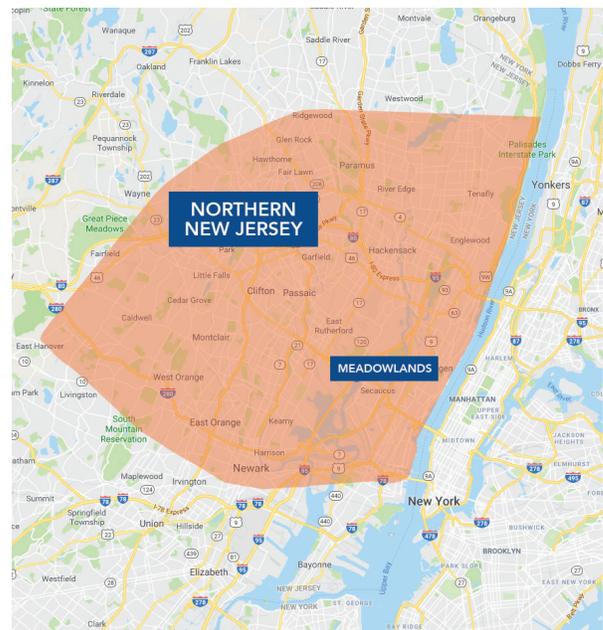


3Q 2018 MARKET REPORT

Northern New Jersey | Industrial Market

OVERVIEW

NEW JERSEY has a multifaceted economy with major focuses in the pharmaceutical, financial, chemical development, telecommunications, food processing, electric equipment, printing, publishing, and tourism industries. Shipping is also a key industry in New Jersey due to the state's geographic location. The Port of New York and New Jersey is the busiest port on the east coast; port volume to date is up 6.8% year over year. The eCommerce industry is thriving in New Jersey and requires a large amount of industrial warehouse space. Employment in this sector has surged by 18,700 jobs over last year, the most of any sector in the state. This industry shows no signs of slowing down and accounts for \$123.7 billion nationally. New Jersey's healthy local economy has also allowed transportation and warehousing jobs to grow.



MARKET REVIEW

2018 has proven to be a strong year for the Northern New Jersey industrial market. There is a scarcity of available modern warehouse space throughout the marketplace. Confidence in the market and the continued proliferation of eCommerce has led to high demand that is outpacing supply. Absorption has been strong, vacancy has reached a new low, and rents are at their highest levels all-time. Due to these factors, construction is continuing at a steady pace; there are 3 million square feet under construction and several warehouses that are beginning construction within the upcoming months. The largest project underway is a 706,000 square foot property in Newark that is expected to open by the end of 2018. The property is preleased to Fabuwood Cabinetry. The majority of industrial facilities in Northern New Jersey can be found in the Meadowlands.

The largest deal to-date in 2018 was a Build-to-Suit project for Clutter. A self-storage operator with a focus on targeting urban residents. The building is 453,000 square feet in South Brunswick. The cross-docked facility features 36-foot clear height. The 5 largest transactions are included in the table below:

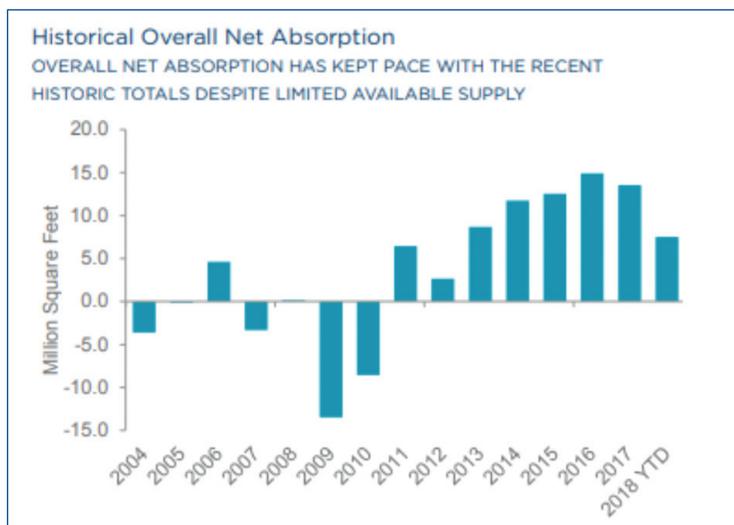
Key Industrial Lease Transactions (2018)				
Tenant	Address	City	SF	Submarket
Clutter	1065 Cranbury South River Rd.	South Brunswick	453,030	Exit 8A
Metropolitan Warehouse & Delivery	960 High St.	Perth Amboy	220,000	Exit 10
Tokiwa Cosmetics	7 Fitzgerald Ave.	Monroe Township	152,736	Exit 8A
CNC Associates	303 Helen St.	South Plainfield	117,875	I-287 Corridor
Friedrich Air	285 Ridge Rd.	Dayton	113,255	Exit 8A
Average			211,379	

Outside of these 5 large leases, there have been some new multi-tenant construction projects. Located in Secaucus, 1 County Rd. is a two-building, 240,954 square foot industrial/flex complex. The facility has 32-foot ceilings, comprises 15 units divisible to 7,200 square feet and is 96% leased to different users. This includes Power Survey Company and Hi-Steam. Another multi-tenant industrial building recently completed and fully leased is 1 Eastern Rd. in Kearny. This building is 197,000 square feet with units as small as 13,600 square feet with 36-foot ceilings.

Currently, the Northern New Jersey market contains over 236 million square feet of industrial space and has a 3.3% vacancy rate. Class A space is in even higher demand and with vacancies closer to 2.0%. There has been net absorption of 6 million square feet over the past quarter and 18 million square feet

over the past year. High competition for limited space is raising rents at a historic rate; 13.1% over the past 12 months.

Market rent has improved for 6 straight years in Northern New Jersey. Rent growth has been strongest in large, newer spaces. This has been the type of product where absorption is driving down vacancies quickly and are usually linked with port traffic. Average rental rates in New Jersey have exceeded the average of the whole United States and is predicted to keep rising.





The average rent in the Northern New Jersey industrial market is on a rising trajectory. The low vacancy and high demand have led to a pro-landlord market. Class A industrial warehouse facilities are leasing at a premium of \$10.00-\$14.00 per square foot.

Due to the incredible demand in this market, Landlords have the upper hand. There is expected to be rare concessions offered by landlords to their new tenants. New deals are being done with a maximum Tenant Improvement allowance of \$1.00 per square foot. Landlords are also pushing tenants to sign longer term deals, more in the range of 10 years.

CONTACT: DAMON TASEFF, SIOR
 dtaseff@allegrorealty.com
 216.965.0630

ETHAN HARRISON
 eharrison@allegrorealty.com
 216.331.7181