

New Jersey

Market fundamentals remain strong amid economic headwinds and a normalization in demand

- In the third largest lease in New Jersey history, Home Depot took 1.3 million s.f. at Brookfield's 904 Cranbury S River Rd in South Brunswick
- Leasing volume comes down from its pandemic heights, normalizing under 8.0 million s.f. for the third consecutive quarter
- Construction activity reached the highest level in history, more than double the quarterly average seen throughout the trailing four years
- Preleasing rates on new product dropped 22.6% in 2022 from the levels seen in the previous year

Quality credit tenants continued to lease space in the fourth quarter, evidenced in Home Depot's 1.3 million-s.f. lease at Brookfield's 904 Cranbury S River Rd in South Brunswick, marking the third largest Industrial lease in New Jersey history. With that said, the market has normalized back to pre-pandemic leasing volumes as 7.5 million s.f. was leased in the fourth quarter, the third consecutive quarter below 8.0 million s.f. An average of 12.0 million s.f. was leased from Q1 2020 through Q1 2022, whereas 8.1 million s.f. was leased on average between Q1 2018 through Q4 2019. This signifies the market has come off its pandemic highs and it has reset closer to pre-pandemic demand levels.

With vacancy constrained across the State, construction activity has reached the highest level in the market's history. 28.7 million s.f. is actively under construction, nearly 2.5x the 2017-2021 average of 12.0 million s.f. This record construction volume resulted in 10.3 million s.f. of deliveries in the fourth quarter of 2022, which brought year-to-date completions to the highest level in market history. Given these record volumes combined with a normalization in demand, preleasing rates have dropped from 89.9% to 67.3% from 2021 to 2022. This caused vacancy to tick 90 BPs higher from the beginning of the year. Nonetheless, vacancy remains below 2.0% which has given landlords pricing power over the past several years. This drove overall asking rents 20.6% higher year-over-year.

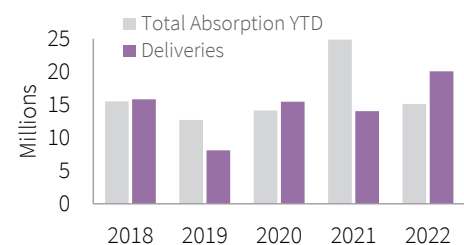
Outlook

The macroeconomic headwinds looking into 2023 are expected to keep leasing velocity constrained to this "new normal" over the near-term. This, combined with the State's record construction pipeline is expected to cause vacancy to tick higher over the next twelve months. However, given the existing space constraints across the State, vacancy is not expected to retreat towards an equilibrium, which will continue to give landlords the upper hand. As a result, we forecast continued rent growth, albeit at a more regulated pace than what we've seen over the past several years. Looking into the longer-term, trends towards faster delivery timelines, Port and population accessibility, and supply chain resiliency all bode well for the market in the years to come.

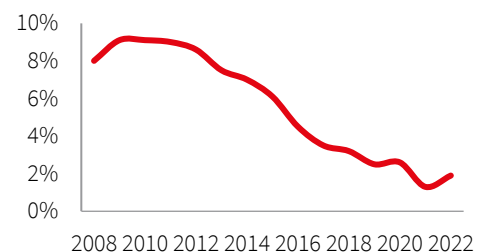
Fundamentals

	Forecast
YTD net absorption	15,103,062 s.f. ►
Under construction	28,685,590 s.f. ▲
Total vacancy	1.9% ▲
Sublease vacancy	927,707 s.f. ►
Direct asking rent	\$15.54 p.s.f. ▲
Sublease asking rent	\$12.22 p.s.f. ▲
Concessions	Stable ►

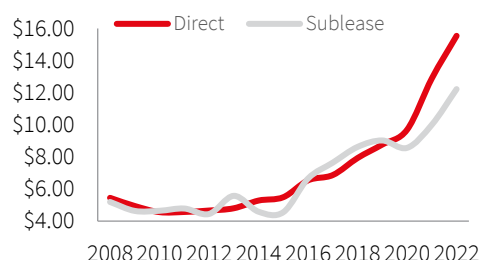
Supply and demand (s.f.)



Total vacancy (%)



Average asking rent (\$ p.s.f.)



