MARKET REPORT

1st Quarter 2018

THE BLAU & BERG COMPANY

Market Trends

1Q18 | Northern & Central New Jersey

INDUSTRIAL TRENDS

- Market fundamentals continue to improve due to overwhelming demand for space, demographics, strong leasing velocity and historic vacancy rate lows. Total positive absorption for the first quarter was 3MSF (over 1MSF additional space absorbed year after year). Vacancy continued its downward trend to 3.9% and rental rates increased $0.15 or 2% in the first quarter (9% year over year, a 37% increased in less than five years).
- The raising of the Bayonne Bridge has allowed larger container ships to unload at the NJ/NY ports increasing the imports volume year over year by almost 13%.
- Ecommerce sales continue to be the driving force behind the red-hot industrial market from the likes of 3PL, logistic retailers and ecommerce distributors such as XPO, Amazon, TJ Maxx among others.
- Top lease transactions inked in 1Q18 include 459,000 SF by TJ Maxx, 369,000 SF by One Stop Logistics and 296,000 SF by XPO Logistics. Less than five facilities over 500,000 SF currently available in the market.
- Tenants should be prepared to pay a premium and act quickly to secure their facility, as availability is limited.
- Just shy of 2MSF was delivered in the first quarter and 12MSF is currently under construction.

RETAIL TRENDS

- Grocery stores, restaurants, hair salons and urgent care centers are dominating the retail market. However, ecommerce is starting its trend back into the ‘brick and mortar’ arena.

OFFICE TRENDS

- Class A office facilities are doing extremely well as of late, due to technology companies and good economic trends. Because of the lack of development, tenants looking for space will be forced to seek vintage inventory and landlords will be forced to reinvest in their buildings.

ECONOMIC TRENDS

- The US economic outlook remains healthy, according to most economic indicators. 2018 is expected to be a prosperous year. The NJ unemployment rate dropped to 4.6%. According to the Bureau of Economic Analysis, the GDP increased at a annual rate of 2.3% in the first quarter, due to positive contributions from business spending on equipment, investments in home building, as well as exports.

