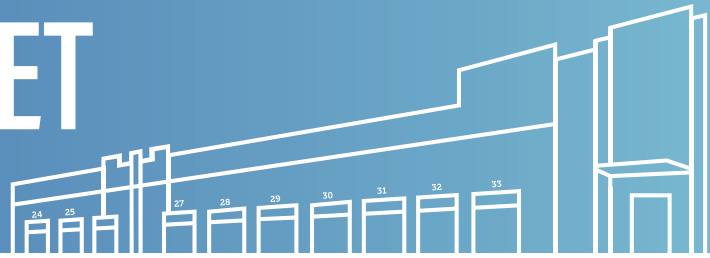


INDUSTRIAL MARKET



Scarce New Development Prompts Double-Digit Rents

Demand pushes asking rents above \$10 PSF in multiple submarkets

OVERVIEW

Consumer Spending Continues to Drive the Market

The U.S. economy's slower growth in 2019 reduces the likelihood of overheating and may extend the recovery indefinitely. Consumer spending, which drives demand for industrial real estate, grew 2.8 percent in the fourth quarter and will continue to increase, fueled by essentially full employment and rising wages. Concerns exist in New Jersey as State employment decreased in February and the growth that was reported for January was revised lower. Construction labor continues to grow nationally and locally; in New Jersey the annual average for construction employment in 2018 approached pre-recession levels. Manufacturing employment in New Jersey has grown every year since 2014, though it has slowed along with the economy thus far in 2019.

DEMAND

Properties Leased Prior to Construction

There remains so few vacant large blocks of existing inventory that tenants are signing leases for new development, prior to construction. This activity is not accounted for when accumulating net absorption levels. Due to limited leasing of existing inventory, the market experienced a negative quarter for net absorption for the first time in six years, dating back to Q1 2013. That notwithstanding, 10.4 million square feet has been absorbed when compared year-over-year. It marks the fifth consecutive quarter that occupancy growth totals for 12 previous months was greater than 10 million square feet, the first time such a streak has occurred. Positive net absorption was recorded in 18 of 25 submarkets year-over-year, including more than one million square feet in the Exit 8A, Route 287 West, Exit 11/Perth Amboy/GSP, and Exit 14/Newark East submarkets. Manufacturing users continue to lease space, absorbing nearly one million square feet during the past 12 months.

TRENDLINES

5-YEAR TREND CURRENT QUARTER

JOB GROWTH



4,500 JOBS
Steady increases in manufacturing

ABSORPTION



-114K SF
Leasing offset by new construction

VACANCY



3.8 %
Increase in inventory

UNDER CONSTRUCTION



6.4 MSF
2.2 MSF delivered

RENTAL RATE



\$8.38 PSF
Double-digits for new construction

VACANCY

New Inventory Accounts for Slight Uptick

Following 18 consecutive quarters of increasing occupancy, including all-time high levels for the six most recent quarters, the vacancy rate ticked up one-tenth of a percentage point to 3.8% during Q1 2019. Despite the increase, it still compares favorably to 4.1% during the same quarter last year and is half of its level when compared to just four years ago. New deliveries accounted for the slight uptick in vacancy, but much of that product is expected to lease up soon. The two largest leases during the quarter occurred in planned product not yet under construction, both in the Exit 8A submarket in Middlesex County. E-commerce furniture company Wayfair signed a lease of 953,595 square feet and, upon construction completion, will occupy more than three million square feet in Cranbury. In the same planned development, Crate & Barrel agreed to lease 870,950 square feet, a likely consolidation of its existing footprint.

