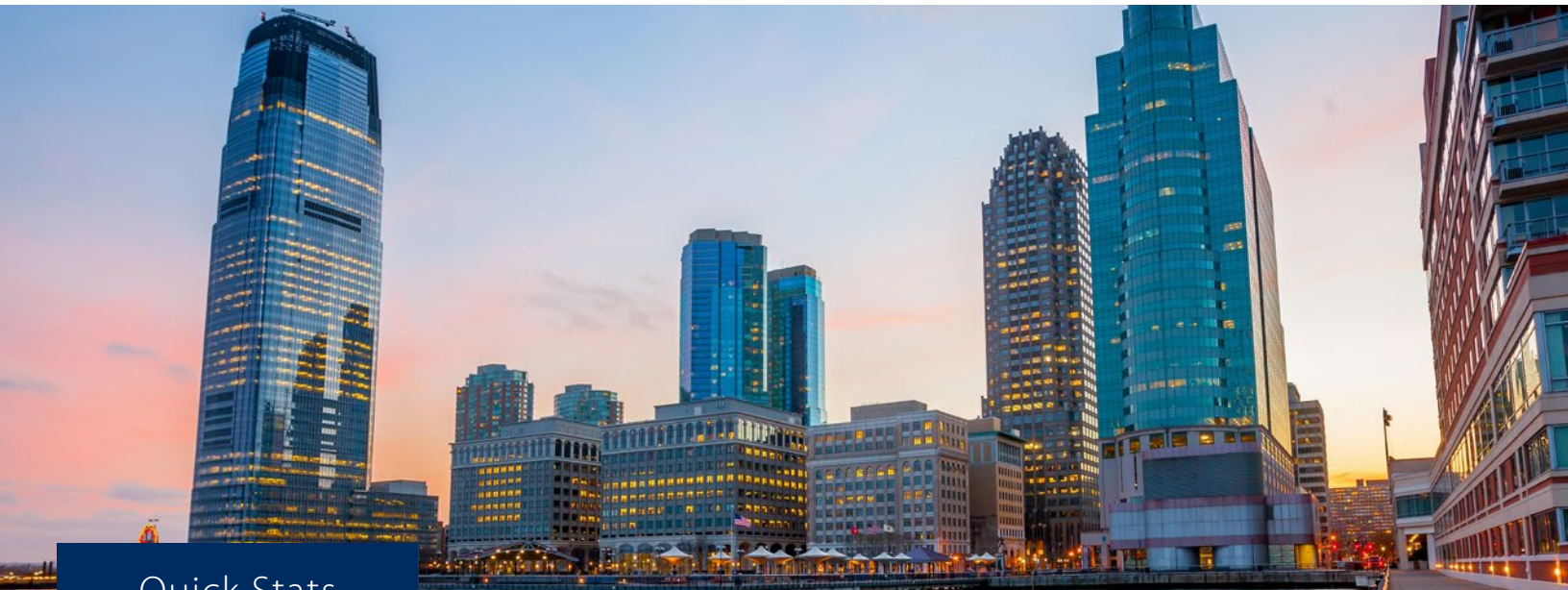


New Jersey



Quick Stats

3.4% ↑

New Jersey's unemployment rate (National rate 3.5%).

13.1% ↓

Overall vacancy rate.

\$30.23 ↑

Average Market Rent.

2.7 M ↑

12 month absorption (SF).

Vacancy Rate continues to drop as rents increase

There was a 120-basis point drop in the vacancy rate since the fourth quarter of 2018, from 14.3 percent to 13.1 percent, while market rents rose \$.13 year over year to \$30.23/SF. Net absorption continued its hot streak, posting a positive number for the seventh-straight quarter.

Birch Group acquires former American Standard manufacturing site

The Birch Group announced that it acquired the American Metro Center located in Hamilton. The three-property, 488,429 square foot office complex was sold by Meritage Properties for \$84.7 million (173.41/SF). At the time of sale, the former American Standard manufacturing site was 84.3 percent leased.

77 Corporate Drive purchased by Legacy Investing LLC

77 Corporate Drive in Bridgewater was sold for \$47.5 million (\$231.21/ SF) by Senior Housing Property Trust. The 205,439-square-foot property is part of a 300-acre office park adjacent to Route 287. The purchase of the property by Legacy Investing LLC comes on the heels of the 102,792-square-foot sublease by IQVIA in the third quarter of 2019.