JLL Research Report

Industrial Statistics

	Inventory (s.f.)	Quarterly total net absorption (s.f.)	YTD total net absorption (s.f.)	YTD total net absorption (% of stock)	Total vacancy (%)	availability (%)	Total average total asking rent (\$ p.s.f.)	Quarterly Completions (s.f.)	YTD Completions (s.f.)	Under construction (s.f.)
New Jersey Ind total										
Warehouse & Distribution	603,627,890	4,323,969	15,032,142	2.5%	2.1%	7.5%	\$15.76	10,324,116	19,857,582	28,432,580
Manufacturing	179,880,776	-450,207	70,920	0.0%	1.2%	2.9%	\$12.71	0	204,250	100,000
Overall Total	783,508,666	3,873,762	15,103,062	1.9%	1.9%	6.5%	\$15.54	10,324,116	20,061,832	28,685,590
Central New Jersey total										
Warehouse & Distribution	261,343,648	2,905,401	8,295,646	3.2%	2.9%	8.7%	\$14.39	7,620,861	12,658,376	14,672,111
Manufacturing	51,272,262	-379,314	-280,136	-0.5%	0.6%	1.9%	\$11.48	0	0	0
Overall Total	312,615,910	2,526,087	8,015,510	2.6%	2.6%	7.7%	\$14.34	7,620,861	12,658,376	14,825,121
287 Loop Corridor										
Warehouse & Distribution	7,770,464	509,338	953,499	12.3%	11.2%	12.7%	\$13.01	1,303,470	1,548,343	0
Manufacturing	3,575,971	4,400	29,041	0.8%	0.3%	1.8%	\$0.00	0	0	0
Overall Total	11,346,435	513,738	982,540	8.7%	7.7%	9.3%	\$13.01	1,303,470	1,548,343	0
Burlington County										
Warehouse & Distribution	49,883,548	788,145	4,429,523	8.9%	4.4%	16.5%	\$12.83	1,492,869	5,132,067	7,014,006
Manufacturing	3,262,767	0	11,730	0.4%	0.0%	0.9%	\$0.00	0	0	0
Overall Total	53,146,315	788,145	4,441,253	8.4%	4.1%	15.7%	\$12.83	1,492,869	5,132,067	7,014,006
Exit 10										
Warehouse & Distribution	67,932,643	115,508	-26,512	0.0%	1.3%	5.4%	\$16.78	216,892	216,892	2,586,708
Manufacturing	15,962,418	68,000	110,436	0.7%	0.0%	1.5%	\$13.00	0	0	0
Overall Total	83,895,061	183,508	83,924	0.1%	1.1%	4.7%	\$16.71	216,892	216,892	2,586,708
Exit 7A										
Warehouse & Distribution	14,664,744	0	76,000	0.5%	8.7%	9.8%	\$13.83	1,268,891	1,348,891	176,902
Manufacturing	92,860	0	0	0.0%	0.0%	0.0%	\$0.00	0	0	0
Overall Total	14,757,604	0	76,000	0.5%	8.6%	9.7%	\$13.83	1,268,891	1,348,891	176,902
Exit 8A/8										
Warehouse & Distribution	73,360,723	1,559,404	1,609,808	2.2%	2.4%	5.7%	\$14.49	3,075,169	3,368,688	1,805,845
Manufacturing	3,207,338	0	0	0.0%	0.0%	0.0%	\$0.00	0	0	0
Overall Total	76,568,061	1,559,404	1,609,808	2.1%	2.3%	5.5%	\$14.49	3,075,169	3,368,688	1,805,845
Exit 9										
Warehouse & Distribution	11,812,892	99,510	91,248	0.8%	2.2%	14.1%	\$18.01	263,570	303,070	1,637,282
Manufacturing	9,698,775	-429,088	-336,317	-3.5%	0.4%	1.4%	\$12.45	0	0	0
Overall Total	21,511,667	-329,578	-245,069	-1.1%	1.4%	8.8%	\$17.68	263,570	303,070	1,637,282
Hunterdon										
Warehouse & Distribution	3,181,897	0	0	0.0%	0.2%	3.4%	\$0.00	0	0	0
Manufacturing	751,742	0	-200	0.0%	7.0%	7.7%	\$8.15	0	0	0
Overall Total	3,933,639	0	-200	0.0%	1.5%	4.2%	\$8.15	0	0	0
Monmouth										
Warehouse & Distribution	8,197,505	6,400	400,862	4.9%	1.5%	3.8%	\$13.50	0	163,000	273,692
Manufacturing	4,344,043	-42,300	-100,244	-2.3%	3.0%	4.1%	\$11.24	0	0	0
Overall Total	12,541,548	-35,900	300,618	2.4%	2.0%	3.9%	\$12.08	0	163,000	273,692
Ocean										
Warehouse & Distribution	6,978,557	-5,900	75,095	1.1%	1.1%	2.1%	\$0.00	0	0	50,000
Manufacturing	1,483,307	-16,000	-18,582	-1.3%	4.5%	5.0%	\$10.50	0	0	0
Overall Total	8,461,864	-21,900	56,513	0.7%	1.7%	2.6%	\$10.50	0	0	50,000
Somerset										
Warehouse & Distribution	17,560,675	-167,004	686,123	3.9%	1.3%	8.5%	\$16.24	0	577,425	1,127,676
Manufacturing	8,893,041	35,674	24,000	0.3%	0.1%	2.0%	\$10.79	0	0	0
Overall Total	26,453,716	-131,330	710,123	2.7%	0.9%	6.9%	\$15.98	0	577,425	1,280,686
Northern New Jersey total										
Warehouse & Distribution	272,561,500	1,115,135	4,589,612	1.7%	1.5%	5.7%	\$20.38	2,170,051	4,631,502	9,008,135
Manufacturing	109,159,714	-51,821	611,285	0.6%	1.2%	3.0%	\$14.83	0	204,250	0
Overall Total	381,721,214	1,063,314	5,200,897	1.4%	1.4%	5.0%	\$19.71	2,170,051	4,835,752	9,008,135
Exit 12										
Warehouse & Distribution	16,644,811	-206,067	-446,646	-2.7%	2.7%	15.0%	\$19.51	0	0	2,653,105
Manufacturing	5,734,876	-3,600	66,714	1.2%	0.4%	2.5%	\$19.00	0	0	0
Overall Total	22,379,687	-209,667	-379,932	-1.7%	2.1%	12.1%	\$19.49	0	0	2,653,105
Fairfield										
Warehouse & Distribution	9,200,380	7,593	-14,341	-0.2%	1.0%	4.0%	\$15.02	0	0	35,235
Manufacturing	3,091,094	19,276	5,750	0.2%	0.0%	2.3%	\$13.39	0	0	0
Overall Total	12,291,474	26,869	-8,591	-0.1%	0.8%	3.6%	\$14.65	0	0	35,235

