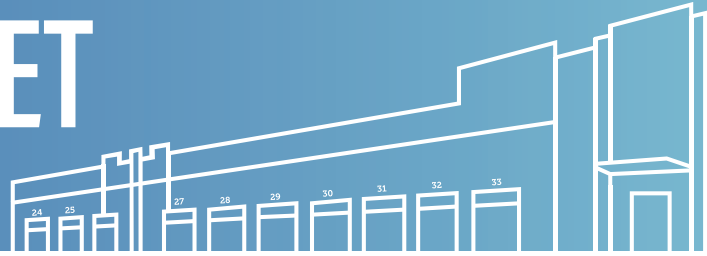


INDUSTRIAL MARKET



Industrial Market Continues Bull Run

Leasing activity rebounds after slight breather

OVERVIEW

Job Growth in Industrial Market Labor Sectors

The longest-running recovery in U.S. history is also the nation's weakest of modern times. This plodding pace may be dampening volatility that is typical amid faster recoveries, and it is certainly keeping inflation at bay, motivating Federal Reserve officials at their June meeting to hold the fed funds rate steady. Tariffs and trade disputes will lengthen lead times and costs for construction materials, but those costs, as well as labor challenges and rising land prices, will continue to limit new building deliveries and stave off systemic overbuilding that undermined some previous cycles. In New Jersey, unemployment reached a historic low with strong job growth in the private sector. Construction employment continues to rise steadily while recent job increases in the manufacturing and trade, transportation, and utilities sectors bode well for the industrial market.

DEMAND

Significant Increase over Previous Quarter

After taking a slight breather during Q1 2019, in part due to a lack of available quality space, total leasing activity increased by 20% during the past three months, bolstered by more than 20 leases signed for greater than 100,000 square feet. Absorption was widespread, with occupancy level increases in 16 of 25 submarkets for both the quarter and year-over-year. In total, 2.4 million square feet of positive net absorption was recorded during Q2 2019, the highest level since Q3 2018. Moreover, occupancy levels increased by 8.6 million square feet during the past 12 months, the eighth straight quarter where more than eight million was recorded year-over-year. Manufacturing buildings continue to perform consistently well, accumulating more than one-half million square feet during the past 12 months, pushing total positive absorption during the past five years to nearly four million square feet.

TRENDLINES

5-YEAR TREND CURRENT QUARTER

JOB GROWTH



7,600 JOBS
Construction employment rising

ABSORPTION



2.4 MSF
Stronger than previous two quarters

VACANCY



3.6 %
New deliveries largely pre-leased

UNDER CONSTRUCTION



5.3 MSF
Lowest level in three years

RENTAL RATE



\$8.41 PSF
14th consecutive historical peak

VACANCY

Historical Low

Increased leasing activity improved the overall vacancy rate to a historical low of 3.6%, the fifth consecutive quarter less than 4.0%. Four of top six leases were signed in the New Jersey Turnpike Exit 8A submarket, which also accumulated more than 30% of the overall positive absorption in NJ for Q2 2019. While the largest transactions continue to be signed by e-commerce and related companies along the Turnpike, activity is expanding to markets further west. Leasing in these secondary markets was led by the manufacturing industry. In the Route 46/23/3 submarket, food and chemical producer Corbion leased a new, 391,515-square-foot building, and is expected to move in later this year. Additional leases away from the market's primary industrial corridor include nutritional and functional foods manufacturer Vitaquest international, who signed a lease of 200,000 square feet in the Morris East submarket, and food and beverage manufacturer Karat by Lolicup, who announced plans to move into a new 190,000-square-foot facility in the Somerset submarket.

SUPPLY AND DEVELOPMENT

Large Projects in Early Stages of Development

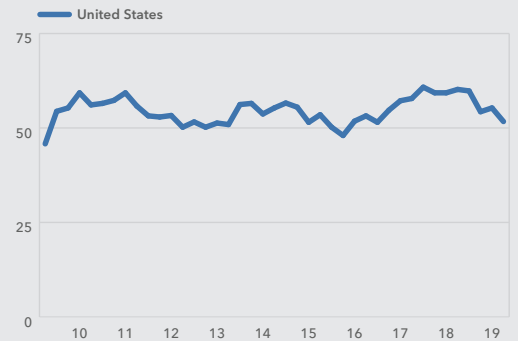
As of the end of the quarter, 5.3 million square feet was under construction in the New Jersey industrial market. This figure is approximately two million square feet less than what was being developed at the same time a year ago and about one-third of the market peak during Q3 2017. Help is on the way for tenants seeking new space as new projects are ready to break ground all over the region, most notably in Bayonne and Linden, where developers recently broke ground on a vacant 350-acre tract of land. The entire development, known as Linden Logistics Center, plans eight buildings totaling 4.1 million square feet. In the Meadowlands, the premier industrial market in northern New Jersey, Russo Development and Forsgate Industrial Partners acquired 718 acres of land with plans to develop than 3 million square feet high-end industrial product.