Welch's Fruit Snacks' maker leased old Hertz HQ

Promotion in Motion leased 110,945 square feet at 225 Brae Boulevard in Park Ridge. The class A property used to serve as the global headquarter for Hertz Corporation, prior to their relocation to Florida. The confectionery company known for brands such

110,945 SF
LEASED BY PROMOTION
IN MOTION

as Welch's Fruit Snacks, Sour Jacks, Toggi Fine European Wafers and Sun-Maid Chocolate Raisins is currently headquartered at 25 Commerce Drive in Allendale where they occupy 29,715 square feet. Promotion in Motion has been expanding its footprint in the state, breaking ground on an 80,000 square foot expansion in Somerset earlier in 2019. The candy company is expected to move into its new headquarters during the second quarter of 2020.

DSV Air & Sea leases 97,500 SF in Iselin

Danish transport and logistics company, DSV Air & Sea announced that they have leased 97,500 square feet at 200 Wood Avenue South in Iselin. The logistics company currently occupies 52,626 square feet at 100 Walnut Avenue in Clark and is expected to move to their new location during the first quarter of 2021. This new lease comes after DSV's market-changing \$4.6 billion acquisition of rival Panalpina Welttransport Holding earlier in 2019.

Market Spotlight: Warren - Blueprint for the office market in 2020

If one were to ask the majority of real estate professionals who specialize in the New Jersey office market to describe the current office stock in one word, you would hear words like "dated" or "old". If you would ask those same professionals what is the one thing tenants are looking for in their new space, "amenities" would be number one on the board. It was this line of thinking that inspired Vision Real Estate Partners and Rubenstein Partners as they made plans to upgrade Warren Corporate Center in Warren, New Jersey after they purchased it in 2016.

The Warren Corporate Center is a five-property campus that totals over 820,000 square feet. The 170-acre property used to

act as the headquarters to Lucent Technologies. When Vision and Rubenstein purchased the building park for \$136 million it was eighty percent occupied by Citi Bank and was ripe for an upgrade and amenities.

Taking inspiration from Vison's success of creating an amenity-filled campus at The Crossings at Jefferson Park in Parsippany, the partnership decided to execute a similar plan at Warren Corporate Center. In 2018 Vison and Rubenstein opened Warren Hill, a stand-alone 20,000 square foot amenity building. This new structure anchored an array of new amenities such as a full-court basketball court, conference center, café, walking paths, and outdoor seating space. These amenities turned the campus into a collegiate atmosphere that was perfect for collaboration and success.

In 2019, all of the work and money that Vison and Rubenstein invested started to pay a dividend when Everest Reinsurance announced that they would lease 315,264 square feet at the Warren Corporate Center.

The reinsurance company will be occupying both 100 and 200 Warren Corporate Center Drive. Everest pointed to the vast number and quality of amenities as a major factor in their decision to relocate their headquarters to Warren Corporate Center. Everest is looking to move into their new space during the first quarter of 2021.

While three of five buildings are still looking for tenants (507,374 sf available), Vison and Rubenstein's decision to invest in creating high-quality amenities is a case study of what owners will need to consider as they continue to try to attract large tenants to their properties in New Jersey.



