MARKET REPORT

2nd Quarter 2021

THE BLAU & BERG COMPANY

MARKET TRENDS
INDUSTRIAL

Market Trends

2Q21 | Northern & Central New Jersey

INDUSTRIAL TRENDS

- The Covid-19 vaccination has helped fuel the market's expansion and brought us back to some sort of normalcy. In less than a year, oil prices have soared, the stock market has risen, and consumer confidence has provided much boom. However, the eviction moratoriums, withdrawal of government handouts, and inflationary costs are something to keep an eye on in the next few quarters.
- Consumer confidence jumped to its highest level (reading of 127.3 according to Reuters) as the growing labor market optimism offsets concerns about higher inflation.
- The pandemic has shifted consumers' buying habits, which has increased the growth of ecommerce purchases. This, in turn, has created a race to find and lease high cube distribution centers, particularly along the New Jersey Turnpike. Leasing activity increased and reached over 30MSF, as Class A space remained the most sought-after property type in the industrial sector. According to the National Retail Federation, online sales are expected to grow between 18% and 23% this year over 2020.
- Net Absorption remained steady with another 5.4MSF of net occupancy gains recorded; many due to preleased construction deliveries.
- Demand for warehouse space remained robust in the second quarter; the appetite for warehouse space by 3PL, logistics, ecommerce, and consumer good companies has not waivered.
- Strong performance at the New York-New Jersey Port, pertaining to import volumes. Year-to-date cargo has surpassed that of last year by 48.2% with 3.6M TEUs handled, led by the surge in imports which were up 28.4% YOY.
- Construction pipeline remains healthy with 40MSF proposed through 2024.
- Those deliveries slowed throughout the second quarter but should exceed 12MSF by the end of the year.
- NJ has continued to attract institutional capital driven by climbing rents and historically low-interest rates but is faced with fierce competition in his red-hot market.

OFFICE TRENDS

- Office rents have continued to press downward, as tenants have shed space.
- The office market will continue to slide as some portion of the workforce will work from home/remotely.
- We continue to see larger vacant or partially vacant office buildings trading well below $40 per square foot.

RETAIL TRENDS

- Retail is continuing to show signs of recovery as more retail stores continue to re-open their doors and new businesses are opening.
- Although e-commerce has been leading the growth through the pandemic, such growth rate is unsustainable over the long-term mainly due to the operational and profitability limitations around shipping and logistics.
- New retail concepts will absorb some of the vacancies

MULTIFAMILY TRENDS

- Multifamily has suffered through the pandemic as many owners lost rental income.
- Rents in Northern New Jersey have increased 4.8% in the past 12 months and investment activity continues to remain steady through 2021.
- The supply in Northern New Jersey is showing no signs of abatement.

ECONOMIC TRENDS

- GDP growth is expected to surge to 6.4% in 2021. In the first quarter, government assistance payments, such as direct economic impact payments, expanded unemployment benefits, and Paycheck Protection Program loans were distributed to households and businesses through the Coronavirus Response and Relief Supplemental Appropriations Act and the American Rescue Plan Act according to BEA.
- A sign of confidence that the world's largest economy remains confident that it will pull through the pandemic better than others is that foreign investors have been pouring money into US assets.

INDUSTRIAL OUTLOOK

New Jersey

- The search for high cube distribution centers is anticipated to remain strong throughout the rest of the year.
- The Industrial market has showed no signs of slowing
- Speculative development by developers will continue to pick up steam as strong pre-leasing numbers persist due to historically low vacancy for Class A distribution centers.
- Rental rates will continue to trend upward.