SUPPLY AND DEVELOPMENT

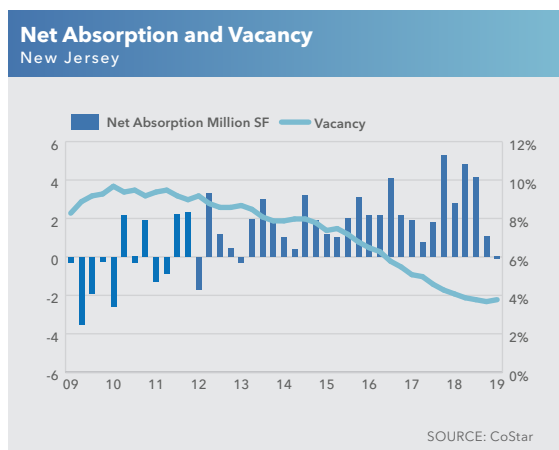
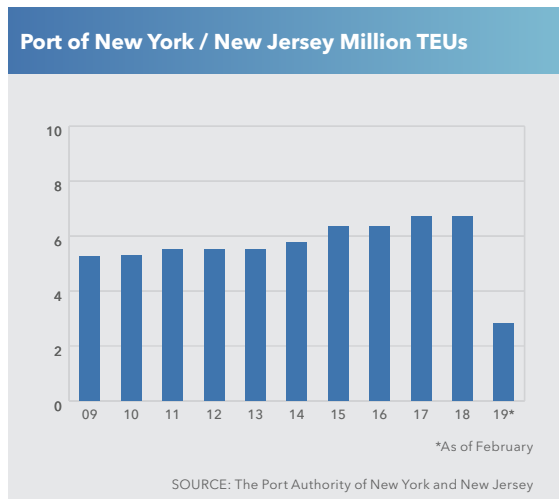
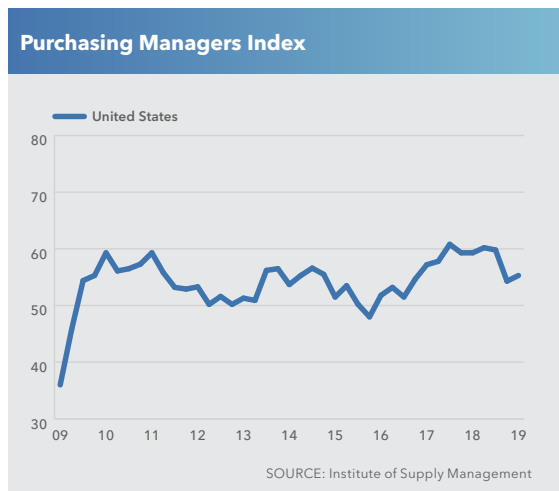
Demand Continues to Outpace Supply

Development remains at the forefront of the industrial market. Construction is beginning to slightly outpace absorption in some U.S. markets. In New Jersey this is not the case, where there is less than six million square feet under construction, not enough to satisfy demand. There was more than 14 million square feet under construction in 2017, and much of that has already been leased. As a result, large tenants are committing to planned development not yet under construction. Developers continue to seek opportunities west and south of the primary market. Environmental challenges remain for much of the remaining vacant land, but tenants remain patient as they prefer New Jersey's population density and labor pool.

RENTAL RATES

Double-Digit Rents Becoming More Common

Asking rents increased in 18 of 25 submarkets when compared year-over-year, pushing the overall average higher to \$8.38 per square foot. The Q1 2019 rate reached a record level for the 13th consecutive quarter. For the first time, three submarkets, all in northern New Jersey, averaged double-digit asking rents: Bergen Central, Hudson Waterfront and Meadowlands. More than half of the submarkets reported rents which have increased by more than 50% during the past five years. In total, the average asking rent for industrial space in New Jersey has increased for 15 straight quarters. Rents for manufacturing buildings also continued to rise and are higher by more than 20% when compared year-over-year.