Market Data Points

New Jersey

Indicator	Q4 19	Q4 18
Vacancy	13.1%	14.3%
Rent	\$30.23	\$30.10

Northern New Jersey

Indicator	Q4 19	Q4 18
Vacancy	14.3%	15.3%
Rent	\$31.56	\$31.44

Central New Jersey

Indicator	Q4 19	Q4 18
Vacancy	11.3%	13.1%
Rent	\$28.42	\$28.29

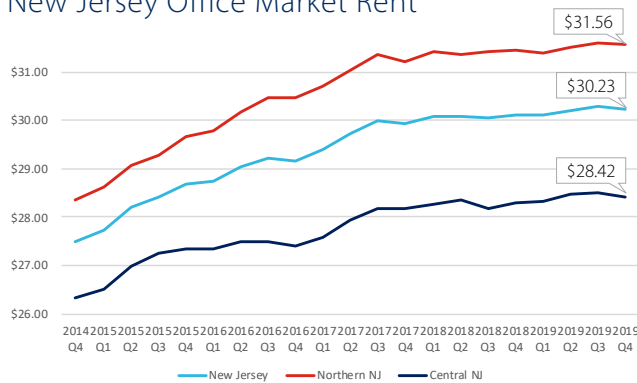
Select Office Sale Transactions

Building	Submarket/Market	Seller	Buyer	Sale Price	Price PSF	Size (SF)
American Metro Center, Halmilton (3 Properties)	Princeton South/ Central New Jersey	Lincoln Equities	Birch Group	\$84,700,000	\$173.40	488,463
77 Corporate Drive, Bridgewater	Route 78 East Central New Jersey	Senior Housing Property Trust	Legacy Investing	\$47,500,000	\$231.21	205,439
5 Wood Hollow Road, Parsippany	Parsippany/ Northern New Jersey	Mack-Cali Realty	PAG Investments	\$29,250,000	\$88.47	330,631

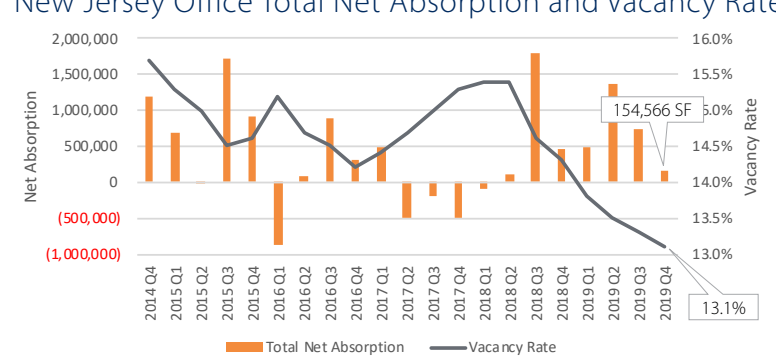
Select Office Lease Transactions

Tenant	Building	Submarket / Market	Type	Size (SF)
Pershing/ Bank of New York	95 Columbus Drive, Jersey City	Hudson Waterfront/ Northern New Jersey	Renewal	410,000
Promotion in Motion	225 Brae Boulevard, Park Ridge	Bergen North/ Northern New Jersey	Direct	110,945
DSV Panalpina	200 Wood Avenue South, Iselin	North Edison Woodbridge/ Central New Jersey	Direct	97,500

New Jersey Office Market Rent



New Jersey Office Total Net Absorption and Vacancy Rate



Trends to Watch



A new wave of private owners might provide desperately needed capital improvements to an aging office stock