Meadowlands										
Warehouse & Distribution	89,829,587	-410,306	444,068	0.5%	2.1%	4.9%	\$21.52	358,586	1,222,800	1,419,174
Manufacturing	30,316,292	37,554	53,835	0.2%	1.5%	3.3%	\$14.02	0	0	0
Overall Total	120,145,879	-372,752	497,903	0.4%	1.9%	4.5%	\$20.46	358,586	1,222,800	1,419,174
Morris										
Warehouse & Distribution	24,164,232	33,135	1,085,115	4.5%	1.1%	6.2%	\$18.14	63,440	138,940	784,457
Manufacturing	9,297,274	193,624	234,102	2.5%	0.4%	3.3%	\$13.42	0	0	0
Overall Total	33,461,506	226,759	1,319,217	3.9%	0.9%	5.4%	\$17.37	63,440	138,940	784,457
North East Bergen										
Warehouse & Distribution	4,408,688	0	49,738	1.1%	0.9%	1.5%	\$12.54	0	0	0
Manufacturing	2,217,920	8,040	26,668	1.2%	0.8%	1.1%	\$12.00	0	0	0
Overall Total	6,626,608	8,040	76,406	1.2%	0.8%	1.3%	\$12.36	0	0	0
North West Bergen										
Warehouse & Distribution	8,895,626	95,457	289,938	3.3%	1.5%	6.4%	\$19.13	0	0	363,355
Manufacturing	4,437,167	5,500	121,320	2.7%	0.1%	1.1%	\$10.00	0	0	0
Overall Total	13,332,793	100,957	411,258	3.1%	1.1%	4.7%	\$19.01	0	0	363,355
North West Passaic										
Warehouse & Distribution	1,818,928	7,575	-47,996	-2.6%	5.0%	6.5%	\$14.76	0	0	0
Manufacturing	595,319	0	0	0.0%	0.0%	0.0%	\$0.00	0	0	0
Overall Total	2,414,247	7,575	-47,996	-2.0%	3.8%	4.9%	\$14.76	0	0	0
Port										
Warehouse & Distribution	82,533,107	1,157,405	2,384,836	2.9%	1.2%	6.0%	\$21.89	1,454,138	2,753,175	3,752,809
Manufacturing	22,826,087	-210,849	91,882	0.4%	1.3%	3.8%	\$17.09	0	0	0
Overall Total	105,359,194	946,556	2,476,718	2.4%	1.2%	5.6%	\$21.52	1,454,138	2,753,175	3,752,809
Routes 46/23/3										
Warehouse & Distribution	20,805,928	-24,397	444,006	2.1%	0.8%	1.7%	\$12.55	0	205,350	0
Manufacturing	9,938,433	-199,000	-199,616	-2.0%	2.9%	4.1%	\$14.77	0	0	0
Overall Total	30,744,361	-223,397	244,390	0.8%	1.5%	2.5%	\$14.01	0	205,350	0
Sussex										
Warehouse & Distribution	1,188,607	11,000	43,479	3.7%	0.0%	0.0%	\$0.00	0	17,350	0
Manufacturing	1,150,203	0	264,645	23.0%	0.1%	2.9%	\$12.95	0	204,250	0
Overall Total	2,338,810	11,000	308,124	13.2%	0.0%	1.4%	\$12.95	0	221,600	0
Union/Route 78/22 East										
Warehouse & Distribution	5,828,101	100,500	103,600	1.8%	0.3%	2.3%	\$12.00	0	0	0