±981 MSF

INDUSTRIAL SPACE
Total for New Jersey

3.4%

VACANCY RATE

±5.2 MSF

NET ABSORPTION
2nd Quarter 2021

± MSF

DELIVERIES – 12 MO

±26.6 MSF

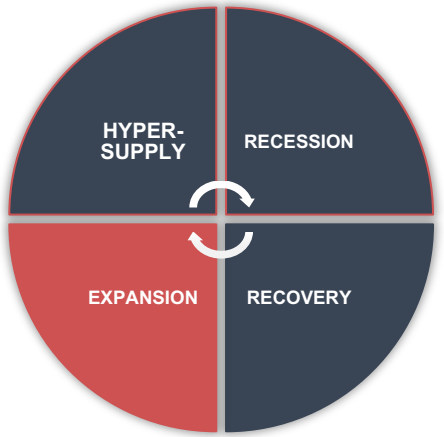
UNDER CONSTRUCTION

AVERAGE LEASE RATE
$10.44 PSF NNN

AVERAGE SALE PRICE
$144 PSF

AVERAGE CAP RATE RANGE
5.8%

NJ UNEMPLOYMENT RATE
*June 2021
7.3%

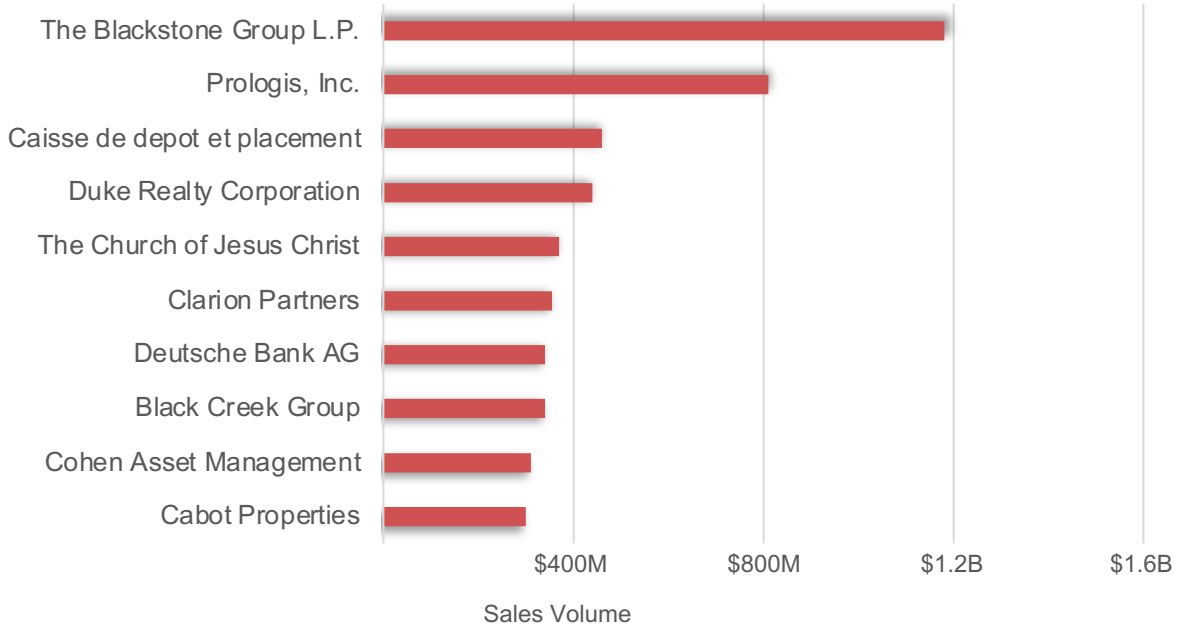


Sources: CoStar and Internal Research

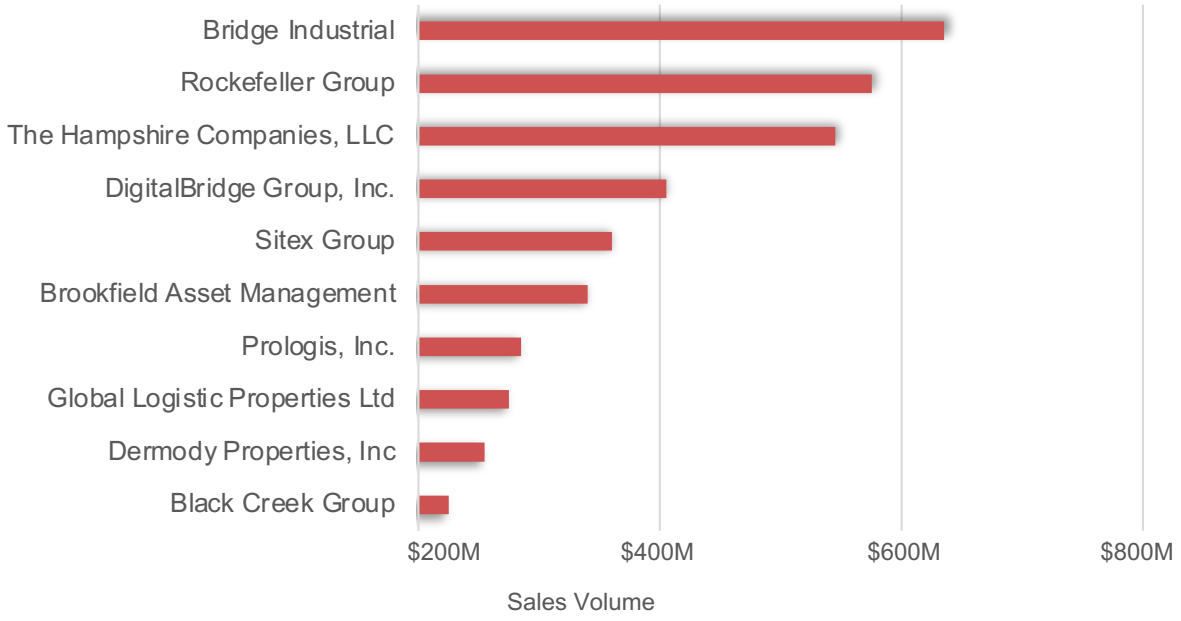
Market Trends

2Q21 | New Jersey | Top Buyers and Sellers

TOP BUYERS



TOP SELLERS



Unemployment Rate