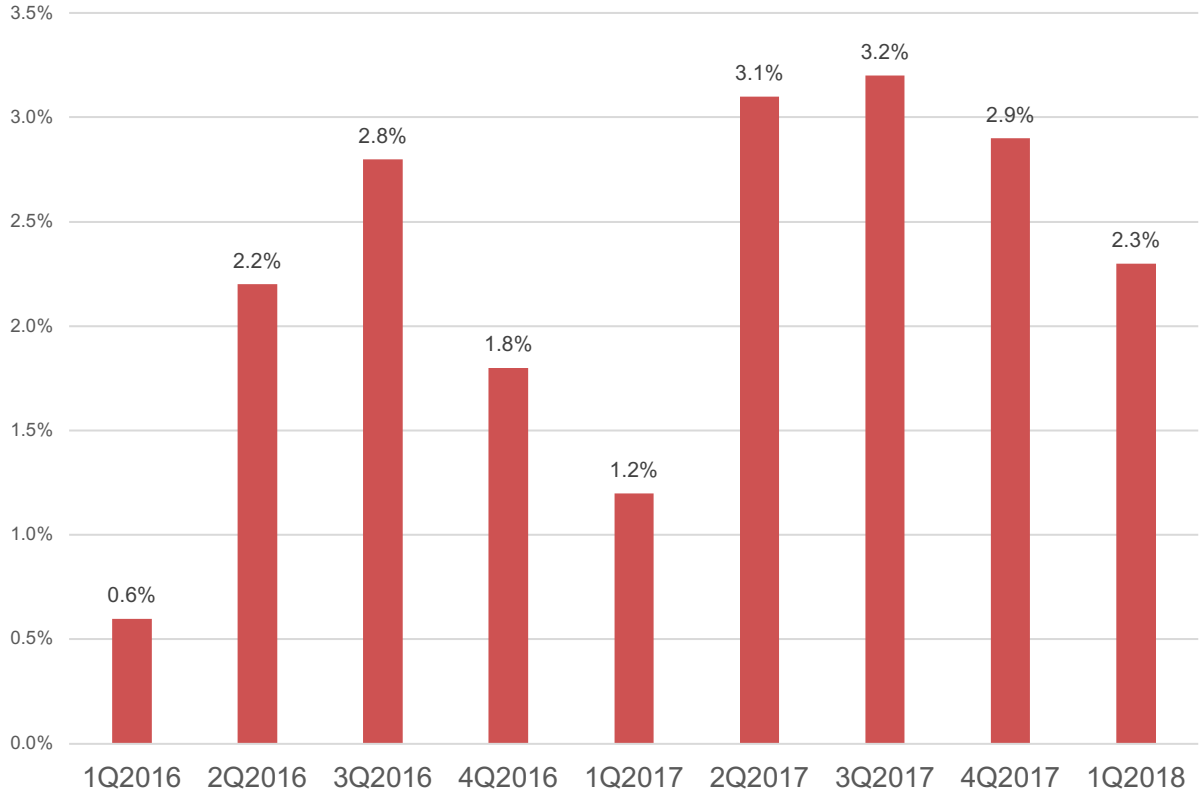
Market Trends

1Q18 | Northern & Central New Jersey

REAL GDP AND REAL VALUE | ADDED BY SECTOR

U.S. GROSS DOMESTIC PRODUCT

GDP represents the total dollar value of all goods and services produced over a specific time period



Unemployment Rate

U.S. and New Jersey's unemployment rate maintained a steady rate with very little fluctuation over the course of the second quarter.

	January	February	March
NJ	4.7%	4.6%	4.6%
U.S.	4.1	4.1	4.1%

Sources: Bureau of Labor Statistics | U.S. Bureau of Economic Analysis | U.S. Department of Commerce

MARKET TRENDS
INDUSTRIAL

INDUSTRIAL OUTLOOK

Northern & Central NJ

- The avid appetite for industrial, high-cube, distribution centers will continue to attract institutional investors despite the impending rise of interest rates.
- Demand for space will continue on its robust pace.
- Rents will increase modestly, vacancies will ebb lower, and new development will continue to push toward historic levels.

±826 MSF — **INDUSTRIAL SPACE**

±3.9% — **VACANCY RATE**

±3.11 MSF — **NET ABSORPTION 4Q**

±1.98 MSF — **DELIVERIES**

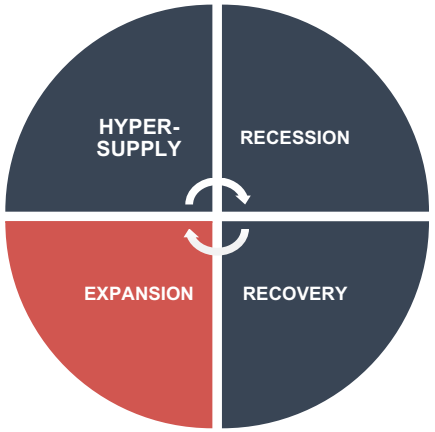
±12.1 MSF — **UNDER CONSTRUCTION**

AVERAGE LEASE RATE
$7.46

AVERAGE SALE PRICE
$112 PSF (based on >20KSF | >18' Clr)