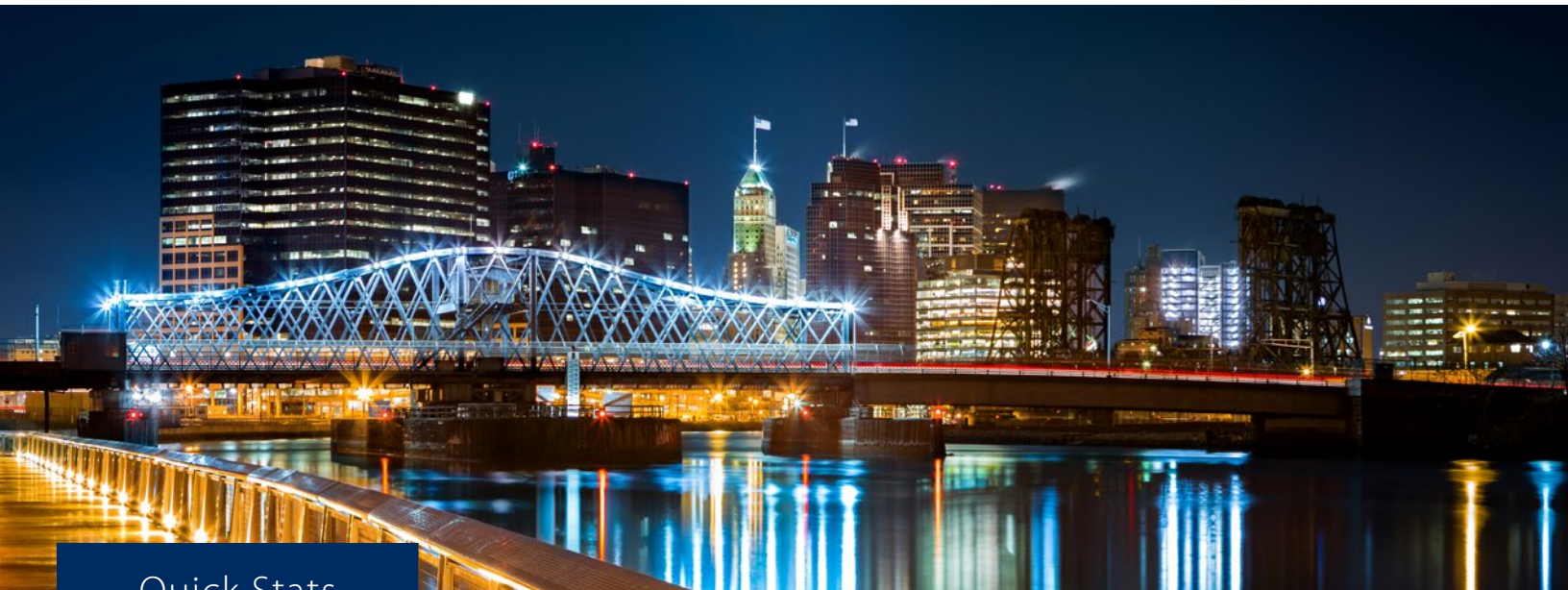


The emergence of AI both in the workplace and by landlords is expected to increase efficiency

Market By The Numbers

Submarket	Inventory (SF)	Direct Vacant (SF)	Sublet Vacant (SF)	Vacancy Rate (%)	Q4 19 Net Absorption	YTD Net Absorption	Current Under Construction (SF)	Market Rent Class A	Market Rent Class B
Bergen Central	6,872,726	832,015	51,180	12.9%	(52,621)	101,189	-	\$34.31	\$25.73
Bergen East	9,270,109	743,111	52,792	8.6%	52,481	25,684	411,750	\$34.82	\$25.82
Bergen North	9,160,534	815,485	55,066	9.5%	61,459	(47,124)	-	\$33.91	\$25.46
Hudson Waterfront	21,881,952	2,879,149	273,480	14.4%	334,085	424,064	125,000	\$42.07	\$36.49
Meadowlands	6,306,611	839,093	45,386	14.0%	53,075	(119,915)	250,000	\$34.79	\$28.23
Morristown Region	10,984,411	1,256,326	122,547	12.6%	196,314	451,118	-	\$32.69	\$25.88
Newark/ Urban Essex	18,216,838	2,579,627	68,913	14.5%	14,720	616,896	165,000	\$31.14	\$26.67
Northwest Frontier	353,408	14,935	0	4.2%	-	20,103	-	-	\$22.46
Parsippany	16,581,831	3,341,883	438,517	22.8%	(80,621)	131,018	64,000	\$29.18	\$24.99
Short Hills/ Millburn	2,926,241	95,844	13,842	3.7%	(29,625)	25,998	-	\$39.59	\$28.95
Suburban Essex/ Rt 280	10,610,608	972,771	41,910	9.6%	(17,054)	182,447	-	\$26.23	\$23.10
Wayne/ Paterson	6,009,862	681,300	2,410	11.4%	(6,527)	225,292	-	\$32.90	\$28.02
Western Morris	3,090,791	1,298,522	12,356	42.4%	13,372	7,419	-	\$26.27	\$20.59
Northern New Jersey	122,265,922	16,350,061	1,178,399	14.3%	539,058	2,044,189	1,054,000	\$34.08	\$26.38
Brunswick/South Edison	12,994,989	1,504,763	43,155	11.9%	(2,495)	106,406	60,000	\$33.68	\$25.35
Hunterdon Cluster	4,651,562	256,993	122,060	8.1%	99,559	92,821	-	\$26.78	\$22.26
Monmouth	11,727,718	1,080,334	127,279	10.3%	(47,577)	172,308	48,412	\$33.81	\$25.60
North Edison/ Woodbridge	6,226,436	838,229	32,385	14.0%	(3,506)	(31,116)	-	\$38.36	\$28.33
Princeton North	1,950,983	272,946	39,799	16.0%	7,940	58,579	-	\$28.80	\$25.54
Princeton South	17,303,248	1,210,185	196,859	8.1%	253,685	627,028	-	\$31.39	\$23.89
Route 22 West	5,368,710	258,907	467,748	13.5%	1,258	110,633	-	\$26.64	\$20.64
Route 287	9,510,644	1,195,487	128,660	13.9%	3,410	(21,832)	-	\$23.09	\$21.95
Route 78 East	16,188,844	1,781,475	211,027	12.3%	(713,401)	(547,492)	-	\$28.42	\$24.27
Union	4,464,808	434,819	20,682	10.2%	16,635	119,274	205,111	\$27.50	\$23.13
Central NJ	90,387,942	8,834,138	1,389,654	11.3%	(384,492)	686,609	313,523	\$30.57	\$24.12
New Jersey	212,653,864	25,184,199	2,568,053	13.1%	154,566	2,730,798	1,265,273	\$32.62	\$25.41