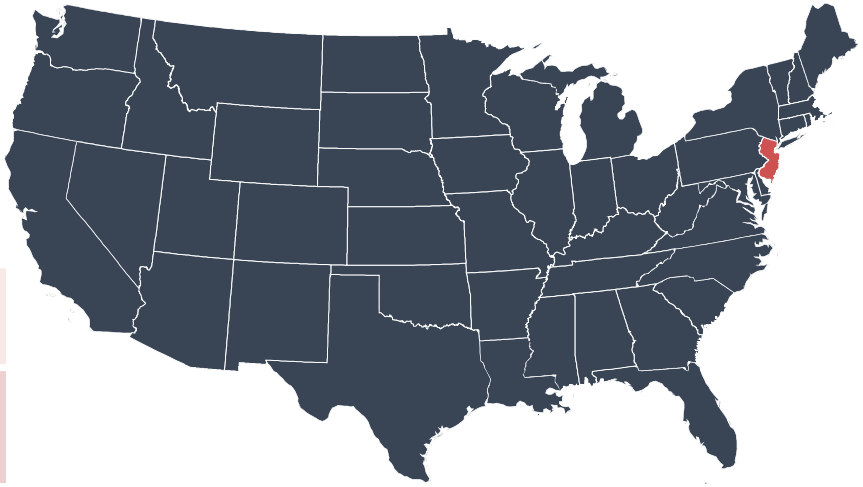
U.S. and New Jersey's unemployment rate maintained a steady rate with very little fluctuation over the course of the second quarter.

	April	May	June
NJ	8.0%	10.2%	7.3%
U.S.	6.9%	6.7%	6.7%

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

Market Trends

2Q21 | New Jersey



INVENTORY SF	UNDER CONSTRUCTION SF	12 MO NET ABSORPTION SF	VACANCY RATE
981M	16.2M	5.2M	3.4%
Prior Period 971M	Prior Period 16.9M	Prior Period 6.8M	Prior Period 3.6%

MARKET RENT/SF	MARKET SALE PRICE/SF
$10.44	$158
Prior Period $9.77	Prior Period $130