AVERAGE CAP RATE RANGE
4.5% - 5.25% Class A inventory

NJ UNEMPLOYMENT RATE
4.6%



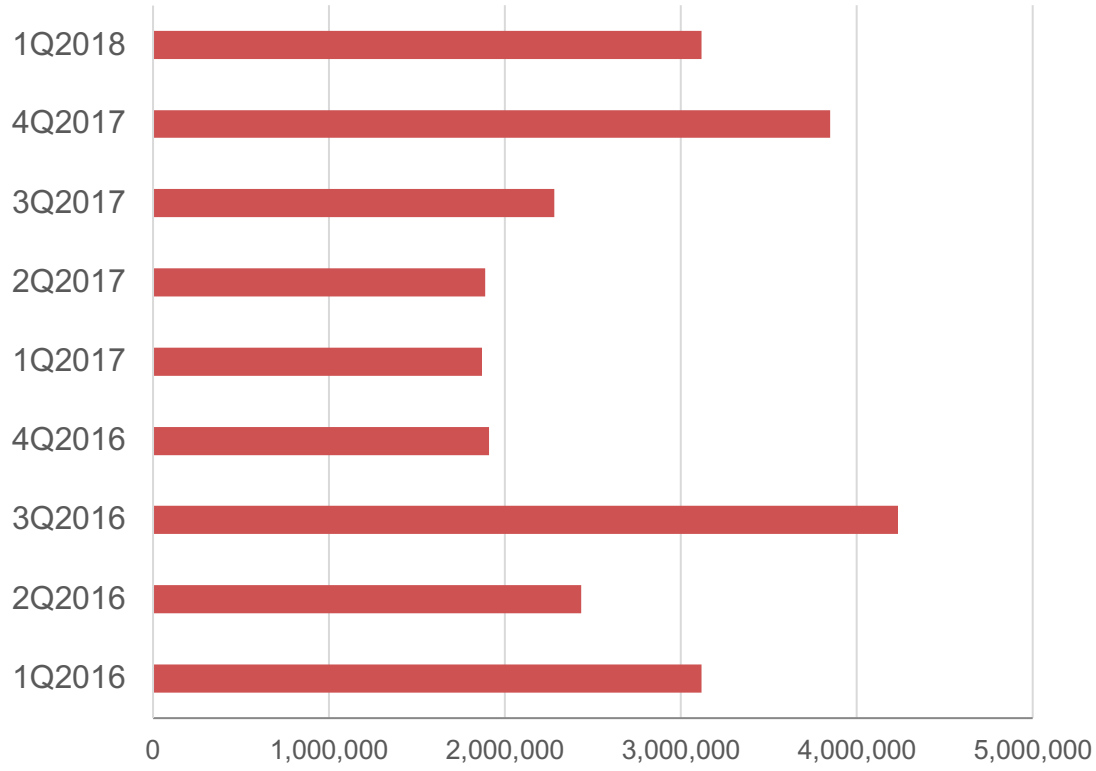
Sources: CoStar and Internal Research

Quick Stats

1Q18 | Northern & Central New Jersey | Industrial

HISTORICAL VACANCY & LEASE RATES

HISTORICAL NET ABSORPTION



Sources: CoStar and Internal Research

Quick Stats

1Q18 | Northern & Central New Jersey | Industrial

Industrial Market	Vacancy Rate (%)	Average Asking Lease Rate (PSF)	Average Asking Sale Price (PSF)	Net Absorption (SF) ±
Bergen County	4.9	$8.89	$123.00	227,969
Passaic County	5.0	$7.06	$99.00	(98,292)
Essex County	3.4	$8.00	$87.00	628,333
Morris County	5.9	$7.00	$74.00	89,167
Hudson County	4.5	$8.50	$165.00	(308,690)
Union County	4.6	$6.85	$111.00	141,500
Middlesex County	2.4	$7.42	$114.00	2,105,800
Somerset County	2.4	$7.50	$93.00	106,476
Sub Market				
West Essex	3.8	$8.04	$118.00	296,600
Meadowlands	3.0	$9.10	$136.00	945,800
Port/Airport	4.1	$8.03	$150.00	(151,250)
Exit 12	1.3	$7.94	$115.00	624,800
Exit 10	2.5	$7.62	$133.00	725,333
Exit 8A	1.6	$6.54	$120.00	1,452,600
Exit 7A	3.8	$5.00	$64.00	367,883
OVERALL	3.91	$7.46	$113.47	3,114,342

Sources: CoStar and Internal Research

New Development

1Q18 | Northern & Central New Jersey | Industrial

Big Box Markets	Average Rental Rate (PSF)
Exit 16-18: Meadowlands	$13.50
Exit 13A-15: Port	$12.00
Exit 13: Linden	$10.50
Exit 12: Carteret	$8.75
Exit 10: Edison	$8.50
Exit 8A: Cranbury	$6.75
Exit 7A: Robbinsville	$5.00
Exit 6: Burlington	$4.50

Sources: CoStar and Internal Research

Exit 10
ePort Logistics Center
1.3M SF | 56 AC | 3 Bldg

Exit 6
Clarion Partners
1.57M SF

Exit 14
Portside Distribution Center
290K SF | 32 docks | 40' Clear

Exit 13a
Prologis TriPort Center
540K SF | 110 docks | 33.50 AC

Exit 8a
IDI Eastpointe
450K SF | 95 docks | 36' Clear

TOP OF THE CHARTS

1Q18 | Northern & Central NJ | Industrial

TOP INDUSTRIAL SALES

Address	Submarket	Price (±)	Buyer
200 Maltese Drive	West Essex	$20M | $96 PSF	High Street Equity Investors
161 Docks Corner Road	Exit 8A	$14.5M | $94 PSF	Haddad Brands
1 Trumam Drive	Exit 10	$48.8M | $132 PSF	Liberty Property Trust
27 Distribution Way	Exit 8A	$17.2M | $77 PSF	CenterPoint