New Jersey



Quick Stats

3.4% ↑

New Jersey's unemployment rate (National rate 3.5%).

2.5% ↓

Overall vacancy rate.

\$8.71 ↑

Market Rent (NNN).

6.0 M ↓

12 month absorption (SF).

Vacancy Rate continues to drop as rents increase

The vacancy rate dropped to 2.5 percent when compared to the fourth quarter of 2018 when it was 2.9 percent. Meanwhile the historic ascent of market NNN rent has continued its historic rise to \$8.71 per square foot.

Link Industrial Properties continues its buying spree

Blackstone's industrial subsidiary, Link Industrial Properties, made two of the largest industrial purchases in the fourth quarter of 2019. In one transaction they purchased a two-property Linden portfolio from Penwood Real Estate Investment Management for \$33.6 million. The two properties were 1501 West Blancke Street (115,935 SF) and 2401 East Linden Avenue (83,220 SF). At the time of sale, both properties were fully occupied. In a second large purchase, Link purchased 7300 West Side Avenue in North Bergen

for \$22 million in a sale-leaseback with Bergen Logistics. The 130,000-square-foot warehouse boasts 22' ceilings as well as 19 tailgates and is in close proximity to routes 1/9 and Interstate-95.

LG Electronics leases almost a million SF in Somerset

In one of the largest lease transactions of the quarter, LG Electronics leased 926,392 square feet at soon to be completed 50 Veronica Avenue in Somerset. The electronics manufacturer signed a seven-year lease with Crow Holdings Development who broke ground on the property earlier in 2019. 50 Veronica boasts 40-foot clear ceilings along with 159 dock positions and is the latest example of the speculative building trends that have been

926,392 SF
LG ELECTRONICS' LEASE
AT 50 VERONICA AVE

popular in the market. LG expects to move in during the first quarter of 2020.

Market Spotlight: Warren County- Bridge Development's gamble pays off

Over the past few years, the New Jersey industrial market has reached unprecedented heights in part due to its proximity to numerous population centers along the northeast and the explosion of e-commerce. But, if one were to take a poll of what could cool down this scorching market, odds are that a lack of land would be toward the top of the list.

As land becomes more scarce developers who are looking to meet the needs of the market have been forced to look beyond the usual locations of interstate 95 and route 287, to build their next big project. This is where Bridge Point 78 comes into the picture. The 380-acre, 6 building, 3.8 million-square-foot development, is located in Phillipsburg and is being built by Bridge Development. The site is the former Ingersoll Rand property and has changed hands a few times since the industrial manufacture shut down operations in 2000, eliminating close to 500 jobs.

The development has been marketed as a cheaper alternative to other properties along Interstate 95, 287 and the Lehigh Valley in Pennsylvania, with toll-free

access to Port Newark. Bridge Development reported its first big success earlier in 2019 when Japanese clothing retailer UNIQLO announced that they signed a lease to rent the entire Building 7. UNIQLO has said that they expect their new facility to generate close to 300 new jobs for the area. The 975,751-square-foot building is the second largest in the complex and has 40-foot ceilings along with 199 loading docks. Bridge Development will continue to look for other large users to occupy the five additional soon to be built properties.

Other developers will be looking to replicate the success Bridge Development has had so far. Jandel Land Company is one of those companies. They recently presented informal plans to build a seven-building, 6.3 million-square-foot industrial complex in White Township. These plans have been met with concern about how the development would increase traffic as well as the environmental impact of the project in the historically rural area.

As industrial demand continues to rise and land to build on becomes scarcer, developers will have to look at previously passed over locations to construct their next development. Local officials are going to need to maintain a delicate balance of bringing in development and business while also maintaining the character of the towns and cities their constituents enjoy.