Availability		Inventory		Sales Past Year		Demand	
Vacant SF	33.2M ▼	Existing Buildings	21,483 ▲	Asking Price Per SF	$99 ▲	12 Mo Net Absorp % of Inventory	1.7% ▲
Sublet SF	3.4M ▼	Under Construction Avg SF	280K ▲	Sale to Asking Price Differential	-10.1% ▲	12 Mo Leased SF	59.2M ▲
Availability Rate	4.8% ▼	12 Mo Demolished SF	907K ▼	Sales Volume	$4.8B ▲	Months on Market	10.0 ▲
Available SF	59.9M ▼	12 Mo Occupancy % at Delivery	70.2% ▲	Properties Sold	1105 ▼	Months to Lease	4.7 ▼
Available Asking Rent/SF	$10.06 ▲	12 Mo Construction Starts SF	21.4M ▲	Months to Sale	15.0 ▼	Months Vacant	4.9 ▼
Occupancy Rate	96.6% ▲	12 Mo Delivered SF	11.7M ▼	For Sale Listings	641 ▼	24 Mo Lease Renewal Rate	77.8%
Percent Leased Rate	97.7% ▲	12 Mo Avg Delivered SF	236K ▲	Total For Sale SF	21.4M ▲	Population Growth 5 Yrs	0.5%

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

Quick Stats

2Q21 | Northern & Central New Jersey | Industrial

Industrial Market	Inventory SF	Under Construction	Net Absorption SF	Vacancy Rate	Average Market Rent/SF	Average Market Sale Price/SF	Average Market Cap Rate
Bergen County	104M	486K	150K	3.8%	$12.25	$185	5.2%
Passaic County	63.5M	586K	(206K)	2.8%	$10.35	$144	5.7%
Essex County	72.0M	1.5M	580K	2.2%	$11.24	$144	6.0%
Morris County	47.9M	286K	342K	5.5%	$11.88	$136	6.2%
Hudson County	86.7M	1.2M	(128K)	3.1%	$11.05	$179	5.4%
Union County	71.1M	2.3M	1.1M	2.5%	$11.65	$138	6.1%
Middlesex County	219M	5.9M	1.3M	0.9%	$10.22	$163	5.2%
Somerset County	38.3M	420K	248K	2.6%	$11.14	$146	6.1%
Sub Market							
West Essex Region	21.8M	215K	167K	3.2%	$12.17	$154	6.0%
Meadowlands	106M	804K	399K	3.4%	$13.05	$186	5.3%
Port/Airport	111M	4.5M	2.1M	2.5%	$11.42	$156	5.8%
Exit 12	18.3M	2.5M	731K	0.7%	$11.57	$173	5.2%
Exit 10	44.7M	700K	835K	2.7%	$10.31	$155	5.2%
Exit 8A	74.8M	1.2M	1.8M	1.2%	$9.24	$165	5.1%
Exit 7A - Monmouth	39.5M	487K	1.1M	4.2%	$7.71	$118	6.3%
OVERALL	**±981M**	**26.6M**	**16.4M**	**3.4%**	**$10.44**	**$158**	**5.2%**

Sources: CoStar and Internal Research

New Development

2Q21 | Northern & Central New Jersey | Big Box Industrial

Big Box Markets	Average Rental Rate (PSF) NNN
Exit 16-18: Meadowlands	$17.50
Exit 13A-15: Port	$19.00
Exit 13: Linden	$14.50
Exit 12: Carteret	$13.50
Exit 10: Edison	$12.50
Exit 8A: Cranbury	$10.25
Exit 7A: Robbinsville	$8.50
Exit 6: Burlington	$7.50

