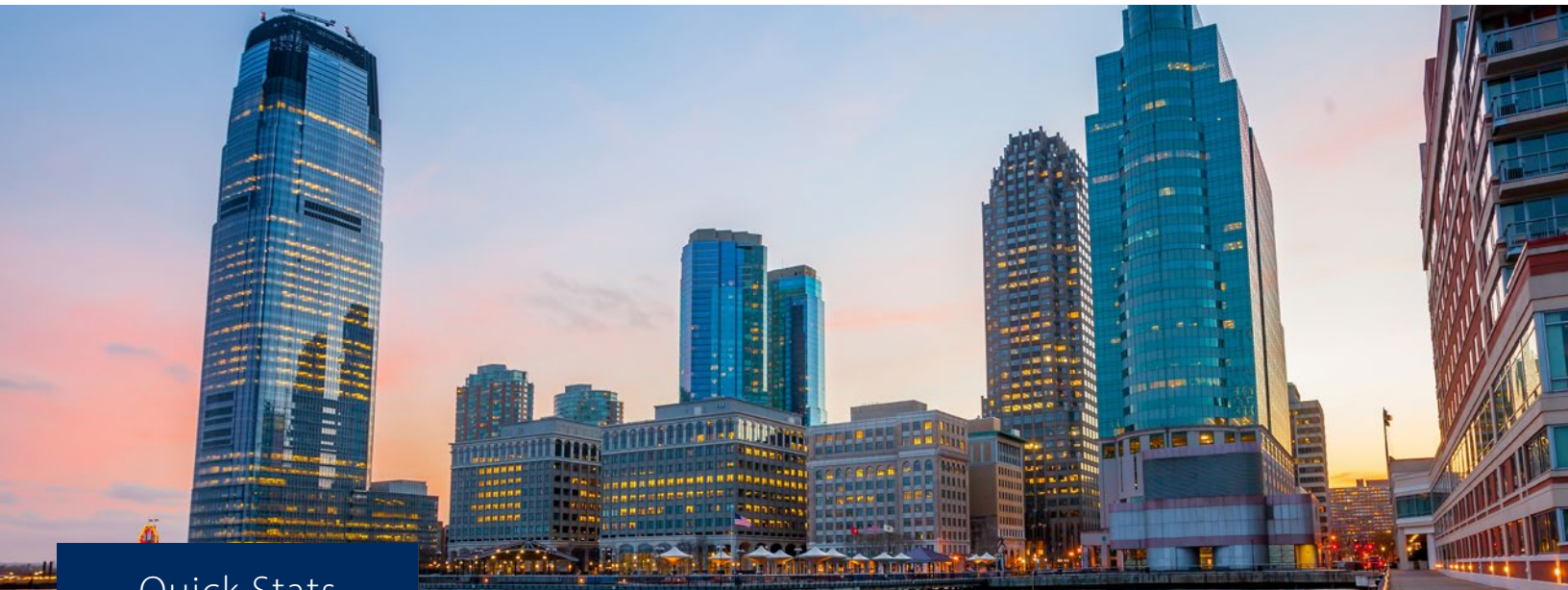


New Jersey



Quick Stats

3.8% ↑

New Jersey's unemployment rate* (National rate 4.4%**).

12.6% ↓

Overall vacancy rate.

\$30.29 ↑

Average Market Rent.

3.4 M ↑

12 month absorption (SF).

*February 2020
**March 2020

Vacancy Rate continues to drop as rents increase

There was a 130-basis point drop in the overall New Jersey vacancy rate since the first quarter of 2019, from 13.9 percent to 12.6 percent, while market rents rose \$0.29 year over year to \$30.29/SF. Net absorption continued its hot streak, posting a positive number for the eighth-straight quarter.

Harbor Group International purchases 545 Washington Boulevard in Jersey City

In one of the largest sale transactions of the first quarter, Harbor Group International purchased the 866,706 square foot, 545 Washington Boulevard in Jersey City from the LeFrak Organization. The class A office building sold for almost \$373 million and was about 95.0 percent leased at the time of sale.