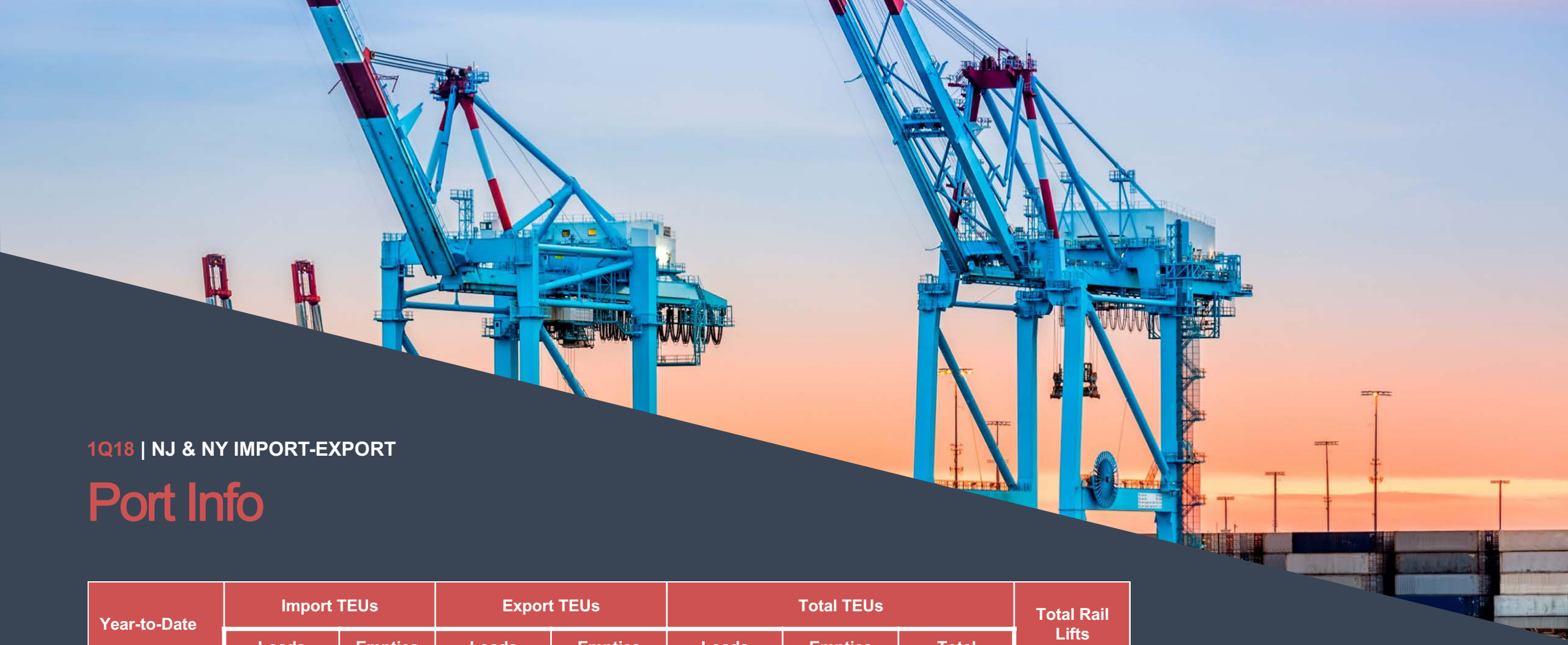
TOP INDUSTRIAL LEASES

Building	Submarket	SF (±)	Tenant
83 Stults Road	Exit 8A	369,000	One Stop Logistics
50 Bryla Street	Exit 12	459,000	TJ Maxx
1000 High Street	Exit 10	354,000	4PX Logistics
1005 W Middlesex Avenue	Exit 12	230,000	Western Port Logistics

TOP CONSTRUCTION PROJECTS

Submarket	Type-Tenancy	SF (±)	Completion (approx.)
Exit 13a	BTS-Allied Beverage	540,000	4Q18
Exit 15e	BTS-Fabuwood	706,000	2Q18
Exit 15e	Spec	870,000	3Q19
Exit 8A	Spec-Wayfair	1,346,0888	2Q18