Sources: CoStar and Internal Research based upon 32'+

Interstate 78
Bridge Point 78
3.8 MSF

Exit 6
Clarion Partners
1.57MSF

Exit 16W
3000 Valley Brook Avenue
932,168 SF

Exit 15E
Morris & Duke
870KSF | 661KSF

Exit 12
Greek Development
4.2MSF

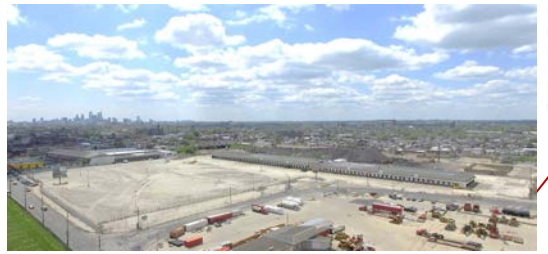
Land Pricing

2Q21 | Northern & Central New Jersey | Surface Parking

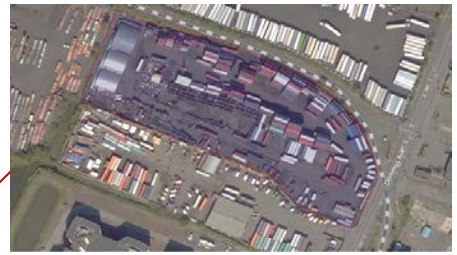
NJ Markets	Average Rental Per Month Per Acre NNN
Exit 16-18: Meadowlands	$20,000
Exit 13A-15: Port	$22,000 - $24,000
Exit 13: Linden	$15,500 - $16,500
Exit 12: Carteret	$14,000– $15,000
Exit 10: Edison	$12,000 - $13,000
Exit 8A: North Brunswick	$8,000 - $9,000
Exit 7A: Robbinsville	±$6,000
Exit 4-6: Burlington	±$5,000

Sources: CoStar and Internal Research based upon 32'+

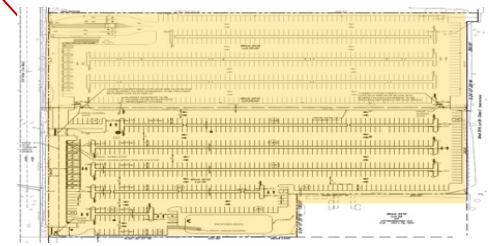
Exit 10
Fenced 3.71 AC



Exit 4
Terminal + Extra Parking
14 AC



Exit 15E
Heavyweight Corridor 6 AC



Exit 14
Nearby to EWR (paved + fenced)
5.6-10.6 AC

Exit 14
Razed and Soon to be Graded
30 AC

TOP OF THE CHARTS

2Q21 | Northern & Central NJ | Industrial

TOP INDUSTRIAL SALES

Address	Submarket - Size	Price (±) | PSF	Buyer
85 New Brunswick Avenue	Exit 10	$22,500,000 | $221,84	EverWest RE Investors
251 Monroe Avenue	Exit 14	$48,000,000	Meadow Partners
150 Bayway Avenue	Exit 13	$68,000,000 | $92.73	Lineage Logistics
2205 Route 27	Exit 10	$247,000,000 | $274.44	Property Reserve

TOP INDUSTRIAL LEASES

Building	Submarket	SF (±)	Tenant
500 Linden Logistics Way	Exit 13	480,740	World Distribution Services
47 Veronica Avenue	Somerset	544,050	Dream On Me
235 Veterans Blvd	Meadowlands	360,000	Amazon
2525 Brunswick Avenue	Exit 13	135,000	FedEx

TOP CONSTRUCTION PROJECTS

Submarket	Type-Tenancy	SF (±)	Completion (approx.)
Exit 16W	Spec*	932,168 SF	3Q21
Exit 15E	FedEx Ground	873,743 SF	4Q21
Exit 10	Spec	699,600 SF	1Q21
Exit 8A	Williams Sonoma	1,166,030 SF	4Q21

Sources: CoStar and Internal Research

Port Info

May YTD	Import TEUs		Export TEUs		Total TEUs			Total
	Loads	Empties	Loads	Empties	Loads	Empties	Total	Rail Lifts
2021	1,854,409	11,170	586,264	1,193,829	2,440,673	1,204,999	3,645,672	308,773
2020	1,44,677	7,445	561,843	840,354	2,006,520	847,799	2,854,319	283,759
% Change	28.36%	50%	4.3%	42.1%	21.6%	42.1%	27.7%	8.8%

