailer Williams-Sonoma, which is expanding beyond its two existing warehouses at Exit 8A, pre-leased a 1.2 million-square-foot project at 40 Sible Lane in South Brunswick. Heller Industrial Parks recently broke ground on the project, and the developer is planning to construct two additional buildings, totaling up to 1.1 million square feet, at the same site. Other major Turnpike deals were signed by FedEx, which pre-leased 871,928 square feet at 173-268 Doremus Avenue in Newark and took another 513,240

### Current Conditions

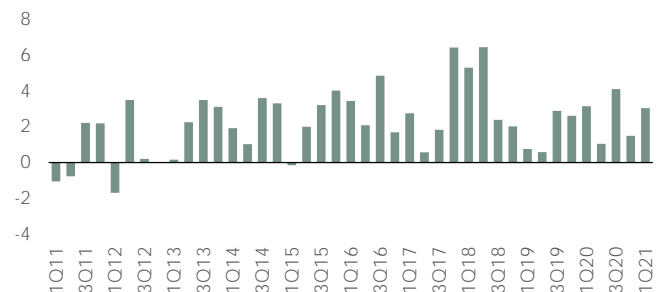
- The market posted its most active quarter on record in terms of leasing, which totaled 11.1 million square feet.
- More than half of the construction pipeline has already been pre-leased.
- Unprecedented demand for quality logistics space caused the average asking rent to rise by 7.1% over the past year.

### Market Analysis

#### ASKING RENT AND VACANCY RATE



#### NET ABSORPTION (SF, Millions)



### Market Summary

	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory	669.4M	667.2M	657.7M	↔
Vacancy Rate	4.1%	4.3%	3.9%	↔ ↕
Quarterly Net Absorption	3,038,156	1,498,484	3,151,354	↔ ↕
Average Asking Rent	\$9.79	\$9.25	\$9.14	↔
Under Construction	8,363,069	8,211,975	11,960,452	↔ ↕
Deliveries	1,615,358	945,840	2,783,863	↔ ↕

## RESEARCH 1Q 2021

square feet at a newly delivered warehouse in East Brunswick. About 54% of the 8.4 million square feet under construction in Northern New Jersey is already leased. The largest completions of the quarter were two buildings at Linden Logistics Center, totaling 1.3 million square feet, which have not yet secured tenants. This caused vacancy in Linden/Elizabeth to rise from 3.1% to 8.0%.

### Asking Rents Climb Throughout Market

Owners of modern warehouse space with high ceilings have taken advantage of a supply and demand imbalance for this type of product in New Jersey. Rent growth for modern generation space contributed to a 5.8% increase in asking rents, the largest quarterly increase since the onset of COVID-19. There is a growing premium for new construction throughout the market. For example, in Linden/Elizabeth, asking rents for new construction are more than 50% higher than other buildings on average. Further south, the Exit 7A submarket saw 15.0% year-

over-year rent growth. This submarket has seen rising interest from tenants and developers as Central New Jersey becomes more constrained in terms of the land and the amount of quality available space. With demand exceeding supply in New Jersey, landlords are expected to continue raising rents at this pace.

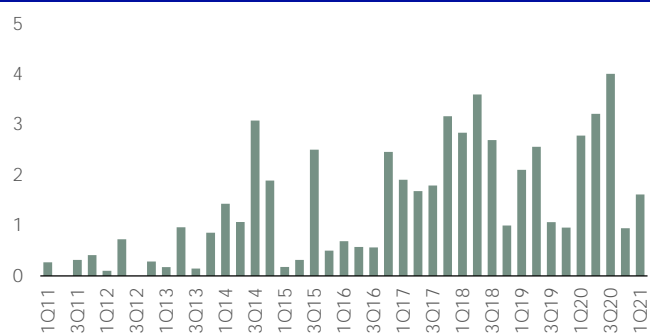
### Bright Future for Industrial

The near-term outlook for industrial remains bright. A shift in consumer spending habits towards online shopping has accelerated over the past year, leading to a rapid expansion among ecommerce and logistics players in key distribution submarkets in Northern New Jersey, a trend that has continued in the early months of 2021. As a result of consumer expectations, as well as supply chain disruptions caused by the pandemic, many of these companies are guarding against future challenges by adding "just in case" inventory. This will likely further the growth in leasing demand, driving rent appreciation and keeping vacancy low.