KBS sells Park Avenue at Morris County

In another large sale transaction this quarter KBS sold the six-building, Park Avenue at Morris County office complex in Florham Park. The 1.16

million square foot complex was purchased by Opal Holdings for \$311 million. Park Avenue was purchased late in 2008 by KBS and had undergone significant enhancements since that time including an upgraded lobby, café, and a state-of-the-art fitness center.

Charter school leases newly renovated 5 Garret Mountain Plaza in Woodland Park

One of the largest lease transactions of the quarter was the 100,000 square foot lease of 5 Garret Mountain Plaza in Woodland Park. The newly renovated former Cytec Industries office will now be home to the John P. Holland Charter School.

Huber Suhner signs 66,413 square feet at 40 Technology Drive in Warren

Switzerland-based Electrical and Optimal device provider; Huber Suhner leased 66,413 square feet at 40 Technology Drive in Warren. The property is part of a three-building complex owned by Ivy Realty, who purchased it in 2018. Since their purchase, Ivy has undergone a significant capital improvement project to the complex.



Market Data Points

New Jersey

Indicator	Q1 20	Q1 19
Vacancy	12.6%	13.9%
Rent	\$30.29	\$30.00

Northern New Jersey

Indicator	Q1 20	Q1 19
Vacancy	13.8%	15.1%
Rent	\$31.43	\$31.26

Central New Jersey

Indicator	Q1 20	Q1 19
Vacancy	10.9%	12.2%
Rent	\$28.76	\$28.30

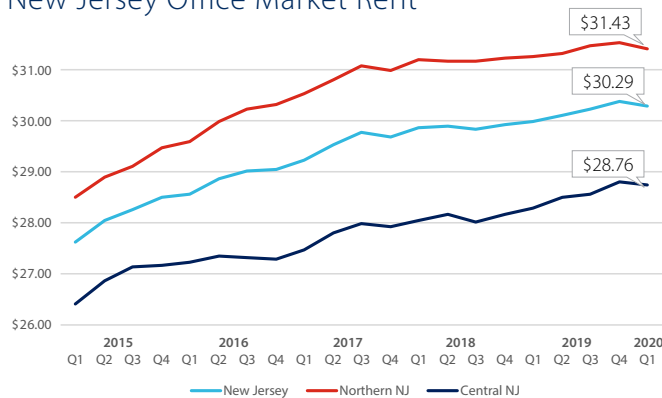
Select Office Sale Transactions

Building	Submarket/Market	Seller	Buyer	Sale Price	Price PSF	Size (SF)
545 Washington Boulevard, Jersey City	Hudson Waterfront/ Northern New Jersey	LeFrak	Harbor Group International	\$372,750,000	\$430.08	866,706
Park Avenue at Morris County, Florham Park (6 Properties)	Morristown Area/ Northern New Jersey	KBS	Opal Holdings	\$311,000,000	\$263.28	1,181,231
95 Greene Street, Jersey City	Hudson Waterfront/ Northern New Jersey	SJP Properties	Thor Equities	\$94,500,000	\$279.68	337,888

Select Office Lease Transactions

Tenant	Building	Submarket / Market	Type	Size (SF)
Hackensack Meridian Health	499 Thornall St, Edison	North Edison Woodbridge/ Central New Jersey	New	114,384
John P. Holland Charter School	5 Garret Mountain Plaza, Woodland Park	Wayne Paterson/ Northern New Jersey	Direct	100,000
Huber+Suhner	40 Technology Drive, Warren	Route 78 East / Central New Jersey	Direct	66,413

New Jersey Office Market Rent



New Jersey Office Total Net Absorption and Vacancy Rate



Trends to Watch



Will the shift to private owners continue in the aftermath of the COVID-19 crisis?



What adjustments will landlords need to make to attract tenants in the next 18 months?