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

MARKET TRENDS
OFFICE

Market Trends

2Q21 | Northern & Central New Jersey

OFFICE TRENDS

- On March 9, 2020, the week before the U.S. lockdown was even thought possible by most people, the 2020 office market was “Bleak at Best” and predicted a 25% vacancy which now exists.
- In 2021, office rents have continued to press downward in the Garden State, as tenants have shed space via sublease, expiration or direct givebacks to their landlords. Most large U.S. corporations are not planning to fully return until after January 1, 2022 and are hoping to have the right to require employees to be fully vaccinated, which will cause pushback.
- The office market will continue to slide as companies are taking less space and some portion of their work force will remain remote.
- Many employees are enjoying the lack of a commute and being able to spend more time with family. This is a perk that will continue to challenge the office market, where ping pong tables and uber cool amenities once ruled employee attraction and attention.
- Inflation is on the rise and rents are dropping. It’s a tenant's market and office landlords are competing with investors looking at more stable alternative real estate investments.
- We continue to see larger vacant or partially vacant office buildings trading well below $40 per square foot.

OFFICE MARKET TRENDS

2Q21 | New Jersey

VACANCY RATE

19.2%

12 MO NET ABSORPTION SF

(3.1MSF YTD)

AVERAGE STATS

Inventory SF	Under Construction SF	Market Rent/SF	Market Sale Price/SF	Market Cap Rate	Availability Rate
300M	200K	$29.50	$175	8.2%	25%

LEASE SIGNINGS

Tenant	SF	Address	City
GSA	243,996	11 Center Street	Newark
Atlantic Health	505,359 (renewal)	435, 465 + 475 South Street	Morristown
Internet Brands	105,117	2 Gateway Center	Newark