Manufacturing	15,296,664	95,134	-98,965	-0.6%	1.6%	2.3%	\$12.51	0	0	0
Overall Total	21,124,765	195,634	4,635	0.0%	1.2%	2.3%	\$12.30	0	0	0
Warren										
Warehouse & Distribution	1,381,346	-1,150	5,250	0.4%	0.3%	12.8%	\$15.33	0	0	0
Manufacturing	1,662,246	0	37,400	2.3%	0.0%	0.0%	\$0.00	0	0	0
Overall Total	3,043,592	-1,150	42,650	1.4%	0.1%	5.8%	\$15.33	0	0	0
West Essex										
Warehouse & Distribution	5,862,159	344,390	248,565	4.2%	1.0%	3.5%	\$13.82	293,887	293,887	0
Manufacturing	2,596,139	2,500	7,550	0.3%	0.0%	0.3%	\$13.00	0	0	0
Overall Total	8,458,298	346,890	256,115	3.0%	0.7%	2.5%	\$13.79	293,887	293,887	0
Southern New Jersey total										
Warehouse & Distribution	69,722,742	303,433	2,146,884	3.1%	1.2%	9.9%	\$10.89	533,204	2,567,704	4,752,334
Manufacturing	19,448,800	-19,072	-260,229	-1.3%	2.2%	5.1%	\$9.20	0	0	100,000
Overall Total	89,171,542	284,361	1,886,655	2.1%	1.4%	8.9%	\$10.69	533,204	2,567,704	4,852,334
Atlantic County										
Warehouse & Distribution	2,603,802	0	85,100	3.3%	1.2%	4.7%	\$8.91	0	60,000	0
Manufacturing	1,250,717	31,928	-165,000	-13.2%	13.2%	15.7%	\$12.21	0	0	0
Overall Total	3,854,519	31,928	-79,900	-2.1%	5.1%	8.3%	\$11.08	0	60,000	0
Camden County										
Warehouse & Distribution	22,219,770	-4,200	-59,598	-0.3%	0.5%	3.6%	\$10.05	0	0	162,150
Manufacturing	9,117,473	0	-200,827	-2.2%	2.3%	7.1%	\$8.00	0	0	0
Overall Total	31,337,243	-4,200	-260,425	-0.8%	1.0%	4.6%	\$8.92	0	0	162,150
Cumberland County										
Warehouse & Distribution	8,418,716	-11,000	-22,670	-0.3%	1.4%	9.8%	\$9.30	0	0	0
Manufacturing	4,133,589	-51,000	0	0.0%	1.3%	1.3%	\$10.00	0	0	0
Overall Total	12,552,305	-62,000	-22,670	-0.2%	1.4%	7.0%	\$9.35	0	0	0
Gloucester County										
Warehouse & Distribution	30,119,484	169,129	2,251,378	7.5%	1.0%	8.3%	\$11.90	383,700	2,358,200	1,918,485
Manufacturing	4,147,365	0	50,496	1.2%	0.0%	2.4%	\$10.00	0	0	100,000
Overall Total	34,266,849	169,129	2,301,874	6.7%	0.9%	7.7%	\$11.83	383,700	2,358,200	2,018,485
Salem County										
Warehouse & Distribution	6,360,970	149,504	-107,326	-1.7%	4.0%	32.4%	\$10.64	149,504	149,504	2,671,699
Manufacturing	799,656	0	55,102	6.9%	0.0%	0.0%	\$0.00	0	0	0
Overall Total	7,160,626	149,504	-52,224	-0.7%	3.6%	29.8%	\$10.64	149,504	149,504	2,671,699