

Northern New Jersey



Ultralow vacancy means few options for tenants in Northern New Jersey industrial market

Conditions in the Northern New Jersey industrial market continued to favor landlords during the first quarter of 2022 with exceptionally low vacancy and rising rents. While vacancy inched up by 20 basis points to 2.5%, it remains close to a historic low. Asking rents continue to climb, ticking up by \$0.33 to \$11.18 per square foot (psf) since year end 2021. Rates have increased by 31.7% from two years ago, which has become a major pain point for tenants up for lease renewals.

Lack of supply holding back leasing velocity

Year to date, 2.2 million square feet (msf) of new product has delivered, but it not nearly enough and is already 70% leased. This includes 873,000 square feet (sf) at 173-268 Doremus Avenue in Newark, a notable infill development strategically located next to Exit 15E of the New Jersey Turnpike. Fedex pre-leased the project in early 2021. Net absorption was below its long-term average during the first quarter of 2022, as low vacancy and limited new development are stymying activity. Readyspaces, a co-warehousing firm, leased 165,000 square feet at 567-575 North Midland Avenue in Saddle Brook. This is the company's third location in the tristate area and offers small industrial spaces up to 5,000 sf. It is part of a growing trend of flexible warehouse space providers.

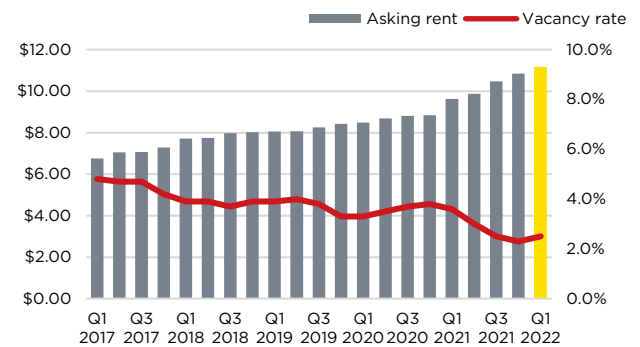
Office uses being redeveloped for industrial use

Given the lack of developable land in Northern New Jersey, developers are getting creative in finding industrial sites to meet demand. One growing trend is the redevelopment of vacant suburban office buildings. In February, a single-story office building at 25 Green Pond Road in Rockaway sold for \$19.6 million. The 121,000-sf facility was previously home to Party City's corporate offices and is being converted to industrial space. In another recent transaction, Russo Development and Onyx Equities purchased a portion of the Novartis campus in East Hanover. The 62-acre site includes 900,000 sf of office space that will be demolished to make way for an 827,000-sf industrial development. This trend is expected to continue as industrial property values soar.

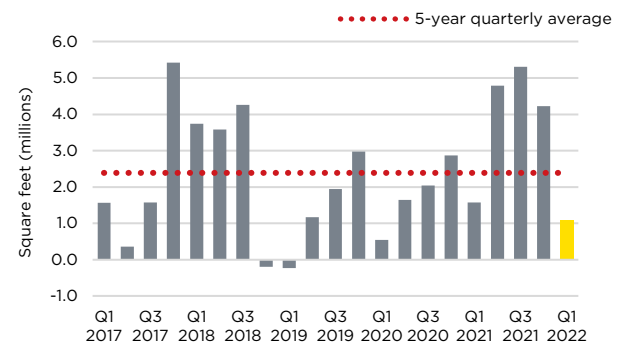
KEY STATISTICS

	Q1 2021	Q1 2022	y-o-y Change
Inventory	616.7 MSF	625.6 MSF	▲
Vacancy Rate	3.6%	2.5%	▼
Quarterly Net Absorption	1.6 MSF	1.1 MSF	▼
Under Construction	10.9 MSF	16.2 MSF	▲
Deliveries	0.4 MSF	2.2 MSF	▲
Asking Rental Rate	\$9.63	\$11.18	▲