Sources: CoStar and Internal Research

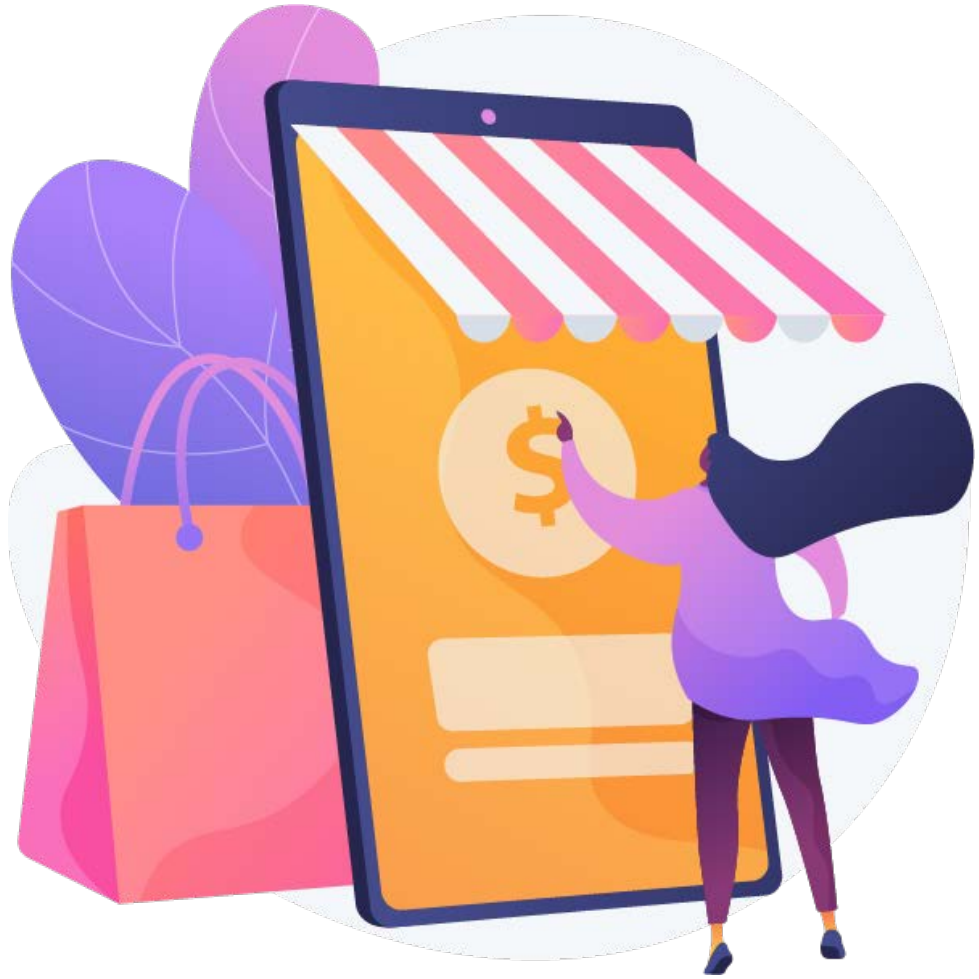
MARKET TRENDS
RETAIL

Market Trends

2Q21 | Northern & Central New Jersey

RETAIL TRENDS

- Retail is continuing to show signs of recovery as more retail stores continue to re-open their doors and new businesses are opening;
- Less growth in consumer spending came from goods and more from services due to easing of COVID fears especially among the vaccinated population;
- Many new trends have emerged through the recovery phase which mean that retail is not necessary going back to its pre-pandemic standards but is entering a post-pandemic "new normal." The key trends include:
    - Omnichannel sales (stores will continue to increase their profit margins through the fulfillment of digital sales through buy-online / pick-up in store or curbside pick-up);
    - Increasing importance of the stock room (i.e., more retailers looking for additional small satellite locations to pull, pack and ship);
    - Retail shopping as an experience (consumers want physical experience and deeper engagement that only brick-and-mortar stores can deliver);
- Although e-commerce has been leading the growth through the pandemic, such growth rate is unsustainable over the long-term mainly due to the operational and profitability limitations around shipping and logistics;
    - New retail concepts will absorb some of the vacancies. These are expected to include:
        - Digitally native brands
        - Medical
        - Health and wellness
        - Automotive showrooms and service centers
        - Pet services
        - Franchise-driven operations
        - Salon suites
        - Grocers, convenience stores, "ghost" kitchens and quick-service restaurants will continue to grow aggressively.