INVESTMENT SALES

Buying in Bulk

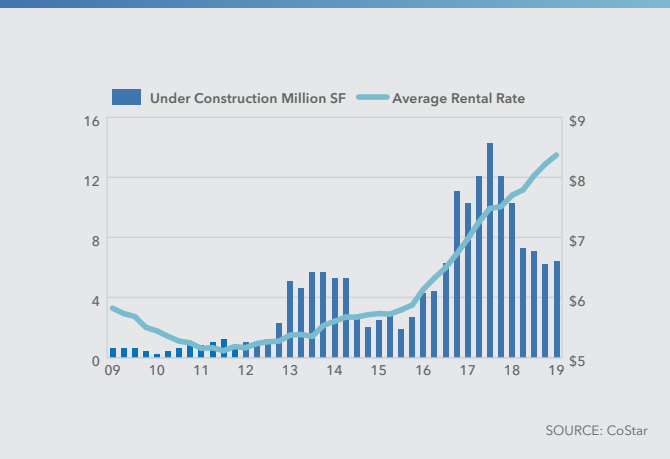
Multi-property sales led activity during Q1 2019. In a bulk acquisition, Oxford Properties took 50% partnership of the 139-property IDI Logistics portfolio acquired late in 2018 by Canadian-based Ivanhoe Cambridge, Inc. The portfolio includes five buildings in New Jersey, four in Middlesex County. In a \$183 million sale, Silverman Group acquired a portfolio from Rubenstein Partners which included one parcel of land, five flex buildings and 23 industrial properties, nine of which are in New Jersey. Individual property sales of significance included two in Bergen County which each sold for more than \$200 per square foot. In the Meadowlands submarket, Liberty Property Trust acquired a 168,800-square-foot multi-tenanted building in Moonachie for \$235 per square foot. In northern Bergen County, Sitex sold its newly developed distribution building fully occupied by Snow Joe in Mahwah for \$229 per square foot to Colony Capital.

OUTLOOK

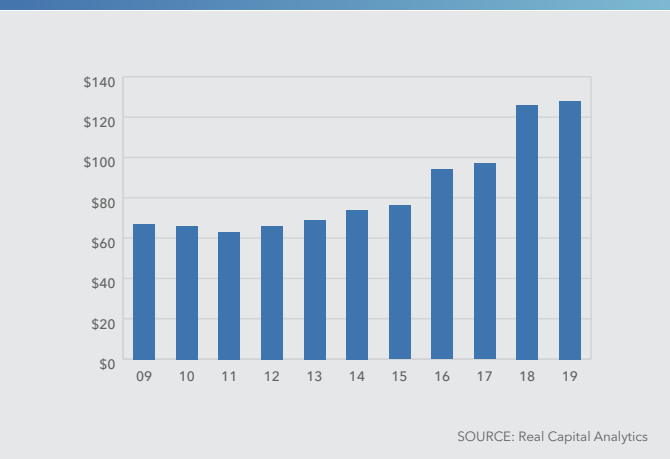
Retailers Continue to Target the Region

The industrial market remains fundamentally strong. Overbuilding is beginning to take place in some U.S. markets, though labor and rising construction costs could limit new building deliveries. In New Jersey, construction continues unabated and leases signed for planned development justifies the search for more developable land. As consumer products retailers are taking the big boxes, smaller and mid-sized spaces are being leased by a mix of industries led by food, manufacturing, transportation and recreation. There are still many national retailers who do not yet have a location in the metropolitan area and want to be in New Jersey. Consumer spending remains strong and continues to move towards online shopping, which is still in its early stages. As the economy remains strong, this trend is expected to continue and thus will the success of the industrial market.

Average Asking Rental Rates and New Construction
New Jersey



Average Industrial Sales PSF
New Jersey



Notable Q1 Lease Transactions

TENANT	DEAL TYPE	ADDRESS	CITY	SQUARE FEET
Wayfair	New: Planned Development	343 Half Acre Road	Cranbury	959,595
Crate and Barrel	New: Planned Development	353 Half Acre Road	Cranbury	870,950
Performance Team	New	3 Brick Yard Road	Cranbury	444,940