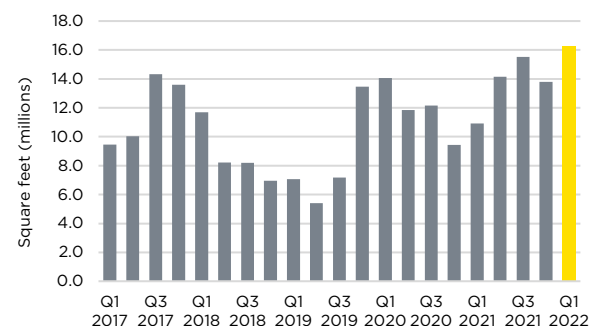
ASKING RENT AND VACANCY



NET ABSORPTION



UNDER CONSTRUCTION



Outlook

- Vacancy has likely reached a floor and is expected to stay low as rents continue to climb
- Redevelopment of office buildings into industrial uses is a growing trend and will help add much-needed new supply to the market, but likely not enough to take pressure off pricing
- Rising inflation and fuel prices are potential headwinds for both consumers and industrial occupiers that should be closely watched. As a core industrial market, Northern New Jersey is well-positioned to weather any fallout

BY THE NUMBERS

9.0M

record 2021 TEUs at the Port of New York and New Jersey

31.7%

asking rent growth over the past 2 years

0.5%

Linden/Elizabeth and Exit 8A tied for lowest vacancy

TOP TRANSACTIONS

Leases

Tenant	Square Feet	Address	Transaction Type	Submarket	Landlord
ReadySpaces	164,500	567-575 N Midland Avenue	New	Bergen Central	IEC Realty
Access Bio Inc	152,736	7 Fitzgerald Avenue	Sublease	Exit 8A	The KRE Group
Binsky & Snyder	130,000	400 Airport Corporate Drive	New	Exit 7A/Trenton	Herring Properties
Plastic Express	123,000	151 Fieldcrest Avenue	Renewal	Exit 10	Adler Development
KDC/One	111,037	95 Mayhill Street	Renewal	Bergen Central	Winter Properties

Sales

Owner/Buyer	Square Feet	Address	Price	Submarket	Seller
Cabot Properties	138,642	900 Fairmount Avenue	\$69,000,000	Linden/Elizabeth	The Avidan Group
Sitex Group	210,000	7001 Anpesil Drive	Undisclosed	Meadowlands	Pelvil Realty
Innovative Industrial Partners	114,593	24 Munsonhurst Street	\$35,400,000	Somerset	Ascend Wellness Holdings
Thor Equities Group	131,000	241 Oraton Street	\$32,000,000	Newark	Jewels Transportation
Undisclosed	121,038	25 Green Pond Road	\$19,600,000	Morris	NorthStar Realty Finance Corp

Source: Savills Research

For more information, please contact us:

Savills
201 Route 17 North
Suite 902
Rutherford, NJ 07070
+1 201 556 9700

Mark Russo
Director, Head of Industrial Research
mvrusso@savills.us

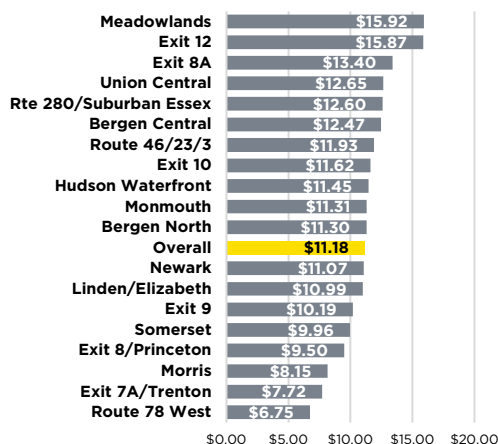
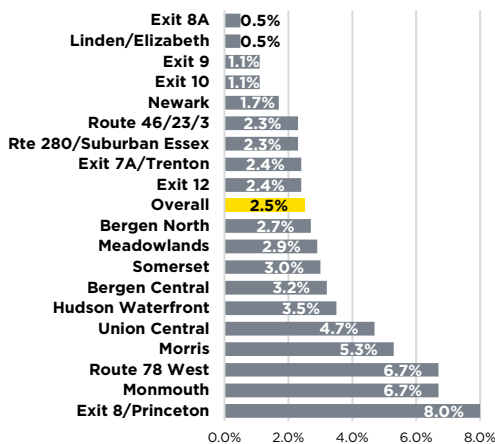
Gregg Healy
Executive Vice President, Head of Industrial Services
ghealy@savills.us

VACANCY RATE COMPARISON

Northern New Jersey Industrial Submarkets

RENTAL RATE COMPARISON (\$/SF)

Northern New Jersey Industrial Submarkets



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Unless otherwise noted, all rents quoted throughout this report are average asking net (NNN) rents per square foot. Statistics are calculated using both direct and sublease information. Current and historical vacancy and rent data are subject to change due to changes in inventory.

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