### Submarket Statistics by Subtype

Current Quarter	WH/Dist	Gen Ind	R&D/Flex
Total Inventory (SF)	494.2M	132.3M	42.9M
Vacancy Rate	4.0%	3.7%	7.2%
Quarterly Net Absorption	2,935,565	64,708	37,883
Average Asking Rent	\$9.67	\$8.85	\$11.41
Under Construction	7,866,069	100,000	397,000
Deliveries	1,615,358	0	0

### Construction Completions (Square Feet, Millions)



### Lease/User Transactions

Tenant	Building	Submarket	Type	Square Feet
Williams-Sonoma	40 Sigle Lane	Exit 8A	Direct Lease	1,166,030
FedEx	173-268 Doremus Avenue	Newark	Direct Lease	871,928
Bed, Bath & Beyond	1001 West Middlesex Avenue	Exit 12	Lease Renewal	607,417
FedEx	39 Edgeboro Road	Exit 9	Direct Lease	513,240
Melissa & Doug LLC	380 Deans Rhode Hall Road	Exit 8A	Direct Lease	500,000

### Select Sales Transactions

Building	Submarket	Sale Price	Price/SF	Square Feet
1000-1108 Jefferson Avenue	Linden/Elizabeth	\$29,325,780	\$145	202,000
111 Bauer Drive	Bergen Northwest	\$23,700,000	\$196	120,760
3070 Route 22 West	Western I-78 Corridor	\$21,400,000	\$100	214,388

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Submarket Statistics								
	Total Inventory (SF)	Under Construction (SF)	Total Availability Rate	Qtr Absorption (SF)	YTD Absorption (SF)	WH/Dist Asking Rent (Price/SF)	R&D/Flex Asking Rent (Price/SF)	Overall Asking Rent (Price/SF)
<b>Northern NJ</b>	<b>309,197,447</b>	<b>2,625,198</b>	<b>4.1%</b>	<b>984,094</b>	<b>984,094</b>	<b>\$9.83</b>	<b>\$12.53</b>	<b>\$10.00</b>
Bergen Central	18,263,984	277,000	4.2%	459,676	459,676	\$9.38	\$18.02	\$11.32
Bergen Northeast	4,825,725	0	5.8%	138,346	138,346	\$10.79	\$13.00	\$10.27
Bergen Northwest	14,584,290	0	3.9%	116,905	116,905	\$9.97	\$10.89	\$10.24
Hudson Waterfront	30,631,086	0	4.2%	-77,362	-77,362	\$12.59	\$14.00	\$12.65
Meadowlands	90,268,585	463,329	3.5%	605,558	605,558	\$11.14	\$13.27	\$11.23
Morris East	23,044,479	0	6.7%	185,010	185,010	\$8.96	\$11.75	\$8.66
Morris West	17,055,477	0	7.8%	-33,795	-33,795	\$7.23	\$10.16	\$7.49
Newark	38,637,476	1,308,537	2.3%	-66,802	-66,802	\$10.27	-	\$10.00
Paterson/Passaic	27,810,282	111,111	3.5%	-39,293	-39,293	\$8.09	\$9.75	\$8.08
Route 280/Suburban Essex	9,957,752	0	4.4%	-38,250	-38,250	\$7.95	\$14.50	\$11.60
Route 46/23 Corridor	34,118,311	465,221	4.3%	-265,899	-265,899	\$10.71	\$11.41	\$10.71
<b>Central NJ</b>	<b>360,176,208</b>	<b>5,737,871</b>	<b>4.1%</b>	<b>2,054,062</b>	<b>2,054,062</b>	<b>\$9.52</b>	<b>\$10.76</b>	<b>\$9.59</b>
Exit 12	20,229,231	189,492	1.6%	56,140	56,140	\$11.31	-	\$11.31
Exit 10	54,681,434	1,266,058	1.9%	811,188	811,188	\$9.81	\$11.10	\$9.61
Exit 9	28,349,990	51,180	4.0%	504,567	504,567	\$8.38	\$14.50	\$8.48
Exit 8A	78,247,590	1,166,030	3.6%	279,527	279,527	\$7.93	\$14.47	\$11.64
Exit 7A	29,277,154	1,229,973	6.1%	-52,118	-52,118	\$6.11	\$10.67	\$7.41
I-287 Corridor	52,324,222	1,243,938	3.1%	46,050	46,050	\$8.91	\$9.09	\$9.16
Linden/Elizabeth	31,275,261	0	8.0%	-1,164	-1,164	\$11.30	-	\$11.12
Monmouth	16,466,025	80,000	6.0%	77,180	77,180	\$8.91	\$9.19	\$8.97
Union Central	25,693,375	0	3.5%	130,840	130,840	\$10.20	\$14.16	\$10.22
Western I-78 Corridor	23,631,926	511,200	7.1%	201,852	201,852	\$7.51	\$10.33	\$7.58
<b>Northern/Central NJ</b>	<b>669,373,655</b>	<b>8,363,069</b>	<b>4.1%</b>	<b>3,038,156</b>	<b>3,038,156</b>	<b>\$9.67</b>	<b>\$11.41</b>	<b>\$9.79</b>