New Jersey Industrial Market Indicators by Submarket

SUBMARKET	INVENTORY	DIRECT VACANCY	OVERALL VACANCY	UNDER CONSTRUCTION	NET ABSORPTION QUARTER	NET ABSORPTION YEAR-OVER-YEAR	AVERAGE RATE PSF
Bergen Central	26,117,162	3.5%	3.5%	30,000	(161,421)	526,710	\$10.92
Bergen North	22,085,196	4.6%	4.7%	0	40,597	60,251	\$9.39
Exit 7A/Trenton-I295	26,431,463	3.0%	3.0%	355,428	68,229	425,212	\$4.63
Exit 8/Princeton-Hightstown	7,075,492	0.8%	4.3%	30,600	8,025	870,325	\$6.86
Exit 8A	68,814,462	3.3%	3.3%	251,288	(376,479)	2,622,443	\$7.91
Exit 9/Brunswick	21,720,534	4.0%	4.1%	612,432	(470,846)	(697,371)	\$7.11
Exit 10/Edison	41,779,848	1.8%	2.1%	0	409,797	719,628	\$8.91
Exit 11/Perth Amboy/GSP	19,915,030	0.4%	0.6%	635,086	856,531	1,312,760	\$7.85
Exit 12/Carteret-Avenel	17,877,979	3.5%	3.9%	0	(260,543)	(200,483)	\$8.96
Exit 13/Linden	15,968,780	4.5%	4.5%	132,685	(389,064)	(302,505)	\$7.30
Exit 13A/Elizabeth	19,001,054	3.9%	4.0%	0	126,490	(12,396)	\$7.79
Exit 14/Newark East	24,187,764	2.2%	2.2%	828,880	(94,053)	1,052,212	\$8.35
Fairfield	12,325,501	1.7%	1.8%	0	(28,416)	128,220	\$8.29
Hudson Waterfront	32,622,631	4.7%	4.7%	286,828	59,090	422,460	\$10.17
Meadowlands	94,740,785	2.5%	2.7%	738,293	(284,578)	130,434	\$10.05
Monmouth	18,675,805	4.3%	4.4%	256,250	(258,330)	(147,174)	\$8.66
Morris East	24,319,423	6.8%	7.3%	54,576	(13,766)	152,798	\$9.02
Morris West	15,254,425	11.7%	11.7%	140,000	149,225	264,763	\$7.61
Newark West	17,442,679	2.7%	2.7%	0	63,104	95,867	\$7.35
Route 22/I-78 East	20,371,369	5.6%	5.6%	0	(11,372)	160,609	\$8.16
Route 280/Suburban Essex	11,146,225	5.4%	5.3%	0	(56,538)	(18,003)	\$9.39
Route 287 West	28,706,079	1.5%	1.5%	1,340,680	269,697	2,375,839	\$7.85
Route 46/23/3	52,767,517	5.4%	5.5%	0	(266,844)	(303,081)	\$8.18
Somerset	28,581,773	2.7%	3.0%	118,182	385,976	688,385	\$7.55
Union Central	9,581,844	3.8%	4.1%	0	121,509	97,317	\$7.23
TOTAL	677,510,820	3.6%	3.8%	5,811,208	(113,980)	10,425,220	\$8.38

SOURCE: CoStar, Transwestern

New Jersey Industrial Market Indicators by Property Type

SUBMARKET	INVENTORY	DIRECT VACANCY	OVERALL VACANCY	UNDER CONSTRUCTION	NET ABSORPTION QUARTER	NET ABSORPTION YEAR-OVER-YEAR	AVERAGE RATE PSF
Warehouse/Distribution	554,054,927	3.6%	3.9%	5,732,808	(186,964)	9,466,358	\$8.34
Manufacturing	123,455,893	3.4%	3.4%	78,400	72,984	958,862	\$8.56
TOTAL	677,510,820	3.6%	3.8%	5,811,208	(113,980)	10,425,220	\$8.38

SOURCE: CoStar, Transwestern

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METHODOLOGY

The information in this report is the result of a compilation of information on industrial properties located in northern and central New Jersey. This report includes properties 10,000 square feet and larger in size.

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