RENTAL RATES

Rates Increasing in Secondary Markets

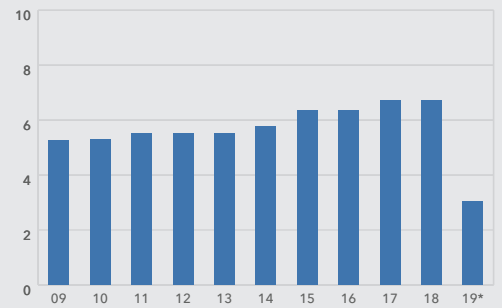
Asking rents tick up again, but only a slight increase from Q1 2019. Much of the highest quality product in primary markets is leased, leaving a higher ratio of class "B" product available. In addition, asking rents are often not listed in new buildings or those under construction, many of which have rents as high as the low teens. As a result, asking rents increased in just 12 of 25 submarkets during Q2 2019. Long-term growth perhaps tells the more accurate story as rents are higher by 7.8% when compared year-over-year and increased in 19 of 25 submarkets during the past 12 months. Furthermore, all 25 submarkets are higher when compared to three years ago, with 20 of 25 reporting asking rent increases of at least 20% during that period. Rents are also increasing in more areas away from the ports, most notably in the Route 46/23/3, Fairfield and Morris East submarkets.

Purchasing Managers Index



SOURCE: Institute of Supply Management

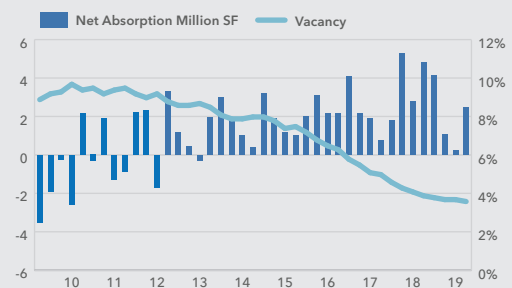
Port of New York / New Jersey Million TEUs



*As of May

SOURCE: The Port Authority of New York and New Jersey

Net Absorption and Vacancy New Jersey



SOURCE: CoStar

INVESTMENT SALES

Investors All-In on Industrial

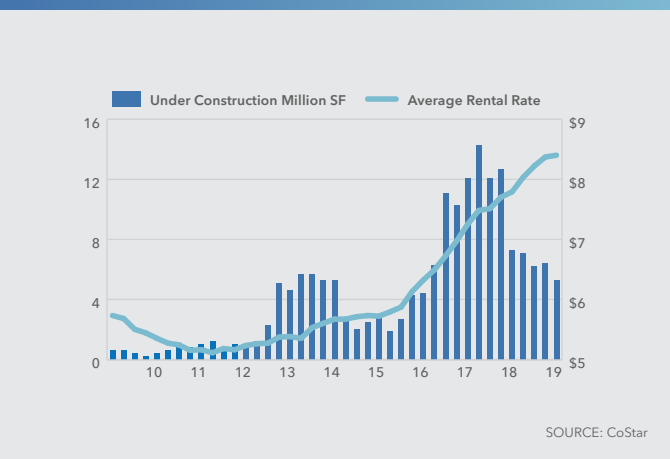
Portfolio acquisitions were at the forefront of industrial property purchases during the quarter. Blackstone Group nearly doubled their industrial portfolio by acquiring 179 million square feet of warehouse assets, including several properties located in New Jersey, from GLP Pte for \$18.7 billion. Colony Capital acquired more than 20 properties in New Jersey as part of a 1.2 billion acquisition of a portfolio owned by The Hampshire Companies. In the largest single property sale in New Jersey during the quarter, Duke Realty paid \$78.5 million for 90 acres of land in Perth Amboy. It is the site of the former Gerdau Ameristeel manufacturing property and is slated for a development of a warehouse/distribution park. Duke has already been a part of a successful redevelopment in Perth Amboy, acquiring Bridgeport Logistics Center in 2017 as part of a portfolio acquisition from Bridge Development Partners, following the successful lease-up of three new buildings on the former site of American Smelting and Refining Company.

