

Quick Stats

3.8% ↑

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

2.5% ↓

Overall vacancy rate.

\$8.92 ↑

Market Rent (NNN).

7.8 M ↓

12 month absorption (SF).

*February 2020
**March 2020

Vacancy Rate continues to drop as rents increase

The New Jersey overall industrial vacancy rate dropped to 2.5 percent when compared to the first quarter of 2019 when it was 3.4 percent. Also, the historic ascent of market NNN rent has continued its historic rise to \$8.92 per square foot.

Prologis continues to grow

Prologis Inc. continued to add to its tremendous portfolio of industrial real estate holdings during the first quarter of 2020. Prologis purchased both the Liberty Property Trust as well as Industrial Property Trust ("IPT") portfolios.

In January Prologis paid nearly \$4 billion for IPT, whose portfolio was made up of 37.5 million square feet and 236 properties.

San Francisco based Prologis paid around \$13 billion in February to purchase Liberty

Property Trust, whose holdings consisted of a 108 million square foot logistics operation portfolio. A total of 4.9 million square feet of logistics development is currently in progress. In addition, there are 1,748 acres of land for future logistics development, which come with build-out potential of 20.5 million square feet, as well as a 3.8 million square foot office operating and development portfolio.

\$13B
PAID BY PROLOGIS FOR
LIBERTY PROP TRUST

US Elogistics Service Corp leases part of former Toys 'R' Us warehouse

US Elogistics Service Corp signed one of the largest leases of the quarter at 703 Bartley-Chester Road in Mount Olive. The E-commerce fulfillment company leased 570,777 square feet at the former Toys 'R' Us warehouse.

Market Data Points

New Jersey

Indicator	Q1 20	Q1 19
Vacancy	2.5%	3.4%
Rent	\$8.92	\$8.38

Northern New Jersey

Indicator	Q1 20	Q1 19
Vacancy	3.4%	4.2%
Rent	\$10.21	\$9.80

Central New Jersey

Indicator	Q1 20	Q4 19
Vacancy	1.7%	2.7%
Rent	\$8.64	\$8.04

Select Industrial Sale Transactions

Building	Submarket/Market	Seller	Buyer	Sale Price	Price PSF	Size (SF)
760-1000 Port Carteret Dr, Carteret	Exit 10- Carteret Avenel / Central New Jersey	V. Paulius & Associates	Prologis, Inc.	\$90,501,805	\$201.12	450,000
465 Mola Blvd, Elmwood Park	Bergen Central/ Northern New Jersey	Peter Marcalus	NorthBridge Partners	\$18,100,000	\$139.23	130,000
21 Fader Rd, Springfield	Union/ Central New Jersey	Shelbourne Global Solutions, LLC	United Window & Door Manufacturing Inc	\$16,550,000	\$135.07	122,532

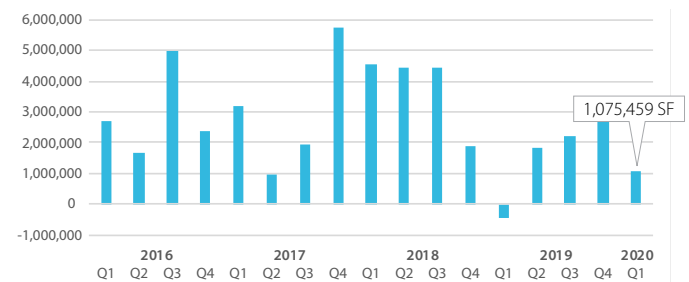
Select Industrial Lease Transactions

Tenant	Building	Submarket / Market	Type	Size (SF)
US Elogistics Service Corp	703 Bartley Chester Rd, Flanders	Morris West/I-80/ Northern New Jersey	New	570,777
Topaz Lighting	130 Interstate Blvd, Monroe	8A/ Central New Jersey	New	190,000
Harbor Freight Transportation	20-40 Western Rd, Kearny	Meadowlands/ Northern New Jersey	Sublease	175,000

New Jersey Industrial Vacancy Rate vs. Direct Asking Rent



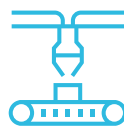
Total Net Absorption



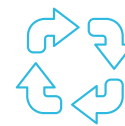
Trends to Watch



Will the already strong industrial market get even stronger over the next year?



Will manufacturing begin to play a larger role in the market?



Where will the e-commerce supply chain need more support?

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
Bergen Central	21,992,050	587,358	178,900	3.5%	52,294	-	\$11.59
Bergen North	20,032,087	894,206	68,027	4.8%	(60,555)	-	\$10.51
Eastern Morris	17,008,422	637,319	29,007	3.9%	(36,994)	-	\$9.23
Hudson Waterfront	30,734,100	1,052,054	16,800	3.5%	152,850	-	\$10.87
Meadowlands	90,669,927	2,420,574	375,281	3.1%	(132,255)	1,533,901	\$10.61
Morris West/I-80	14,285,926	1,055,121	11,000	7.5%	(62,732)	-	\$8.02
Morristown Area	2,818,289	219,041	-	7.8%	(5,500)	-	\$9.68
Newark	37,588,606	526,334	48,000	1.5%	75,634	142,972	\$12.94
Northwest Frontier	2,522,132	41,096	-	1.6%	2,800	-	\$9.58
Rt. 46/23/3	48,480,710	1,460,662	212,964	3.5%	157,020	-	\$9.58
West Essex	20,732,006	564,360	32,571	2.9%	90,869	-	\$9.68
Northern New Jersey	306,864,255	9,458,125	972,550	3.4%	233,431	1,676,873	\$10.21
Exit 8 A	68,784,416	523,435	11,156	0.8%	409,585	2,125,865	\$8.14
Exit 9- Piscataway	49,462,332	385,364	15,870	0.8%	673,908	1,680,702	\$9.34
Exit 10- Carteret Avenel	76,491,309	1,149,733	39,763	1.6%	19,384	2,326,515	\$9.92
Mercer	31,607,158	716,271	-	2.3%	8,527	486,350	\$7.30
Monmouth	16,129,133	892,190	15,000	5.6%	4,614	108,283	\$8.23
Somerset	26,863,815	408,176	32,573	1.6%	45,933	2,356,674	\$8.39
Union	58,819,634	1,350,804	7,055	2.3%	(319,923)	1,612,842	\$9.18
Central NJ	328,157,797	5,425,973	121,417	1.7%	842,028	10,697,231	\$8.64
New Jersey	635,022,052	14,884,098	1,093,967	2.5%	1,075,459	12,374,104	\$8.92

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.