

Northern New Jersey



Vacancy moves lower, rental rates push higher despite growing macroeconomic concerns

Conditions on the ground in the Northern New Jersey industrial market are little changed over the past quarter, even as recession fears emerge nationally. Vacancy declined yet again during the second quarter of 2022, hitting a new record low of 2.4%. Meanwhile, asking rents continue to skyrocket, increasing by a blockbusting 46.6% over the past year to an all-time high of \$14.33 per square foot (psf).

Record pricing remains pain point for occupiers

Tenants coming up for renewal are experiencing sticker shock given the rapidly changing rates. Average asking rents now exceed \$20 psf in the prime submarkets of Northern New Jersey, especially along the turnpike corridor. New construction, particularly urban infill projects, is helping push rents to new heights. The Hudson Waterfront submarket, which now boasts the highest average asking rent in the market, is a prime example. The area has direct access to Manhattan but was previously home to minimal modern inventory. New developments such as HRP Hudson Logistics Park (705,000 sf) in Jersey City and Harborview Logistics Center (195,000 sf) in Bayonne are changing the landscape as well as the average rent.

Exit 8A is sold out of space

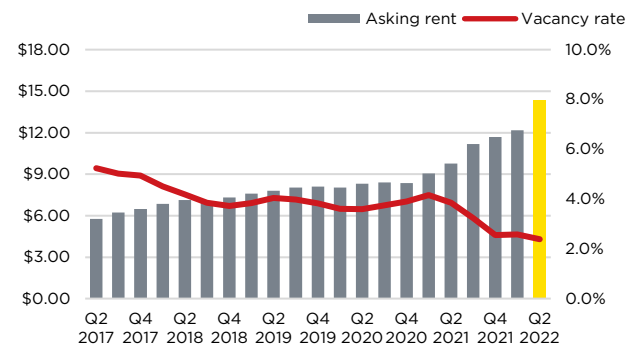
Best Buy, Yami and Comptree leased a total of 742 msf at Exit 8A during the quarter. A center of big-box distribution in New Jersey with 72.7 million square feet (msf) of inventory, Exit 8A is now effectively full with a vacancy rate of just 0.3%. The submarket, known for its development activity in past cycles, has been largely built out and the 1.5 msf currently under construction is not enough to meaningfully ease conditions.

As headwinds for the U.S. economy grow due to inflation and rising interest rates, the Northern New Jersey industrial market is well-positioned to weather impacts on demand with exceptionally low vacancy and a modest development pipeline equating to just 2.7% of inventory—one of the lowest rates in the nation. Softening demand would likely take pressure off rising rental rates, which would come as a welcome relief to tenants seeking new warehouse space.

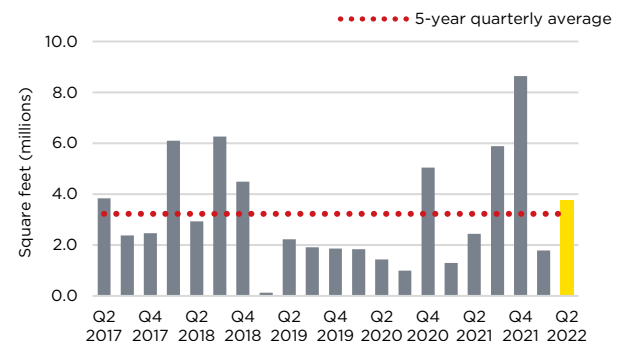
KEY STATISTICS

	Q2 2021	Q2 2022	y-o-y Change
Inventory	616.0 MSF	627.5 MSF	▲
Vacancy Rate	3.9%	2.4%	▼
Quarterly Net Absorption	2.4 MSF	3.8 MSF	▲
Under Construction	11.5 MSF	17.1 MSF	▲
Deliveries	0.3 MSF	2.5 MSF	▲
Asking Rental Rate	\$9.77	\$14.33	▲

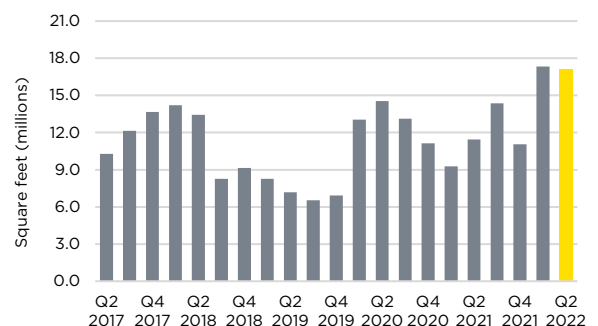
ASKING RENT AND VACANCY



NET ABSORPTION



UNDER CONSTRUCTION



Outlook

- Demand may soften somewhat over the near-term due to rising interest rates and heightened recession fears
- Northern New Jersey's industrial market is well-positioned to withstand changing economic conditions due to its exceptionally low vacancy rate, modest construction pipeline and strategic location in the nation's largest consumer market
- Rent growth is expected to moderate from recent exponential increases but rate declines are not anticipated