Market By The Numbers

Submarket	Inventory (SF)	Direct Vacant (SF)	Sublet Vacant (SF)	Vacancy Rate (%)	Q1 20 Net Absorption	Current Under Construction (SF)	Market Rent Class A	Market Rent Class B
Bergen Central	6,896,624	833,365	50,630	12.8%	55,964	-	\$34.47	\$25.87
Bergen East	9,291,528	772,441	39,581	8.7%	(31,096)	411,750	\$34.02	\$25.46
Bergen North	9,140,097	769,391	52,058	9.0%	138,204	-	\$33.79	\$25.68
Hudson Waterfront	21,336,401	2,735,388	549,826	15.4%	(237,489)	125,000	\$42.70	\$37.05
Meadowlands	6,200,372	771,669	47,535	13.2%	(14,547)	250,000	\$34.55	\$28.07
Morristown Region	11,000,094	1,098,205	100,536	10.9%	56,121	-	\$32.28	\$26.12
Newark/ Urban Essex	18,216,838	2,492,556	67,463	14.1%	109,111	165,000	\$30.80	\$26.90
Northwest Frontier	353,408	18,805	0	5.3%	(3,870)	-	-	\$22.47
Parsippany	16,529,532	2,892,799	420,674	20.0%	302,144	64,000	\$28.87	\$23.29
Short Hills/ Millburn	2,926,241	159,194	11,842	5.8%	(61,350)	-	\$38.39	\$28.74
Suburban Essex/ Rt 280	11,037,526	1,013,503	33,552	9.5%	(12,287)	-	\$25.86	\$22.73
Wayne/ Paterson	6,361,810	621,363	13,000	10.0%	59,836	-	\$33.07	\$29.73
Western Morris	3,110,791	1,294,522	182	41.6%	26,110	-	\$25.14	\$20.65
Northern New Jersey	122,401,262	15,473,201	1,386,879	13.8%	386,851	1,015,750	\$33.81	\$26.40
Brunswick/South Edison	12,984,989	1,487,258	58,332	11.9%	115,988	60,000	\$34.03	\$26.21
Hunterdon Cluster	4,615,482	225,405	122,060	7.5%	15,395	-	\$26.29	\$22.39
Monmouth	11,719,290	1,066,003	129,503	10.2%	36,097	25,500	\$33.29	\$26.49
North Edison/ Woodbridge	6,250,600	677,463	39,784	11.5%	50,422	-	\$38.58	\$28.21
Princeton North	1,998,054	282,388	39,799	16.1%	4,293	-	\$27.69	\$25.64
Princeton South	18,143,762	1,234,481	194,146	7.9%	(21,135)	-	\$32.75	\$25.41
Route 22 West	5,410,738	282,064	421,719	13.0%	(79,297)	-	\$26.68	\$20.54
Route 287	9,510,644	1,200,330	101,340	13.7%	27,012	-	\$22.84	\$22.32
Route 78 East	16,206,520	1,758,236	242,015	12.3%	447,379	-	\$28.42	\$24.27
Union	4,464,954	390,799	20,450	9.2%	73,608	205,111	\$27.19	\$22.72
Central NJ	91,305,033	8,604,427	1,369,148	10.9%	669,762	290,611	\$30.82	\$24.61
New Jersey	213,618,183	25,834,294	2,623,297	13.3%	866,422	1,306,361.00	\$32.75	\$25.62

New Jersey Economy



New Jersey Unemployment rises 20 basis points year over year

As of February 2020, New Jersey's seasonally adjusted unemployment rate rose 20 basis points since February 2019 to 3.8 percent. These figures were published before the COVID-19 outbreak. Since then, there has been a surge of unemployment claims both within the state and nationally as companies continue to layoff and furlough employees. At the time of this writing, we will not know the full extent of the unemployment figures as they remain extremely fluid.

The United States and New Jersey Government work to mitigate the economic damage of COVID-19

Over the past few weeks in an effort to prevent long term damage to the national and state economy, the federal and state government have enacted a few measures to hopefully limit the negative impact caused by COVID-19.

New Jersey has taken a few key steps to temper the effect of the pandemic. The most notable of these steps was the creation of numerous programs run by the New Jersey Economic Development Authority (NJEDA). These programs include both grants and low-interest loans for small and medium businesses to help provide working capital to enable them to survive through this crisis.

The state has also tried to provide economic relief to individuals through a few measures. One of these measures includes requesting that home lenders provide a 90-day grace period for mortgage payments. Another notable measure the state has taken was moving the date taxes are due from April 15 to July 15

to conform with the change in the federal tax deadline.

While New Jersey's action to help limit the economic impact is helpful, most businesses and individuals will see a greater impact as a result of the federal government's actions. In March, Congress passed the Coronavirus Aid, Relief, and Economic Security Act, or as it is more commonly referred to as the "CARES ACT". This piece of legislation is the largest emergency aid package in United States history.