Sources: CoStar and Internal Research



Port Info

Year-to-Date	Import TEUs		Export TEUs		Total TEUs			Total Rail Lifts
	Loads	Empties	Loads	Empties	Loads	Empties	Total	
YTD Mar 2018	872,103	4,290	361,700	442,268	1,233,803	446,558	1,680,361	150,796
YTD Mar 2017	773,388	4,565	331,700	423,351	1,105,088	427,916	1,533,004	127,968
% Change	12.80%	-6.00%	9.00%	4.50%	11.60%	4.40%	9.60%	17.80%

Sources: CoStar, Internal Research, www.panynj.gov

MARKET TRENDS
OFFICE

OFFICE MARKET TRENDS

1Q18 | Northern & Central NJ

VACANCY RATE

20.4%

ABSORBTION SF

100,000 SF

AVERAGE ASKING RATES

Class A	Class B	Class C
$28.80 PSF	$22.75 PSF	$18.50 PSF

LEASE SIGNINGS

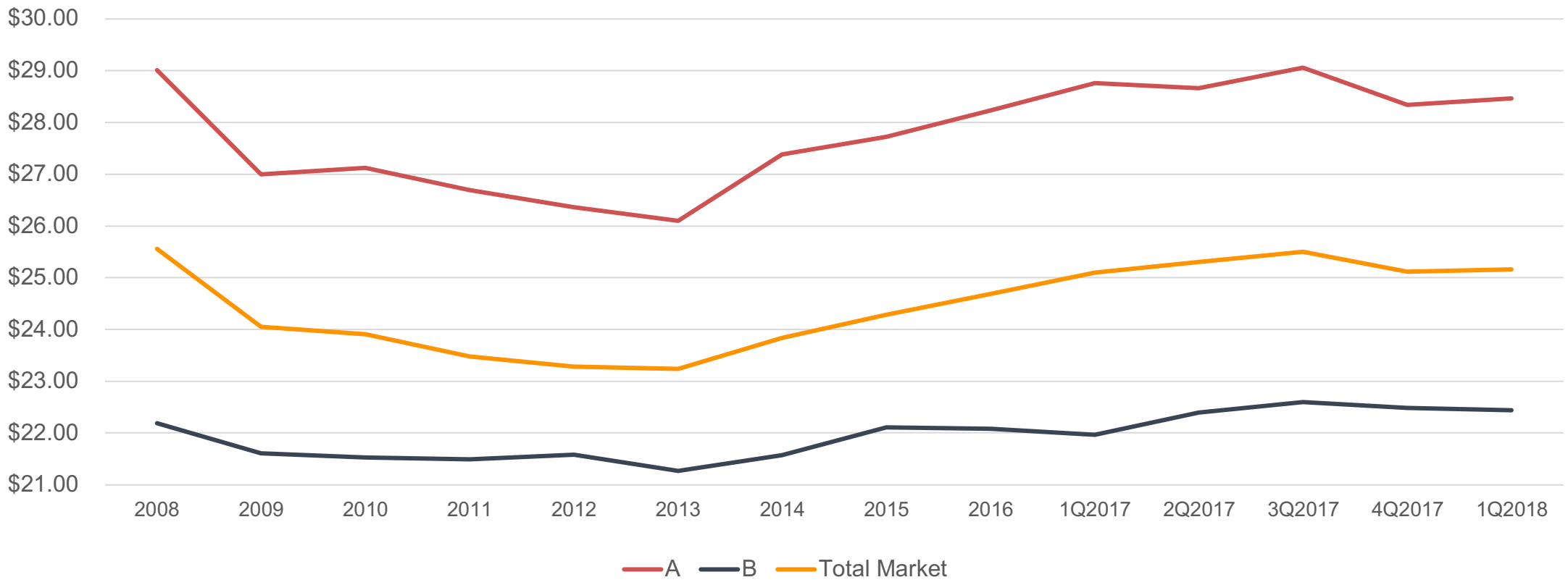
Tenant	SF	Location	City Area
Jet.com	80,000	221 River Street	Hudson Waterfront
Standard Charted Bank	72,000	2 Gateway Center	Newark
Kuehne and Nagel	70,000	10 Exchange Place	Hudson Waterfront