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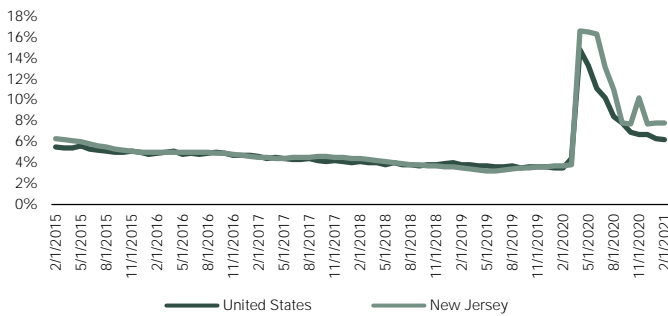
### Economic Conditions

Conditions in New Jersey's economy have significantly improved since the onset of COVID-19, with unemployment falling from 16.6% to 7.8% since April of 2020, although the rate of recovery has slowed since September of last year. The manufacturing and trade, transportation and utilities sectors, which correspond to industrial demand, saw year-over-year job losses of 4.5% and 5.0%, while overall employment fell by 8.4%. More than 1 in 4 adults in New Jersey are now fully vaccinated and the continued rollout of vaccines will likely speed up the recovery.

Following a busy holiday season for cargo volume, The Port of New York and New Jersey handled 1.3 million TEUs in January and February, a 12.6% increase over last year. However, a vessel that temporarily blocked the Suez Canal is causing disruptions to global trade, negatively impacting some industrial occupiers.

### Unemployment Rate

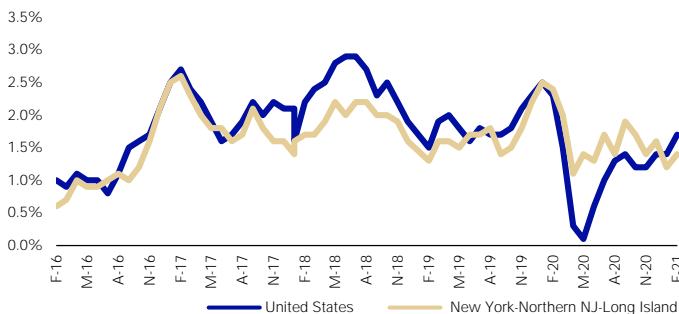
#### SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics, NJDLWD

### Consumer Price Index (CPI)

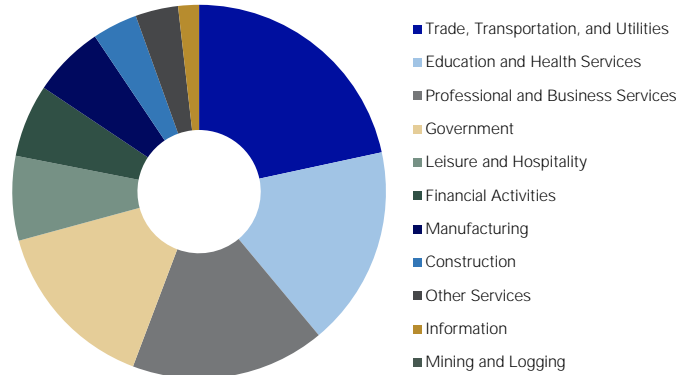
#### ALL ITEMS, 12-MO. % CHANGE, NOT SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics

### Employment By Industry

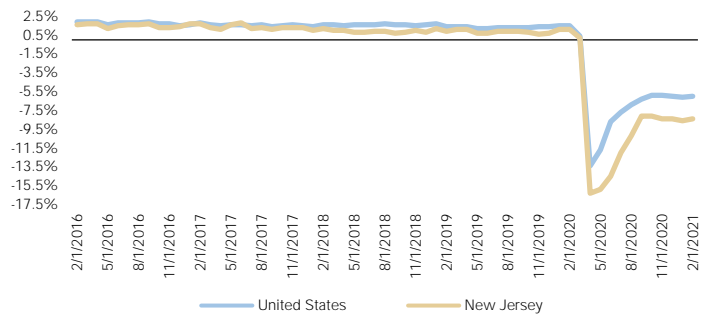
#### NEW JERSEY, ANNUAL AVERAGE 2020



Source: U.S. Bureau of Labor Statistics

### Payroll Employment

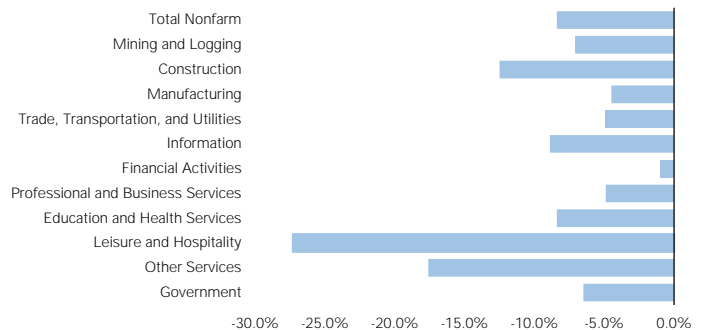
#### TOTAL NONFARM, NOT SEASONALLY ADJUSTED, 12-MO. % CHANGE



Source: U.S. Bureau of Labor Statistics

### Employment Growth By Industry

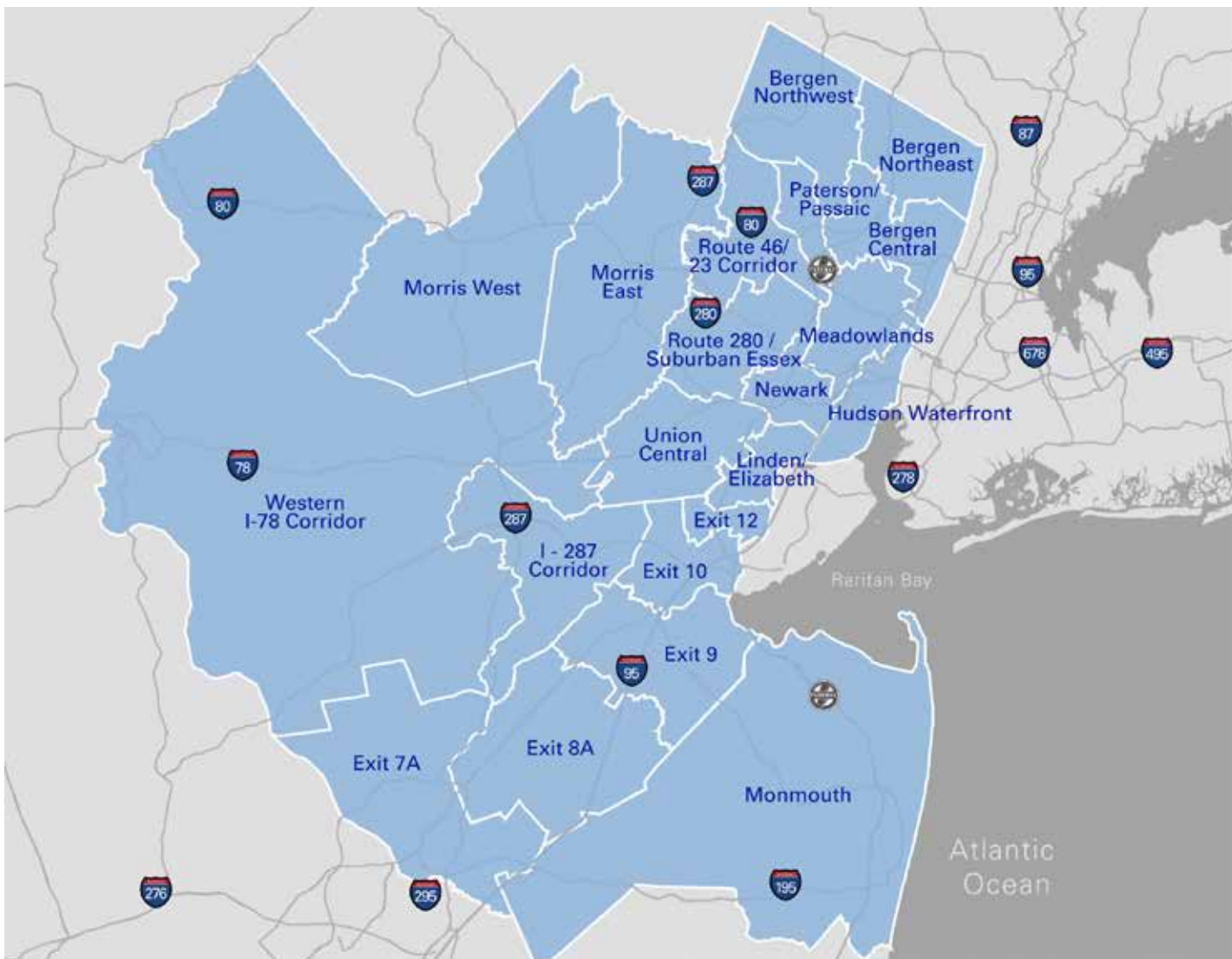
#### NJ, FEB 2021, 12-MO. % CHANGE, NOT SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics

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### Northern NJ Industrial Submarkets



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