BY THE NUMBERS

\$21.84

Hudson Waterfront has the highest submarket rental rate

46.6%

asking rent growth over the past year

0.3%

Exit 8A has the lowest submarket vacancy rate

TOP TRANSACTIONS

Leases

Tenant	Square Feet	Address	Transaction Type	Submarket	Landlord
Yami	248,611	1165 Cranbury South River Road	New	Exit 8A	Forsgate Industrial Partners
JD.com	216,892	1570 S Washington Avenue	New	Exit 10	Duke Realty
Best Buy	293,420	1 Jebara Way	New	Exit 8A	Prologis
Comptree	200,000	114 Melrich Road	New	Exit 8A	Morgan Stanley
Eastern Warehouse	104,000	266-268 Kellogg Street	Renewal	Newark	City of Newark

Sales

Owner/Buyer	Square Feet	Address	Price	Submarket	Seller
EverWest Real Estate Investors	212,339	329 New Brunswick Avenue	\$62,000,000	Linden/Elizabeth	Gramercy Real Estate Services
Principal Real Estate Investors	171,269	537-557 Route 130	\$55,100,000	Exit 7A/Trenton	Penwood Real Estate Investment Management
Elion	172,647	55 Shepherds Lane	\$38,000,000	Route 46/23/3	Alexander Property Holdings
CenterPoint Properties	117,340	100 Demarest Drive	\$27,500,000	Route 46/23/3	Jos. L. Muscarelle, LLC
601 Lehigh Ave LLC	160,000	601 Lehigh Avenue	\$26,000,000	Union Central	Jacob Gold Realty

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
Senior Director, Head of Industrial Research
mvrusso@savills.us

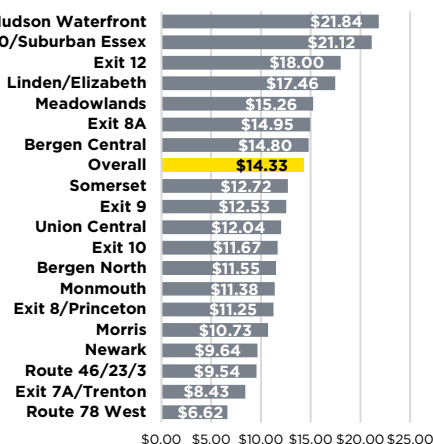
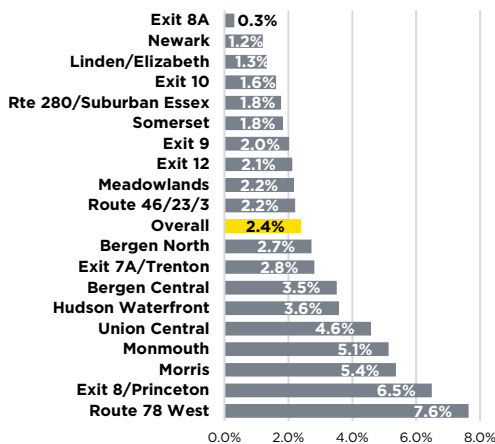
Gregg Healy
Executive Vice President, Head of Industrial Services
ghealy@savills.us

VACANCY RATE COMPARISON

Northern New Jersey Industrial Submarkets

RENTAL RATE COMPARISON (\$/SF)

Northern New Jersey Industrial Submarkets



About Savills Inc.
Savills helps organizations find the right solutions that ensure employee success. Sharply skilled and fiercely dedicated, the firm's integrated teams of consultants and brokers are experts in better real estate. With services in tenant representation, workforce and incentives strategy, workplace strategy and occupant experience, project management, and capital markets, Savills has elevated the potential of workplaces around the corner, and around the world, for 160 years and counting.

For more information, please visit Savills.us and follow us on LinkedIn, Twitter, Instagram and Facebook.

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.

The information in this report is obtained from sources deemed reliable, but no representation is made as to the accuracy thereof. Unless otherwise noted, source for data is Savills Research.

Copyright © 2022 Savills