Sources: CoStar and Internal Research

Office Market Trends

1Q18 | Northern & Central New Jersey

HISTORICAL RENTAL RATES



Sources: CoStar and Internal Research

MARKET TRENDS
RETAIL

RETAIL MARKET TRENDS

1Q18 | Northern & Central NJ

VACANCY RATE

6.7%

ABSORBTION SF

(75,000) SF

AVERAGE ASKING RATES

General Retail	Mall	Power Center	Shopping Center
$22.10 PSF	$45.41 PSF	$18.54 PSF	$19.50 PSF

LEASE SIGNINGS

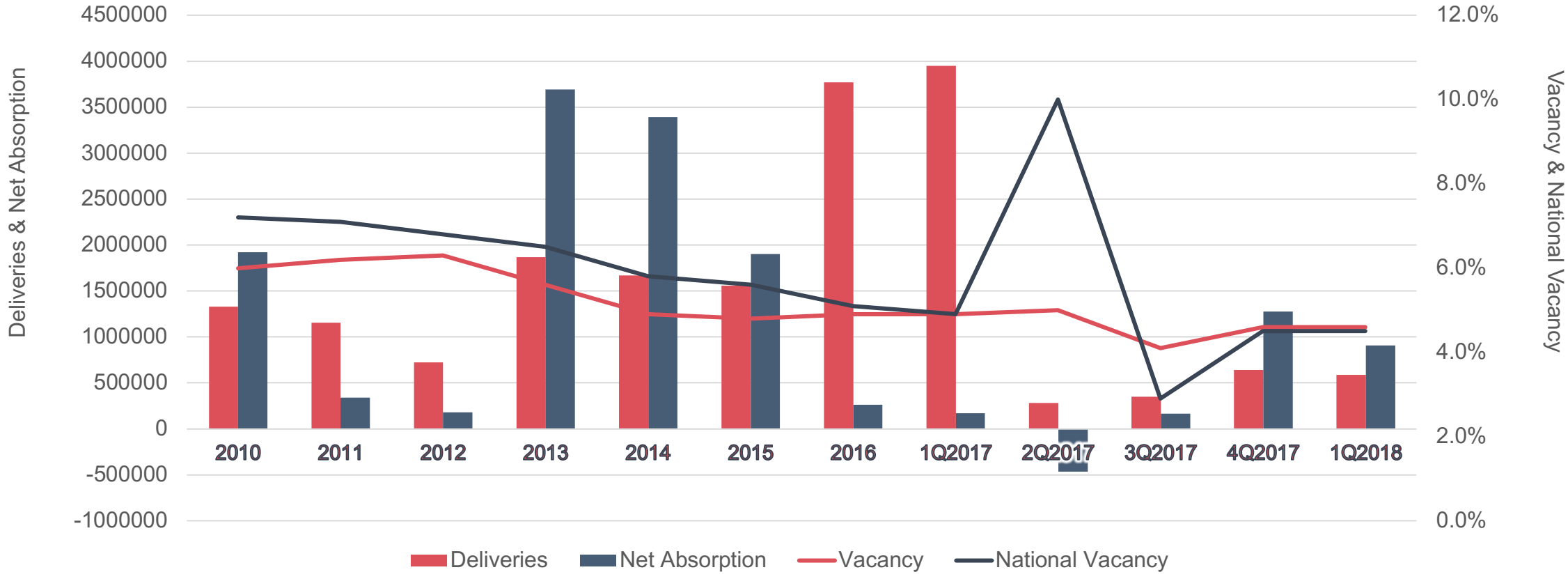
Tenant	SF	Location	City
Climbzone	25,000	5313 US Highway 9	Western Monmouth
Yestercades Arcade	12,000	151E Broad Street	Route 22 East
Visitation Relief Center	5,200	1930 Route 88	Ocean County

Sources: CoStar and Internal Research

Retail Market Trends

1Q18 | Northern & Central New Jersey

HISTORICAL VACANCY, DELIVERIES & NET ABSORPTION



Sources: CoStar and Internal Research

About Us

Since its inception in 1932, The Blau & Berg Company has secured a leading position in the New Jersey and Tri-State commercial real estate market. Headquartered in Short Hills, New Jersey, we are an independent, full-service commercial real estate brokerage firm providing services in the industrial, retail and office spaces, including: site selection, acquisitions, dispositions, leasing, tenant representation, portfolio sales, asset repositioning, and property & construction consulting.

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