OUTLOOK

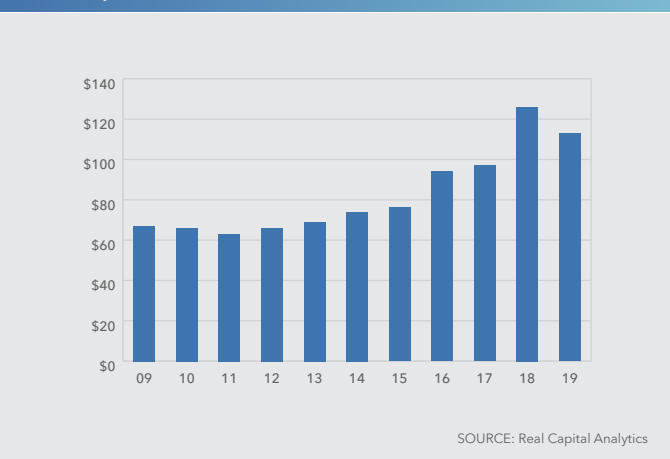
Consumer Spending Driving Bull Run

The bull run continues to parallel shipping volume. Through May, the Port of New York and New Jersey ranked No. 2 in the U.S. by cargo shipped thus far 2019, the first time in decades it was ranked as the second busiest port, surpassing Long Beach, CA. As consumer spending continues to grow and products pour across the shore, investors continue to seek new sites for development. However, as of Q2 2019, the amount of product under construction was at its lowest level in three years. The need for more quality product is driving infill development. However, site remediation sometimes delays the process even longer in interior, secondary markets. Seeing the spillover success, landlords of smaller industrial and flex type buildings to the west of the New Jersey Turnpike are investing in improvements to modernize their properties and attract tenants.

Average Asking Rental Rates and New Construction
New Jersey



Average Industrial Sales PSF
New Jersey



Notable Q2 Lease Transactions

TENANT	DEAL TYPE	ADDRESS	CITY	SQUARE FEET
Geodis	Renewal	1 Costco Way	Monroe Township	611,320
Corbion	New	700 Union Blvd	Totowa	382,596
H&M	New	15 Applegate Drive	Robbinsville	295,200

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	26,140,623	3.9%	4.0%	30,000	(46,572)	107,343	\$9.71
Bergen North	22,031,353	4.2%	4.4%	0	117,827	(722)	\$9.35
Exit 7A/Trenton-I295	26,859,515	4.2%	4.2%	0	10,104	262,055	\$4.74
Exit 8/Princeton-Hightstown	7,084,492	0.8%	0.8%	371,000	0	598,086	\$6.13
Exit 8A	68,830,747	2.1%	2.2%	251,288	750,335	1,828,175	\$7.89
Exit 9/Brunswick	21,978,775	3.1%	3.1%	367,200	555,741	(18,327)	\$7.63
Exit 10/Edison	41,776,884	1.2%	1.3%	0	183,463	1,306,246	\$8.92
Exit 11/Perth Amboy/GSP	19,907,485	1.7%	1.9%	635,086	4,650	1,441,606	\$7.71
Exit 12/Carteret-Avenel	17,852,773	3.7%	4.3%	0	84,285	(145,998)	\$8.91
Exit 13/Linden	15,968,780	4.2%	4.2%	867,685	50,700	(405,946)	\$6.80
Exit 13A/Elizabeth	19,225,207	2.0%	2.1%	0	231,653	198,757	\$7.20
Exit 14/Newark East	24,784,143	1.7%	1.7%	804,241	138,034	1,261,096	\$9.17
Fairfield	12,325,172	1.4%	1.4%	0	86,966	181,463	\$8.72
Hudson Waterfront	32,643,519	4.9%	5.0%	284,151	(90,409)	555,189	\$10.57
Meadowlands	94,452,356	3.1%	3.4%	489,405	(291,298)	(142,503)	\$9.98
Monmouth	18,644,007	4.0%	4.1%	216,250	(57,500)	(223,205)	\$8.56
Morris East	24,406,999	6.1%	6.3%	54,576	245,108	242,844	\$8.91
Morris West	15,201,104	11.0%	11.0%	105,000	139,069	326,097	\$7.47
Newark West	17,229,724	2.8%	2.9%	0	(30,893)	91,281	\$8.08
Route 22/I-78 East	20,348,235	5.7%	5.7%	0	(22,653)	(48,875)	\$8.22
Route 280/Suburban Essex	11,100,097	5.2%	5.2%	0	13,084	(61,486)	\$9.45
Route 287 West	29,521,507	3.0%	3.0%	666,100	230,589	881,629	\$7.95
Route 46/23/3	53,106,685	5.1%	5.2%	0	337,163	(98,036)	\$8.94
Somerset	28,845,434	3.5%	3.7%	188,182	(199,989)	424,004	\$7.44
Union Central	9,578,712	3.9%	4.2%	0	(12,000)	86,194	\$7.23
TOTAL	679,844,328	3.5%	3.6%	5,330,164	2,427,457	8,646,967	\$8.41

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	556,562,101	3.5%	3.6%	5,181,764	2,199,454	8,111,596	\$8.36
Manufacturing	123,282,227	3.3%	3.4%	148,400	228,003	535,371	\$8.65
TOTAL	679,844,328	3.5%	3.6%	5,330,164	2,427,457	8,646,967	\$8.41

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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