Market Data Points

New Jersey

Indicator	Q4 19	Q4 18
Vacancy	2.5%	2.9%
Rent	\$8.71	\$8.07

Northern New Jersey

Indicator	Q4 19	Q4 18
Vacancy	3.3%	3.6%
Rent	\$9.96	\$9.01

Central New Jersey

Indicator	Q4 19	Q4 18
Vacancy	1.7%	2.1%
Rent	\$8.43	\$7.84

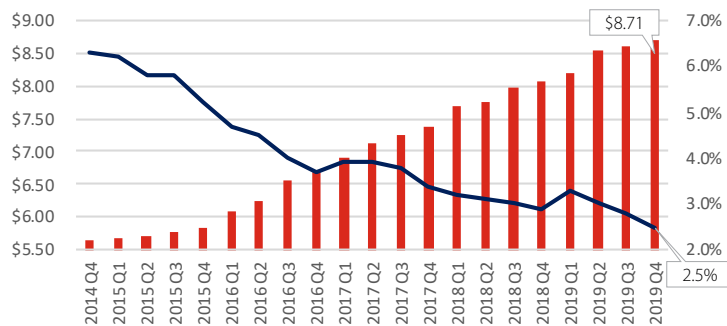
Select Industrial Sale Transactions

Building	Submarket/Market	Seller	Buyer	Sale Price	Price PSF	Size (SF)
Penwood NJ Portfolio, Linden (2 Properties)	Union/ Central New Jersey	Penwood REIM	Link Industrial Proiperties	\$33,600,000	\$168.71	199,155
18 Van Veghten Drive, Bridgewater	Somerset/ Central New Jersey	Finderne Associates	Oliva Miller, Inc	\$28,000,000	\$126.74	220,929
7300 West Side Avenue, North Bergen	Meadowlands/Northern New Jersey	Bergen Logistics	Link Industrial Proiperties	\$22,000,000	\$169.23	130,000

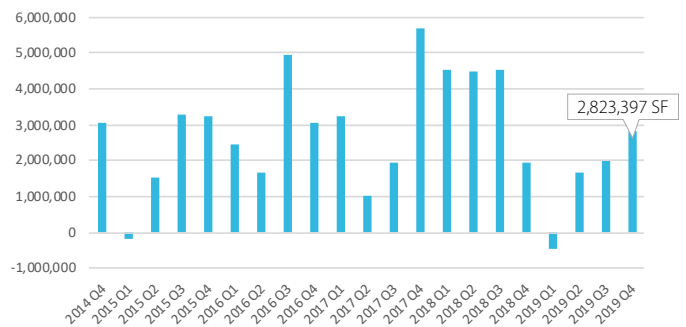
Select Industrial Lease Transactions

Tenant	Building	Submarket / Market	Type	Size (SF)
LG Electronics	50 Veronica Avenue, Somerset	Somerset/ Central New Jersey	New	926,392
Cooper Electric	311-315 Half Acre Road, Cranbury	8A/ Central New Jersey	New	650,123
Arizona Beverage Company	21 Constitution Avenue, Piscataway	Brunswick/ Piscataway/ Central New Jersey	New	288,115

New Jersey Industrial Vacancy Rate vs. Direct Asking Rent



Total Net Absorption



Trends to Watch



Will the lack of buildable land be the Achilles heel of the market?



There has been an increase in early renewals among small and medium-sized companies as they try to get ahead of rising rental rates.