RETAIL MARKET TRENDS

2Q21 | Northern New Jersey

VACANCY RATE

4.8%

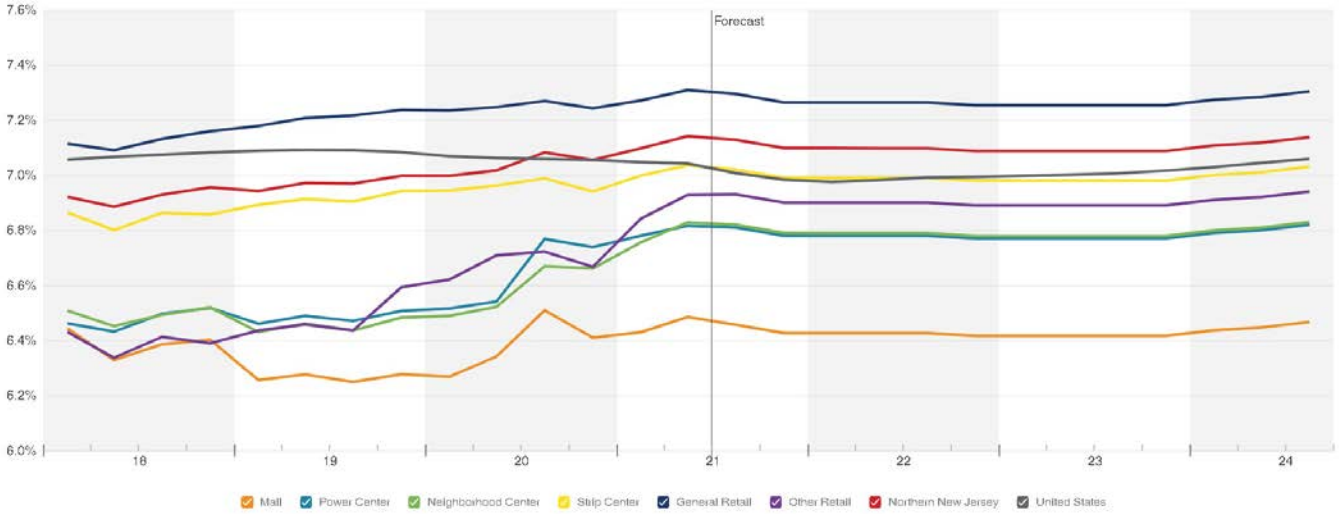
ABSORPTION SF

(256K)

AVERAGE STATS

Inventory SF	Under Construction SF	Market Rent/SF	Market Sale Price/SF	Market Cap Rate	Availability Rate
133M	500K	$22.99	$193	7.1%	6.9%

MARKET CAP RATE BY QUARTER



Sources: CoStar and Internal Research

MARKET TRENDS
MULTI-FAMILY

Market Trends

2Q21 | Northern New Jersey

MULTI-FAMILY TRENDS

- Multifamily has suffered through the pandemic as many owners lost rental income through delinquencies, deferred rents and waived fees;
    - Class A assets were impacted the most as urban locations became obsolete due to the work from home arrangements and renters either moving back home from the urban areas or seeking lower rents. As such, Class A assets are not expected to begin recovery until the offices reopen in the urban areas.
    - Class B assets are expected to lead the recovery within the multifamily market.
- Rents in Northern New Jersey have increased 4.8% in the past 12 months and investment activity continues to remain steady through 2021;
- The supply in Northern New Jersey is showing no signs of abatement as 9,000 units are currently under construction, representing 6.2% of existing inventory.

MULTI-FAMILY MARKET TRENDS

2Q21 | Northern New Jersey

VACANCY RATE

4.0%

AVERAGE STATS

INVENTORY UNITS	UNDER CONSTRUCTION UNITS	12 MO ABSORPTION UNITS	VACANCY RATE	MARKET RENT/UNIT	MARKET SALE PRICE/UNIT	MARKET CAP RATE
145,408	8,990	3,621	4.01%	$1,733	$213K	5.52%
Prior Period 142,576	Prior Period 7,059	Prior Period 2,939	Prior Period 4.5%	Prior Period $1,653	Prior Period $203K	Prior Period 5.53%

Availability		Inventory		Sales Past Year		Demand	
Vacant Units	5.8 k ▼	Existing Buildings	3,638 ▲	Asking Price Per Unit	$108,048 ▲	12 Mo Absorp % of Inventory	2.5%
Asking Rent/SF	$1,733 ▲	Average Units Per Building	40	Sale to Asking Price Differential	-7.9% ▲	Median Household Income	98K
Concession Rate	0.6% ▼	12 Mo Demolished Units	0	Sales Volume	$1.2B ▲	Population Growth 5 Yrs | 20-29	0.6%
Studio Asking Rent	$1,129 ▲	12 Mo Occupancy % at Delivery	36.7% ▼	Properties Sold	193▼	Population Growth 5 Yrs | 30-39	-3.0%
1 Bedroom Asking Rent/Unit	$1,521 ▲	12 Mo Construction Starts Units	4,778 ▲	Months to Sale	10.6 ▼	Population Growth 5 Yrs | 40-54	-5.1%
2 Bedroom Asking Rent/Unit	$2,070 ▲	12 Mo Delivered Units	2.832 ▼	For Sale Listings	52 ▲	Population Growth 5 Yrs | 55+	9.5%
3 Bedroom Asking Rent/Unit	$2,368 ▲	12 Mo Avg Delivered Units	98 ▲	Total For Sale Units	1,464 ▲	Population Growth 5 Yrs	0.6%

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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EDITORIAL
Jason M. Crimmins
Christian M. Benedetto, Jr
Justyna Kuczaj

DESIGN
Whitney Driver-Crimmins

EDITOR
Sheryl L. Crimmins