The \$2.2 trillion package provides aid directly to individuals, small businesses, corporations, municipalities and a slew of other recipients. At the time of this writing, not all the regulations and details have been made available yet, but here are a few of the highlights of the Act. A one-time payment of \$1,200 for all adults making under \$75,000 (\$150,000 for joint filers) and \$500 for each of their dependents, this amount gets phased out once the taxpayer reaches \$75,000 (\$150,000 for joint filers) and is completely phased out at \$99,000 (\$198,000 for joint filers). The Act will also add \$600 a week to whatever states are providing for unemployment insurance, as well as adding an additional thirteen weeks of benefits. Benefits are also provided for self-employed people, freelancers, and contractors.



With regards to small business, the Act provides a few key lifelines, most notably the Paycheck Protection Program. This program provides small businesses with loans of two and half their monthly payroll up to \$10 million. These loans are meant to allow companies to continue paying their employees and

carry an interest rate capped at four percent. These loans will be eligible for forgiveness if companies maintain their payroll levels by compensating their employees their normal salary for eight weeks.

The second lifeline the act provides for small businesses is the expansion of the SBA's Economic Injury Disaster Loan (EIDL) Program. The program historically proved funds to small businesses, homeowners and renters in areas affected by a natural disaster to repair the physical damage caused by the event. The Act expands the loan program to small businesses who suffered economic damage. Each loan has a limit of \$2 million. In addition, applicants can request a \$10 thousand advance on the loan, which does not require payment if the loan

application is later denied. The Act also provides tax credits for employee retention as well as a delay in payroll tax submission for some companies.

Other recipients of funds through the Act include large corporations from hard-hit sectors, as well as local municipalities and public health organizations. It is anticipated there will be future legislation to help both the local and national economies. While all of these efforts are commendable no one can say for certain what the full economic impact the COVID-19 pandemic will be. Accordingly, it is too early to tell if whether the steps taken by the state and national governments are the correct ones.



COVID-19

While in the past we have used this space to highlight a story or a trend in a particular city or market for both the office and industrial markets, this quarter it seemed more appropriate to highlight the unprecedented COVID-19 pandemic and its historic effect on our economy and to share some observations and hypotheses on what different areas of the market might look like after we move past this challenging time.

Office

Prior to the outbreak of COVID-19, the office market was experiencing a trend of users looking for higher quality space, but with a smaller size footprint. This trend is expected to intensify as a result of this crisis, which has shown companies how much business is possible to be accomplished over the phone and video conferencing. This change in the way companies conduct their business will force landlords to update their properties to meet the new reliance on alternative communication channels.

This crisis has also forced many businesses to review and implement contingency procedures. As a result, we are also expecting companies to take look at their organization, to see if they have enough redundancy to ensure continuity through another crisis, and as a result create satellite offices around the country and the world. On the flip side, it is expected that companies will be returning to their offices with a smaller workforce, as well as a smaller bottom line, which can lead to the decision to reduce their current space.

Industrial

Over the past few years, the industrial market has reached unprecedented levels in terms of rent and vacancy. This recent success has been driven for the most part by e-commerce and the warehouses that support the e-commerce industry. As a result of this pandemic, companies are taking a hard look at their supply chain and trying to determine how it was able to handle this crisis. At the beginning of the pandemic when the effects were limited to China, many companies came to realize that they were not as diversified as they once thought. We are expecting to see a reshoring of some of the essential components of many products, most notably pharmaceuticals, and other medical devices.

The virus and the subsequent “stay-at-home” orders have forced many people to become completely reliant on e-commerce. Many practices such as ordering your groceries online, that seemed foreign to many, are now part of their routine. We are expecting this change in habit to remain in some part, which will cause a further intensification of the industrial market, particularly in the cold storage sector.

The COVID-19 pandemic is unlike any crisis the market has ever seen. That said, there will be some similarities to the aftermath of other crises such as an increase in foreclosures, business closings, change in ownership of distressed assets and an increased opportunity for those companies and individuals who have access to liquidity. While no one knows when the pandemic will end and its full effect on the real estate market, one thing is for sure, the market will have changed as a result of this crisis.