Market By The Numbers

Submarket	Inventory (SF)	Direct Vacant (SF)	Sublet Vacant (SF)	Vacancy Rate (%)	Q4 19 Net Absorption	YTD Net Absorption	Current Under Construction (SF)	Market Rent
Bergen Central	22,369,438	668,503	72,700	3.3%	(135,705)	(60,551)	-	\$11.31
Bergen North	20,096,638	865,444	53,995	4.6%	(191,699)	98,217	-	\$10.25
Eastern Morris	17,008,422	591,129	29,907	3.7%	192,873	257,220	-	\$9.01
Hudson Waterfront	30,303,380	1,037,111	24,500	3.5%	187,922	241,393	188,343	\$10.61
Meadowlands	90,160,422	1,753,924	570,984	2.6%	(187,039)	(1,357,150)	1,805,434	\$10.35
Morris West/I-80	14,252,973	1,654,683	-	11.6%	83,887	315,126	25,000	\$7.83
Morristown Area	2,818,289	213,541	-	7.6%	(101,643)	(74,513)	-	\$9.44
Newark	36,761,259	563,009	48,000	1.7%	106,363	125,581	804,713	\$12.63
Northwest Frontier	2,466,132	43,534	-	1.8%	29,867	12,422	-	\$9.34
Rt. 46/23/3	48,466,386	1,479,377	12,500	3.1%	695,953	787,661	-	\$9.34
West Essex	21,109,698	506,269	8,300	2.4%	(235,171)	(42,293)	-	\$9.44
Northern New Jersey	305,813,037	9,376,524	820,886	3.3%	445,608	303,113	2,823,490	\$9.96
Exit 8 A	68,784,739	482,555	11,156	0.7%	1,091,586	1,399,377	2,125,865	\$7.94
Exit 9- Piscataway	49,654,351	451,174	17,500	0.9%	20,017	886,895	367,200	\$9.11
Exit 10- Carteret Avenel	76,749,089	1,347,771	148,874	2.0%	438,751	1,580,999	2,204,415	\$9.68
Mercer	31,987,158	696,860	-	2.2%	232,062	439,511	486,350	\$7.12
Monmouth	16,107,041	817,524	15,000	5.2%	(15,431)	(249,268)	178,283	\$8.03
Somerset	27,264,932	335,548	32,573	1.4%	177,229	470,001	1,114,574	\$8.18
Union	59,198,359	1,324,607	23,664	2.3%	433,575	1,205,450	1,612,842	\$8.96
Central NJ	329,745,669	5,456,039	248,767	1.7%	2,377,789	5,732,965	8,089,529	\$8.43
New Jersey	635,558,706	14,832,563	1,069,653	2.5%	2,823,397	6,036,078	10,913,019	\$8.71

New Jersey Economy



Unemployment slightly rises as more people enter the workforce

As of November 2019, New Jersey's seasonally adjusted unemployment rate rose 30 basis points since September of this year. The unemployment rate is now 3.4 percent and remains 10 basis points lower than the national rate of 3.5 percent. The uptick in unemployment was caused by more individuals entering the workforce and actively looking for jobs. Since September 2019, about 53,000 new people entered the workforce.

American Dream finally opens with high hopes it brings a boom to the economy

During the fourth quarter of 2019, American Dream Meadowlands finally opened its doors (kind of). The on-again-off-again megamall project (~3m sf) that was first proposed in 2003 executed their first two stages of their four-stage opening. On October 25th they opened the Nickelodeon Amusement Park and ice-skating rink, and on December 5th, they opened Big Snow American Dream ski slope, the first indoor snow park in North America. The remaining two stages of the opening, including a water park, over 450 retail stores, and over 100 eateries are expected to be completed by the end of the first quarter of 2020.

This megamall is anticipated to create a boost to the New Jersey economy through a variety of ways including, a projected 16,000 jobs to the area, sales taxes, and tourism. But this expected boom came at a very steep price. While there is no exact number, experts have estimated that more than \$1 billion

could be dependent upon the success or failure of American Dream through local tax incentives, state-owned land, and transportation upgrades.

The project has had an effect on other malls in the state that are looking to compete with the behemoth in the Meadowlands. Westfield Garden State Plaza in Paramus, one of the largest malls in the state, announced that it will be turning itself into a mixed-use town center. They are expecting to have parks, transit centers, stores, restaurants, and apartments. This transformation is expected to be completed by 2022. The Monmouth Mall in Eatontown near the Jersey Shore is also looking to redevelop themselves into a more "experiential" mall with more dining, entertainment, medical, and apartments. Other malls in the state that are undergoing changes include the Willowbrook Mall, Paramus Park Mall, and Rockaway Townsquare.

American Dream has also had an effect on the decision-making process of other "experiential" tenants such as bowling alleys, movie theaters, and amusement centers. Retail professionals are finding that these types of users are taking a "wait and see" approach. They are trying to determine if the high density of entertainment providers at the megamall monopolize the entertainment seeking clientele.

Everyone from real estate professionals to politicians to the taxpayers will be keeping a close eye on the self-described "style and entertainment destination" to see if American Dream is successful and if they rise to their own lofty expectation to become a worldwide destination and compete with attractions like Disney World.